



- The Serowe Administrative Authority is under massive pressure at the moment as it struggles to contain the rising COVID-19 cases with a shortage of resources. A report leaked to the Monitor showed that as of Valentines Day, some 21 deaths have been registered out of the 1138 COVID-19 cases. *“Serowe village recorded 1,101 positive cases and 20 deaths; Paje village, 12 positive cases; Thabala village, four positive cases and one death; Malatswai, one positive case; Mmashoro, two positive cases; Moyoabana, nine positives; Mabeleapodi, six positives; Mogorosi, one positive and Sehunou, one positive case,” the report stated.*
- Vaccinations are expected to start Mid-March with those in the front line such as health and government workers expected to receive it first. That said, control the spread of the virus has been challenging, some people still hold the view that COVID-19 does not exist while keeping the numbers of people attended funerals contained is difficult.
- Moving onto the global macro backdrop we have inflation concerns creeping in as oil and food prices remain on an upward trajectory. Oil prices surged on Monday as the slow return of US crude production cut by extreme weather conditions amplified the tight supply situation. The sluggish return in US crude supply comes on the back of a recovery in energy demand as lockdown measures are eased and as the global vaccine roll out gains pace. The front month Brent contract strengthened by 3.70% to \$62.24/bbl, while WTI jumped 3.80% higher to \$61.49/bbl.
- The geopolitical backdrop as always is interesting. Sino-US relations remain frosty while the Middle East is never far from the headlines. The Iranian supreme leader Ayatollah Ali Khamenei said Iran may enrich uranium up to 60% purity if the country needed it, state TV reported. He added that the country would never bow to US pressure over its nuclear work. A US official who declined to be named played down the comments, with Reuters quoting the following - "Until you get back to talks, both sides are going to take positions ... to elevate the tone. But I don't know that we need to focus on that. Let's see whether they agree to come back to the table,"
- Moving over to the US, the main event of the week will be Fed Chairman Powell's testimonies to Congress. Although the one will be a repeat of the other, the questions from each panel can differ markedly. In particular, investors will be worried about the frothiness of the markets against the backdrop of an underlying economy that is still struggling. Such financial market behaviour can lead to instability in the future and disrupt the economic recovery if it induces another round of uncertainty. Powell will seek to strike the balance between remaining accommodative, while tempering expectations of the economy. Given just how much good news has been priced into equity markets, the risk at the moment is that the stock market experiences a correction of sorts.
- For the day thus far, the USD remains under pressure as the market awaits Fed Chair Jerome Powell's semi-annual testimony before Congress. Powell is likely to restate the Fed's commitment to loose monetary policy for the foreseeable future, however the market will look for hints of what the central bank may do in the case of runaway inflation. Should Powell downplay rising inflation expectations and reiterate that the Fed will tolerate higher inflation, this will likely keep the USD subdued in the short-term and increase bets for further medium-term weakness.
- The BWP-USD continues to pivot around the 0.0920 level with the 0.0910 seen as the bottom while probes of the 0.0925 level are quickly pared. No real interest to push the local unit in either direction at present.

## ZAR and Associated Comments

- The ZAR led emerging market currencies weaker throughout most of the local session yesterday as investors favoured the safety of the US dollar and rising Treasury yields. Volatile trade saw the local currency over 1.50% weaker against the USD at one point as the ZAR hit an intraday low of 14.92/\$, its weakest level in two weeks. Ultimately, the USD came back under pressure and allowed room for the ZAR to recoup losses later in the session, with the USD-ZAR pair ending the day relatively unchanged at the 14.6800-handle.
- While event risk in the form of Wednesday's budget speech is evidently adding to intraday volatility for the ZAR, the local unit remains subject to external developments and broader USD moves at present. Rising US Treasury yields have provided some support to the USD in recent sessions and by extension reduced the appeal of EM carry trade. The ZAR's idiosyncratic issues have added to souring sentiment and are likely to cause underperformance relative to the rest of the EM currency basket as risk appetite falls. If Finance Minister Tito Mboweni cannot convince the market tomorrow of improving fundamentals in the future, this could spell further long-term weakness for the currency. In the short-term, this will hold the ZAR back from further recovery against major currencies and keep volatility levels heightened amidst the longer term uncertainty.
- For the day ahead, last week's delayed SARB leading indicator kicks off the domestic data card, followed by the official unemployment rate for the last quarter of 2020. While the market moving potential of these data releases may be limited ahead of the budget speech, it will be noteworthy in gauging the permanent effects of persistent lockdown restrictions and the implications on tax revenue, as unemployment is expected to rise further from Q3 despite the removal of some restrictions.

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**Report produced by ETM Analytics for BancABC Botswana.**

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