BancABC atlasmara

Botswana Market Watch

23 February 2021

GMT	In	Period	Exp	Previous			
09:00 14:00 14:00 15:00 15:00 15:00	US US S&P CoreLogic US US Ricl	to sell BWP10.3bn 7-Day Certific House price index m/m : Case-Shiller house price composi Consumer confidence mond Fed manufacturing index liver Semi-Annual Monetary Policy	Dec Dec Feb Feb	90	1.00% 9,08% 89.30 14		
Africa	What happened?	Relevance	Importance	Analysis			
Oil surge	International oil prices have con- tinued to surge with the front month Brent contract reaching a 13-month high as market dynam- ics continue to tighten on the back of the OPEC production cuts and extreme weather in the US	The sharp rise in oil prices has provided a strong headwind for oil-producing countries' as- sets. Moreover, the rise in oil is also providing a boost to government revenues	3/5 (commodities)	producing nat kicked off the formers. With dollar weakne	new year amor demand dynam ss likely to be s rices will remain	and bonds have gst the top per- nics improving and ustained, we ex-	
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)	weigh on the governments support to cus	t the fiscal cons region's econon are unable to o shion the econo of the coronavir	nic recovery as ffer additional mic blow of the	
Africa vaccines	The African Union announced that they secured 300mn doses of Russia's Sputnik V COVID-19 vaccine. This deal adds to the 270mn doses that the group ar- ranged to get from Pfizer Inc, Johnson & Johnson and Astra- Zeneca Plc earlier this year	Securing more vaccines will be welcomed as it prevents Africa from lagging in vac- cinating its people and in- creases the prospect of a quicker economic recovery	4/5 (economy)	According to the AU, the Russian vaccine shots will be available for 12 months starting in May, and finance has also been arranged for coun- tries that want to purchase the vaccine. While the AU has secured a large number of vac- cines, it is only enough to vaccinate less than half the population			
Global	What happened?	Relevance	Importance		Analysis		
US – Covid	A lot will be made about the grim milestone that the US reached when it crossed the 500,000- death toll from the pandemic. However, the more important story in the fall in infections	Cases are falling as is the death rate and the vaccina- tion drive is now in full swing. The outlook is much more positive	3/5 (economy)	that the outloo through the w combination o	this will be the ok will continue eeks and mont of natural immu o the infection ra	to improve ns ahead as the nity and the	
UK lockdown exit plan	PM Johnson unveiled a map out of lockdown yesterday that keeps some businesses closed until the summer adding that caution is needed to avoid a relapse	There will be 4 stages of eas- ing, with five weeks in be- tween, keeping some re- strictions to Jun '21	4/5 (economy)	road to econo gest risk is tha	at the Johnson a outious and unn	owever, the big- administration	
New Zealand Rat- ings	At this extraordinary time when economies are struggling with any recovery, New Zealand has secured a credit ratings upgrade with the economy on a sustaina- ble economic recovery	New Zealand has had great success in managing the pan- demic and limiting the eco- nomic impact	2/5 (economy)	country withst country has th to do so. It be		th ease and the ed from its ability o how good	

Local FX Opening Rates and Comment

	CUSTOMER	CUSTOMER	CUSTOMER	CUSTOMER							
	BUY	SELL	BUY	SELL							
	CASH	CASH	π	π		Benchma	rk Yield Cur	ve	Forward F	oreign Excl	hange
BWPZAR	1.2807	1.4032	1.3054	1.3897		6m	1.1240			BWPUSD	BWPZAR
BWPUSD	0.0876	0.0958	0.0892	0.0949		Зу	3.8750		1m	-1.9110	0.0000
GBPBWP	16.0493	14.6678	15.7021	14.9734		5y	5.1250		3m	-6.1230	0.0000
BWPEUR	0.0720	0.0787	0.0737	0.0772		9y	5.2350		6m	-13.5038	0.0000
JPYBWP			9.4124	9.8494		22y	6.2650		12m	-30.2055	0.0000
					-						
USDZAR	14.0429	15.2340	14.3720	14.9044							
EURUSD	1.1680	1.2655	1.1954	1.2381		Equities			Economic	Indicators	
GBPUSD	1.3508	1.4637	1.3825	1.4320		BSE Dome	estic Index	6729.59	GDP	-6.00%	Bank Rate

BSE Foreign Index

1550.93

CPI

2.30%

- The Serowe Adminstrative 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; Moiyabana, 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 froth-iness 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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