

Botswana Market Watch

17 March 2021

GMT		International and Local Data	Period	Exp	Previous
13:00	BO	Nothing on the cards			
10:00	EZ	CPI y/y		0.90%	0.90%
10:00	EZ	Construction output wda y/y			-2.30%
11:00	US	MBA mortgage applications	Mar 5		-1.30%
12:30	US	Building permits	Feb	1723k	1881k
12:30	US	Housing Starts	Feb	1570k	1580k
18:00	US	FOMC rate decision	Mar 10	0,25%	0,25%

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 AstraZeneca 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
Vaccine latest	As many European countries have now taken the precautionary step in suspending the use of the AstraZeneca vaccine, lockdowns could drag on for longer	As it is, vaccine roll-out was progressing slowly. This AstraZeneca suspension drags it on	4/5 (economy)	There are however other vaccines that are and will be coming to market and will receive approval for emergency distribution and administration. AstraZeneca will likely push back as well
Japanese trade	Feb exports fell faster than anticipated. Imports were up for the first time in 22 months, causing the trade surplus to shrink considerably	Japan is a barometer for global growth and the trade surplus offers insight into savings	3/5 (economy)	This is not a good result for Japan and ultimately highlights that the road to recovery will be a bumpy one characterised by false starts and patches of weak growth.
US Data	Retail sales data for Feb released yesterday showed a drop of 3.0%, while manufacturing production fell 3.1%	The impact of the cold weather and snow dealt the economy a blow	3/5 (economy)	Due to the weather being the culprit and knowing that the stimulus package has now been passed, the impact on US data is likely to be temporary

Local FX Opening Rates and Comment

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL	Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT				BWPUSD	BWPZAR	
BWPZAR	1.2978	1.4152	1.3228	1.4016	6m	1.2280	1m	-2.0768	0.0000	
BWPUSD	0.0872	0.0946	0.0888	0.0937	3y	4.3650	3m	-6.3960	0.0000	
GBPWP	15.9104	14.6019	15.5662	14.9061	5y	5.2250	6m	-13.4843	0.0000	
BWPEUR	0.0732	0.0798	0.0750	0.0782	22y	6.3550	12m	-29.6400	0.0000	
JPYBWP			9.7366	10.1343						
USDZAR	14.2934	15.5009	14.6284	15.1655						
EURUSD	1.1424	1.2380	1.1692	1.2112						
GBPUSD	1.3332	1.4447	1.3644	1.4134						
Equities		Economic Indicators								
BSE Domestic Index	6598.68	GDP	-6	Bank Rate	3.75					
BSE Foreign Index	1550.93	CPI	2.3							

- The country is moving ahead in its quest to become a region hub for IT much the same as Rwanda has achieved in East Africa. Botswana Fibre Networks announced that it would be building a data centre in Garabone which would be vendor-neutral and host at least 400 racks in 1000 square metres of white space. Developing Telecoms reported the following - *BoFiNet board chairperson Pelani Siwawa-Ndai says that, with most services now being delivered on the cloud, this facility will be a host to some of the country's frequently used services. However, she also points out the opportunity this presents Botswana, which is geographically centred in the SADC [Southern African Development Community], explaining that this new development "presents us with an opportunity to be seen and used as the preferred country to facilitate low-latency connectivity for countries such as Namibia, Zimbabwe, Zambia, Angola and the world at large". The centre has also been mentioned as a contributor to Botswana's Digital Transformation initiatives and the Smart Bots digitization strategy. It is also hoped that it will attract and host major regional and international ICT players.*
- Following on from yesterday's comments surrounding China, the US Secretary of State, Antony Blinken stated that China is acting repressively, pointing to its actions in the East and South China Seas where there are on-going territorial disputes with the likes of Japan. He also pointed out China's posturing over Taiwan and this comes ahead of the US-Sino talks scheduled to take place in Alaska later this week. One wonders if this is setting the tone for the talks, where it is hoped some thawing of tensions would take place.
- From a macro perspective, all eyes will be on the FOMC later this evening. The Fed is expected to maintain its current monetary policy stance today, reaffirming the central bank's commitment to supporting the economy's recovery following the pandemic. The recent stimulus announcements and the improving growth trend in the US Feb's data notwithstanding, has however, improved the outlook for the economy going forward and will have potentially alter the Fed's balance of risks assessment at the margin. Expectations of faster inflation have been rising and spooked some investors, but the Fed will put this down to temporary factors and a repricing of growth expectations, meaning that they will not signal the need to increase rates anytime soon.
- Many currencies are marking time and trading water ahead of the FOMC decision this evening and the guidance offered. The USD is resisting the temptation to head much higher and although exhibiting a slight upside bias, remains largely range bound. Whether or not the Fed chooses to lift growth projections through the years ahead may well be a factor that drives the USD, while how it plans to deploy QE through the remainder of the year and whether it will pursue some form of yield curve control might be another.
- The BWP remains underpinned above the 0.0900 level and the expectation is that we may see further gains should the FED take a dovish stance this evening

ZAR and Associated Comments

- Emerging market currencies stuck to tight ranges yesterday as caution ahead of the FOMC dampened significant risk taking. Despite FX markets lacking clear cut direction, the ZAR managed to strengthen during domestic hours and test last week's highs near 14.80/\$. These levels, however, proved too difficult to surpass in the current climate, as a rebounding dollar during the US trading session robbed earlier gains from the local unit. The ZAR ultimately ended the day flat just shy of the 14.90/\$-handle, while the USD swung losses and secured a third day of gains despite US retail sales and industrial production data coming out with far greater contractions than expected in February.
- With all eyes turning to the US Fed this week, attention to domestic data is likely to fall by the wayside. Nevertheless, it is interesting to note that the BER Consumer Confidence Index returned to pre-pandemic levels in yesterday's Q1 print. The index improved to -9 from -12, its highest level since the first quarter of 2020. According to BER, the continued recovery in the CCI during the first quarter can be ascribed to further increases in the economic outlook and household finances sub-indices, suggesting SARB easing over the past year has supported the recovery in consumer sentiment. This bodes well for the domestic economic recovery which remains fragile with slow vaccine rollout intensifying the risk of a third wave of infections and subsequent economic restrictions. Speaking to the impact of these risks, today's retail sales data is expected to underscore the damage done by the return to harsher lockdown restrictions at the start of the year. Consensus expectations are for an even greater contraction in January than December's 1.3% y/y decline.
- Although the only major data release of the week, the domestic retail sales data is still likely to be overshadowed by the FOMC rate decision later today. The day thus far has kicked off in favour of the USD and the market seems to be positioning itself for the possibility the Fed brings some hawkish communication to the table or fails to signal intervention to avert rising Treasury yields. With no rate hikes expected for some time, the Fed may allow market expectations of growth and inflation to lift yields naturally. Either action though, or rather inaction in the latter case, would be dollar-positive and thus pressure EM assets if yield differentials continue to compress in the coming months..

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