Botswana Market Watch

10 February 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			
13:30	US	CPI y/y	Jan	1.50%	1.40%
13:30	US	Real ave weekly earnings y/y	Jan		4.90%
15:00	US	Wholesale inventories m/m	Dec F	0.10%	0.10%
15:00	US	Wholesale sales m/m	Dec		0.20%
19:00	US	Monthly budget statement	Jan		$-143.6bn
19:00	US	Fed Chair Powell speaks to the Economic Club of New York			

Africa	What happened?	Relevance	Importance	Analysis
Africa investment	A UK development finance institution, CDC Group, is planning to invest about $1bn into Africa this year in infrastructure and finance. The group is targeting markets including Ethiopia, Kenya, Egypt and Nigeria	In the midst of the pandemic, which has weighed heavily on government funds for infrastructure projects, any investment should be seen in a positive light by investors	3/5 (economy)	The UN Conference on Trade and Development reported that the continent is expected to have suffered a 25% to 40% decline in foreign direct investment last year as a result of the COVID-19 pandemic. As such, the UK investment into Africa at the start of the new year is encouraging
SSA debt	Fitch said in a report that the coronavirus pandemic has driven interest-to-revenue ratios among sovereigns in Sub-Saharan Africa close to levels seen before debt relief was extended in the 2000s	As the second wave of the pandemic emerges, fiscally constrained sovereigns have less room to provide stimulus than other economies	4/5 (Fiscal)	Fitch said that the fiscal constraints would weigh on the region's economic recovery as governments are unable to offer additional support to cushion the economic blow of the second wave of the coronavirus
AfCFTA	Members of the African Continental Free Trade Area (AfCFTA) should complete their tariff reduction schedules and finalise essential rules of origin by July according to a senior official. Recall that the new trade agreement came into effect on January 1	Members must phase out 90% of tariff lines over the next 5-10 years while the 7% that is considered sensitive will be granted more time and 3% will be allowed to be placed on an exclusion list	3/5 (economy)	Silver Ojakol, chief of staff at the AfCFTA Secretariat. announced that nearly 90% of the rules of origin have now been agreed and the remaining 10% which involves key issues such as infrastructure interconnectivity will have until July. While the AfCFTA is seen boosting trade and growth, there are still major challenges to be overcome

Global	What happened?	Relevance	Importance	Analysis
Covid Investigation	Investigators have dismissed the notion that the virus leaked from a lab in Wuhan and believe that it originated in animals	The investigation is largely inconclusive and will likely raise some eyebrows	2/5 (economy)	The investigation is likely to do very little to curb speculation about how the virus began and will likely leave many dissatisfied with the outcome
Trump impeachment trial	The Senate voted to proceed with the impeachment trial, ruling it constitutional. Voting took place largely along party lines	The split in votes still suggests the Senate will not be able to convict Trump	2/5 (politics)	The trial is more likely to take the form of a political spectacle than it will take on any serious meaning, with the 2/3rds needed to convict likely to be illusive
UK Covid restrictions	In order to avoid the spread of variants, the UK has imposed stricter travel restrictions that will require Hotel quarantine for arrivals from high-risk countries as well as two tests post arrival	The restrictions are now punitive as well threatening jail-time for those that do not abide by the new restrictions	4/5 (economy)	The UK is committed to reducing overall infections, preventing the spread of the virus and allowing the authorities to open up the economy to start the economic revival so desperately needed to stabilise government finances

Local FX Opening Rates and Comment

	CUSTOMER BUY CASH	CUSTOMER SELL CASH	CUSTOMER BUY TT	CUSTOMER SELL TT
BWPZAR	1.2936	1.4100	1.3185	1.3965
BWPUSD	0.0879	0.0954	0.0896	0.0945
GBPBWP	15.6988	14.4105	15.3592	14.7107
BWPEUR	0.0725	0.0789	0.0742	0.0774
JPYBWP			9.4025	9.7985
USDZAR	14.1219	15.3094	14.4529	14.9782
EURUSD	1.1644	1.2615	1.1917	1.2342
GBPUSD	1.3272	1.4380	1.3583	1.4069

Benchmark Yield Curve

6m	1.1250
3y	3.8750
5y	5.1250
22y	6.2650

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.9256	0.0000
3m	-6.0401	0.0000
6m	-14.1814	0.0000
12m	-33.1208	0.0000

Equities

BSE Domestic Index	6861.98
BSE Foreign Index	1548.3

Economic Indicators

GDP	-6.0	Bank Rate	3.75
CPI	2.2		

- The news flow remains focused on the how the country is dealing with the pandemic and many boardroom meetings are focused on what the business landscape will look like in the future. Certain realities are without question, technology will substitute business travel in many cases with online calls becoming the norm. Governments will be rallying to invest in telco infrastructure and this is where Botswana is well ahead of the regional pack in its strategy.
- Botswana will also focus on energy, it is in the process of creating its own structures for energy delivery which will further remove it from the regional risks. This can be seen in the coal sector as Mining MX reports - *UNLISTED Maatla Resources which is developing the Mmamabula coal project in Botswana has received its mining licence and is looking to start construction of the mine by June once it has achieved financial close on the project. CEO, Jacques Badenhorst, said the project is "… construction ready. All going to plan the first phase of the mine will be in production by June 2022 ramping up towards production of 100,000 tons/month of sized coal which will be sold to customers in South Africa. Badenhorst told Miningmx there were no plans to list Maatla, commenting that most listed coal companies had suffered significant value destruction for their shareholders because of the drops in their share prices.*
- Internationally, more colour was made public on what the makeup of the US Stimulus might look like when Biden engaged stakeholders to paint the picture of who would qualify. Those Americans earning up to $75k per annum or a household that earned up to $150k would qualify. This implies a reduction in the upper limits to ensure that the poorest households receive the most amount of support. It amounts to very real stimulation which would explain the positive market reaction to this.
- Job vacancies data made for some interesting reading. Job vacancies through Dec rose, while layoffs fell. Hiring did not take up much of the slack because businesses expressed concern about the rising infections and the risk of taking on overheads when the future looked uncertain. It therefore bodes well for a further improvement in labour market dynamics and confirms that the lull reflected in the recent payrolls data will likely prove temporary.
- In terms of the FX markets, yesterday the USD came under renewed pressure and this morning, the weaker bias remains intact. Investors are increasingly looking beyond the pandemic at a time when infections and death rates will be brought well under control. They are focused on the full expression of the stimulus efforts that have yet to fully manifest and that will likely be with us for quite some time. The USD's resumption of a bear trend will likely encourage short-sellers back to the market, to keep the USD under pressure and bolster prospects for higher beta currencies.
- The BWP-USD has cleared the 0.0910 mark yesterday with risk on sentiment supporting the local unit. Markets are likely to keep focus on the global macro picture which is almost solely being generated out of the United States at the moment.

ZAR and Associated Comments

- The ZAR led EM currencies higher with a 0.70% advance yesterday, as positive sentiment due to global stimulus hopes outweighed concerns over SA's delayed vaccination plan. These gains occurred against a backdrop of broad-based USD weakness, with the trade-weighted USD falling to two-week lows as safe-haven demand ebbed. A further unwinding of the dollar's 2020 safe-haven gains is expected in the months ahead as progress is seen in global vaccination efforts. In this context, focus will shift to the tidal wave of monetary stimulus that hit the global economy last year, while 2021 reflation efforts will also continue to drive demand for risk assets.
- While the external environment of extremely flush liquidity conditions and improving sentiment is perfect for risk assets to thrive in, there are dark clouds hanging over the ZAR due to the significant fiscal risks facing SA. These fiscal risks were underscored by Moody's yesterday, when it noted that SA's sovereign debt could rise to above 100% of GDP by 2023. The ratings agency said SA's credit profile is "increasingly constrained by strong, widespread fiscal pressures, including rising borrowing costs, and persistently low growth". It added that progress on the reform front has been limited due to social and political obstacles, highlighting the lose-lose situation the Ramaphosa administration finds itself in as the structural reforms needed to save the fiscal ship from sinking run against the governing party's core ideology and are therefore politically unpalatable. All-in-all, SA's fiscal picture remains a bleak one, and it will be very difficult for Finance Minister Mboweni to convince investors that government has what it takes to avoid a fiscal crisis at this month's annual budget presentation.
- Looking at the session ahead, the market will have local business confidence data for January to digest today, which will provide fresh insights into SA's supply-side economic climate. Recent prints of the SACCI business confidence index (BCI) have shown sentiment improved back to pre-crisis levels towards the end of last year, as demand conditions showed signs of normalisation after the Draconian COVID-19 lockdowns of earlier in the year. Respondents have, however, called on government to speed up economic reforms to improve confidence going forward, suggesting the index could plateau around current levels. Internationally, the data card is headlined by US CPI stats for January and wholesale inventory and sales numbers for December, which will likely show a continued recovery from last year's lows.

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