

Botswana Market Watch

10 March 2021

GMT		International and Local Data	Period	Exp	Previous
		Nothing on the cards			
12:00	US	MBA mortgage applications	Mar 5		0.50%
13:30	US	CPI y/y	Feb	1.70%	1.40%
13:30	US	Real ave weekly earnings y/y	Feb		6.10%
15:00	CA	Canada central bank rate decision	Mar 10	0,25%	0,25%
19:00	US	Monthly budget statement	Feb		\$-162,83bn

Africa	What happened?	Relevance	Importance	Analysis
Long-lasting fiscal impact of COVID	Pandemic containment measures have driven fiscal trajectories significantly higher in Sub-Saharan Africa as government revenues cratered and spending spiked as policymakers deployed a raft of fiscal stimulus measures aimed at cushioning the economic blow of the pandemic	Public finances on the continent for the most part were already weak prior to the global outbreak of the coronavirus. The pandemic amplified the fiscal problems on the continent	5/5 (fiscal)	Africa's major economies are expected to be 5% smaller by 2030 than they would have been if the pandemic never occurred as the impact of the pandemic on investment and productivity weighs on long-term growth prospects. Lingering effects of the pandemic suggest that the riskiest period for Africa's fiscal challenges is still ahead
China debt relief for Africa	A research piece published by Johns Hopkins University showed that China has played a significant role in helping African countries manage their debts in recent months as the COVID-19 pandemic continues to take its toll on public finances	Due to the coronavirus pandemic, many low-income African countries have been left in a precarious fiscal state and in desperate need of debt relief and will continue to require fiscal aid	4/5 (fiscal)	The researchers reported 16 cases of debt restructuring worth \$7.5bn in 10 African countries between 2000 and 2019, and found that China wrote off the accumulated arrears of at least 94 interest-free loans amounting to over \$3.4. Chinese lenders have not pursued lawsuits in cases of debt default or asset seizures
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 arranged 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 vaccinating its people and increases 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 countries that want to purchase the vaccine. While the AU has secured a large number of vaccines, it is only enough to vaccinate less than half the population

Global	What happened?	Relevance	Importance	Analysis
SNB on CHF	The SNB has welcomed the recent depreciation in the CHF, highlighting how it reflects improvement in global sentiment	The SNB was clear that this does not mean that policy will be normalised soon	4/5 (economy)	On the contrary, the SNB will retain its ultra-accommodative position to guard against any unwelcome CHF strength so as to protect its export base
RBA guidance	Australia's central bank this morning poured cold water on any talk of rate hikes, even though economic activity was close to pre-covid levels	RBA remains cautious in its expectations of global growth and will not tighten pre-emptively	3/5 (economy, monetary policy)	Once full employment has been achieved, the successful deployment of vaccines has reduced global risk and economic activity levels are self-sustainable, policy will tighten
China Feb factory prices	China's Feb PPI rose 1.7% y/y, while CPI contracted by 0.2%. Both readings were higher than expected. PPI was the fastest growth since Nov 2018	Consumer price deflation will be temporary but PPI speaks to building price pressures	3/5 (economy, monetary policy)	If consumer prices start to accelerate once more, the likelihood increases that the PBoC will seek to embark on a very slow but gradual tightening in monetary policy

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange		
	CASH	CASH	TT	TT					
BWPZAR	1.3199	1.4323	1.3453	1.4185	6m	1.2220		BWPUSD	BWPZAR
BWPUSD	0.0861	0.0934	0.0878	0.0925	3y	3.8750	1m	-2.0670	0.0000
GBPZAR	16.0800	14.8255	15.7321	15.1343	5y	5.1250	3m	-6.2985	0.0000
BWPEUR	0.0725	0.0786	0.0742	0.0771	22y	6.3550	6m	-13.1918	0.0000
JPYBWP			9.5892	9.9410			12m	-33.0135	0.0000
USDZAR	14.7146	15.9498	15.0595	15.6047					
EURUSD	1.1404	1.2358	1.1671	1.2091					
GBPUSD	1.3313	1.4424	1.3625	1.4112					

Equities		Economic Indicators			
BSE Domestic Index	6604.38	GDP	-6.0	Bank Rate	3.75
BSE Foreign Index	1550.93	CPI	2.3		

- Botswana received the first batch of 30 000 COVID-19 vaccines from India yesterday. The covishield vaccines are a donation from India manufactured by the Serum Institute of India which is the world's largest vaccine manufacturer. Covishield is the brand name of the Oxford-AstraZeneca vaccine. According to CGTN, *The Minister of Health and Wellness Dr. Edwin Dikoloti said the plan for the vaccine roll out will be communicated at a later date. Dikoloti said the country's medical regulatory authority will take the necessary steps to validate the vaccine before the roll out campaign begins.*
- There has been some engagement between the US and China with Washington confirming direct engagement between US and Chinese diplomats according to the South China Post. Many are hoping that the Biden administration will soften its stance towards the Chinese as a senior level meeting is planned in Alaska. It is hoped that this meeting is the start of a reset which will sooth tensions between the world's two largest economies. Should we see a thawing of relations we could potentially see a massive tide of positive sentiment hitting markets globally which will undoubtedly cause emerging and frontier markets to rally in tandem.
- Those bullish on global growth remain focused on the United States at the moment. All appears to be on track for the \$1.9trln stimulus package to see the light of day soon. The bill is being sent back to the House of Representatives for final approval and once done, it will be sent to President Biden for sign-off. It is hoped this will take place by the weekend, which will allow the authorities to dispense the funds by around the middle of the month. It is a significant development in the global recovery due to its sheer size, against the backdrop of a recovering economy and vaccination rollout. It is so significant, that even the OECD upwardly revised its global growth forecasts for 2021 strongly to 5.6% from a previously forecast 4.2%.
- After four consecutive days of gains, the USD has finally run into some resistance and the surge has stalled. The catalyst appears to have been the stronger sentiment across global markets that has reduced overall levels of risk aversion. The rotation to safety has dissipated as can be seen in the recent retreat of the CHF as well and for now, the USD looks set to take a breather. In the short-term the techs are showing signs of topping out to allude to a modest retreat in the USD. This should coincide with a recovery in emerging market currencies and assets.
- Given this backdrop we expect the BWP to regain some of the lost ground and potentially regain the 0.0900 level in due course.

ZAR and Associated Comments

- Yesterday's GDP print was the source of some optimism for domestic markets as it showed the South African economy continued to recover in the fourth quarter of last year. Specifically, GDP rose at an annualised rate of 6.3% from the prior quarter in which the easing of lockdown restrictions allowed the economy to snap back with a revised 67.3% q/q annualised growth in GDP.
- On a more sombre note, the economy remained in contractionary territory on an annual basis for the third consecutive quarter as GDP came out 4.1% lower than that of Q4 in the year prior. For 2020 as a whole, the domestic economy contracted by 7.0% y/y and was the largest contraction in over a century. Looking ahead, the South African economy still faces risks from a list of longstanding structural constraints, along with recurring waves of infections that led to the re-imposition of economic restrictions which restrained the economy from maintaining its strong momentum in the initial recovery phase. Furthermore, structural constraints will likely see slower growth back towards pre-pandemic levels of economic activity, which may only be reached in 2023/2024. Ultimately, a slower recovery has fiscal implications through lower tax intake and higher deficits, at a time when the government needs to commit to fiscal consolidation following years of consumption spending.
- Over to the ZAR, the currency appeared to have been given a boost by the better-than-expected GDP data release as it closed the day amongst the top emerging market currency gainers. However, EM and major currencies were broadly stronger against the US dollar on the day with the greenback's rally taking a breather. The USD dipped on a trade-weighted basis for the first session in five and the ZAR capitalised with a 1.10% gain. This coincided with recent moves for the USD-ZAR pair to around the 15.50/\$-handle, a level it was also unable to sustain amidst a sell-off in early January. Ultimately, the ZAR found some support as the market deemed these moves overstretched in the short term and the USD-ZAR backtracked to 15.33/\$ by the end of domestic hours.
- Going forward, the extent to which the dollar's correction from its broader downtrend last year will persist is unclear. However with the next Fed meeting now a week away, the bias is in favour of the USD as market volatility and uncertainty over Fed policy remains dollar-positive. The day ahead sees more domestic data in the form of BER business confidence index for Q1 which will likely highlight weak sentiment associated with high unemployment, unstable power supply and lack of political will for reform by the government. However, this will likely be overshadowed by US inflation data later in the day as well as Canada's central bank's rate decision later in the afternoon. Barring any shocks, the USD appears to have regained its footing following yesterday's breather and may be receiving a boost from US stimulus progress, where the US House voted to advance the Biden's administration \$1.9 trillion relief package yesterday, clearing the way for it to be passed today.

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