

Botswana Market Watch

19 March 2021

GMT	International and Local Data	Period	Exp	Previous
	Nothing on the cards locally			

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
BoJ	The BoJ left rate targets the same, and widened the band in which it will allow long-term interest rates to move. The CB also removed its guidance to buy ETF's at an annual pace of ¥6trln	The BoJ appears to be rolling back on stimulus allowing monetary policy to be more sustainable and effective	4/5 (monetary policy)	By allowing rates to fluctuate more and by only purchasing assets when needed, the BoJ hopes to distort price signals slightly less in the hope that it assists in achieving its price target and rendering monetary policy more sustainable
US-Sino relations	Top Chinese and US officials met in Alaska for the first round of talks with Biden's administration, and tensions rose as the publicly admonished each other	Any thoughts that the Biden administration would be kinder to China have long been forgotten	3/5 (geopolitics)	Emboldened by Trump's administration, the Biden administration has taken up where Trump left off and will call out China for what it sees as transgressions. It has been a tense first exchange
BoE	There was no change to the CB's rate or its asset purchase programme. That said, the BoE was optimistic on the outlook courtesy of the vaccination drive	With vaccinations happening faster than anticipated, but rate setters differed on the outlook	4/5 (economy, monetary policy)	Some of the main differences related to whether inflation would bounce back strongly once pent-up savings would be unleashed in the form of spending through the months ahead

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	TT	CASH	TT						
BWPZAR	1.2908	1.4015	1.3157	1.3880	6m	1.2270		BWPUSD	BWPZAR	
BWPUSD	0.0876	0.0951	0.0893	0.0941	3y	4.3650	1m	-2.0768	0.0000	
GBPZAR	15.8540	14.6143	15.5110	14.9187	5y	5.2250	3m	-6.2790	0.0000	
BWPEUR	0.0735	0.0798	0.0753	0.0782	22y	6.3550	6m	-13.4063	0.0000	
JPYBWP			9.7661	10.1241			12m	-29.4743	0.0000	
USDZAR	14.1384	15.3340	14.4698	15.0022						
EURUSD	1.1436	1.2394	1.1705	1.2126						
GBPUSD	1.3357	1.4475	1.3671	1.4162						
					Equities		Economic Indicators			
					BSE Domestic Index	6593.63	GDP	-6	Bank Rate	3.75
					BSE Foreign Index	1550.93	CPI	2.4		

- President Mokgweetsi Masisi is travelling to South Africa today for a one-day working visit. He is scheduled to meet his South African counterpart Cyril Ramaphosa and topics for discussion include co-operation between the two countries as peace and security in the region. Concerns are growing about the Islamic threat in northern Mozambique and Tanzania and what the potential is for this insurgency to spread to other countries. For now it is contained, but there are concerns which need to be addressed.
- The meeting will also be used to introduce Botswana's candidate for the position of SADC executive secretary, Elias Mpedi Magosi. Botswana is hoping to place its candidate in the role when the term of the incumbent Dr Stergomena Lawrence Tax expires in August.
- The US-Sino meeting in Anchorage Alaska was as cold as the venue where it was being held. Both countries leveled sharp rebukes at each other over policies with the divide between the two nations evident during the meeting. The US accused China of "grandstanding" and violating the meeting's protocol according to the news vendor Reuters. This came on the back of statements by China ahead of the meeting where its ambassador to Washington stated that the United States was full of illusions if it thinks China will compromise. (read NBC news article on the meeting by [clicking here](#))
- Keeping with the US, weekly jobless claims released yesterday rose 45k to 770k. Clearly the pace of improvement in the labour market is still lagging. On a more positive note, continuing claims fell 18k to 4.124mn which implies that more people are being re-hired than are losing their jobs, but ultimately the pace of initial claims will need to slow if the labour market is to start recovering more quickly. The effects on the labour market will likely arise with a lag as companies wait for a build-up in momentum and a higher degree of vaccinations before committing investment and funds into future endeavours.
- Following the Fed's latest decision and guidance which initially triggered weakness in the USD, the trade weighted USD has staged a recovery to place the USD index back into a familiar trading range. Although the bias continues to nudge higher in favour of further USD gains, there is a lack of underlying momentum at the moment. With no significant data to speak of scheduled for today, it is unlikely that the USD will gain much ground, but clearly there is reluctance to bet on a weaker USD while US Treasury yields continue their march higher.
- This has placed emerging and frontier markets on the backfoot this morning and as such we expect a cautious start to the local trading day.

ZAR and Associated Comments

- US Treasury yields (USTs) resumed their upwards trend yesterday following the sharp dip post the FOMC monetary policy update, providing ample support to the USD after its own post-FOMC slide. The dollar index, which measures the greenback against a basket of currencies, recouped all of the prior day's losses, sapping overnight gains from other major and emerging market currencies. The ZAR, meanwhile, proved to be among the more resilient emerging market currencies as it gave back roughly half of its overnight gains against the USD. The local unit ultimately ended domestic hours 0.90% stronger at the 14.7500/\$-handle after an earlier spike to a three-week high of 14.6100/\$.
- The dollar's UST-fuelled recovery since the beginning of the year flies in the face of the Fed continually reiterating accommodative monetary policy is here to stay until inflation is consistently above 2% and labour market goals have been met. Underscoring the Fed's motives, applications for initial jobless claims unexpectedly rose last week, suggesting labour market dynamics remain unstable following February's gains. The USD remained unfazed by this as the dollar bulls continue to see earlier than expected Fed tapering. While the economic recovery will now be underpinned by the recently passed \$1.9 trillion stimulus package and the labour market recovery is ongoing given vaccine rollout, the market remains net short on the USD, suggesting the greenback will only be out the woods upon further compression of the net short position.
- On the domestic news front, Finance Minister Tito Mboweni warned that a third wave would severely damage the government's fiscal reform framework and its ability to avoid further credit rating downgrades. The Finance Minister noted ratings agencies would be closely watching for deviation from promised structural reform, which highlights the need for proper execution in its plans for fiscal consolidation. Nevertheless, ratings agency Fitch, in its Global Economic Outlook report, upgraded SA's 2021 growth forecast to 4.3% from 3.6% prior, in line with improving global growth prospects. The agency did, however, note that structural challenges will continue to weigh on growth going forward, which is expected to pull back to 2.5% in 2022. Some of the challenges highlighted by Fitch include fiscal consolidation, load shedding, wage moderation, rising energy prices, and household disposable income coming under pressure as fiscal support measures end. Fitch also expects inflation to average 4.4% this year assuming the SARB keeps the repo rate on hold at 3.5% for the remainder of the year. This compares to the SARB's own estimate of 4.0% at its last meeting in January, an estimate likely to be updated at the MPC meeting next week.
- With a slim data card for the day ahead, FX market movements are likely to be subject to risk appetite heading into the weekend. According to global equity markets, risk appetite has taken the backseat as the Bank of Japan announced adjusted policy settings, while the USD remains buoyed. The ZAR, however, is one of the few EM currencies in marginally positive territory in early morning trade and is on track for weekly gains near 1.5% at time of writing..

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