

Botswana Market Watch

22 March 2021

GMT	International and Local Data		Period	Exp	Previous
	Nothing on the cards locally				
12:30	US	Chicago Fed activity index	Feb	0,72	0,66
13:00	US	Powell Takes Part in BIS Panel on Central Bank Innovation			
13:00	EC	ECB's Weidmann Speaks			
14:00	US	Existing home sales	Feb	6,50mn	6,69mn

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	Director of the African Centres for Disease Control (CDC) John Nkengasong announced that the panel reviewed the guidance on a vaccine developed by the AstraZeneca and University of Oxford and recommended the continued use of the vaccine	The decision comes after the AstraZeneca vaccine was backed by the World Health Organization. The WHO said that the benefits of the vaccine outweigh the risks	3/5 (economy)	The Africa CDC noted that any policy decisions should be based on scientific evidence and data, adding that routine monitoring should follow the administering of all COVID-19 vaccines. The CDC's greenlight will see countries that received the vaccine under the COVAX program resume with their rollout program

Global	What happened?	Relevance	Importance	Analysis
Turkey Turmoil	Turkish President Erdogan has once again fired his central bank chief, leading to a rout of the country's financial markets as policy uncertainty grows	A key source of stability is now gone which will keep Turkish assets under pressure	4/5 (monetary policy/sentiment)	TRY has plunged 15% as the central bank may once again look to cut interest rates to support the economy despite rising inflation. Other EM assets may weaken as a result
Fedspeak	Richmond Fed Chief Barkin has said that the US is on the brink of a full recovery with demand to be spurred on by excess savings, but no signs of excessive inflation	The Fed may be turning more optimistic but policy will remain loose for now	3/5 (economy/monetary policy)	Barkin has assigned the recent surge in US yields to a more optimistic economic outlook, but was cautious to not undermine Powell's recent message that risks still exist
IMF Outlook	The IMF has said that in early April the Fund would update its January forecast for global growth of 5.5% on the back of the US stimulus package and vaccines	Major institutions will begin to revise their outlooks higher as the recovery gathers pace	3/5 (economy)	The massive boost generated by the US stimulus package will filter through to the global economy, but risks remain as Europe still languishes and some countries enter new lockdowns

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL							
	CASH	CASH	TT	TT	Benchmark Yield Curve		Forward Foreign Exchange			
							BWPUSD	BWPZAR		
BWPZAR	1.2846	1.4084	1.3093	1.3948	6m	1.2130				
BWPUSD	0.0868	0.0951	0.0885	0.0941	3y	4.3650	1m	-2.0670 0.0000		
GBP/BWP	15.9232	14.5365	15.5787	14.8394	5y	5.2250	3m	-6.2595 0.0000		
BWPEUR	0.0730	0.0799	0.0747	0.0783	22y	6.3550	6m	-13.4989 0.0000		
JPY/BWP			9.6580	10.1140			12m	-29.6546 0.0000		
USDZAR	14.2095	15.4088	14.5426	15.0755						
EURUSD	1.1418	1.2371	1.1686	1.2103						
GBPUSD	1.3286	1.4395	1.3598	1.4083						
					Equities		Economic Indicators			
					BSE Domestic Index	6560.42	GDP	-6	Bank Rate	3.75
					BSE Foreign Index	1550.93	CPI	2.4		

- The Sowetanlive reported on President Mokgweetsi Masisi's meeting with his South African counterpart Cyril Ramaphosa- Both Ramaphosa and Masisi confirmed in a press conference on Friday that they discussed Botswana to win the secretary-general position, but the SA president did not say whether Masisi would have his support. "We also received a report from President Masisi as he is the chair of our organ, the SADC, in terms of the work he continues to do. We are going to be the incoming chair and we gained a lot of wisdom and insight into the work he is doing," said Ramaphosa.
- In terms of local macro developments, the highlight of the day on Friday was the release of the S&P review of its 2021 sovereign credit rating of Botswana. The ratings agency affirmed its sovereign credit rating for long and short term foreign and local currency sovereign credit at "BBB+/A-2" but maintained the negative outlook on account of the risks that COVID-19 pandemic continues to pose to the country's economic and fiscal performance over the next 12 months. It is worth noting that the ratings agency did point out that the ratings largely depend on international developments which will influence the demand for diamonds, the country's largest export.
- They did however say that the economic outlook could be revised to stable should the public budget improve which will halt the decline in the fiscal and external buffers.
- Internationally, there was a distinct lack of data out on Friday which left the markets to focus on developments out of the global central banking community. The Richmond Fed's Thomas Barkin was speaking with Bloomberg over the weekend and he stated that he sees a strong 2021 which will result in some price pressures coming through. He was however very quick to clarify in the interview with Kathleen Kays - "I want to emphasize inflation is not a one-year phenomenon it's a multi-year phenomenon." He said for unwanted inflation to take hold, expectations for future price increases would have to really move and begin to get factored into business decisions and wage bargaining. "We certainly haven't seen that yet," he said.
- The Turks certainly delivered a blow to risk assets this morning. The Governor of the Turkish Central Bank was sent packing by President Tayyip Erdogan who is a noted critic of high interest rates and hawkish monetary policy. In a shock decision he installed Sahap Kavcioglu, a former banker and ruling party lawmaker in the seat of Central Bank Governor. His actions yesterday of trying to quell market fears with a 90 minute call to the bank CEO's in the country did little to stem the bleeding this morning. The TRY has hit an intra-day low in the Asian session of some 8.4850 and although it has recovered we expect that there could be further selling pressure as the UK enters the market.
- The USD has been the favoured currency this morning as the Turkish actions over the weekend prompt a rotation into the safety of the greenback. The majors are mildly weaker against the USD but it is certainly emerging markets which have fared the worst today. Most of the currency pairs have recovered some of the losses however there is still significant risk of an additional sell off once we have the EU and the NorAM markets opening for business. We expect very measured opens given the developments over the weekend.
- Given the developments above, and the fact that South Africa is out for a public holiday we expect a very measured start to the day.

ZAR and Associated Comments

- South Africa will be enjoying a long weekend as much of the country takes a break to celebrate Human Rights day. Financial markets will be closed however the ZAR is a CLS cleared currency which makes it tradable even when local markets are closed. The ZAR has weakened this morning driven by a rotation out of emerging markets following the Turkish government actions over the weekend.
- Currently we have the pair through the R14.80 mark and we don't rule out further pressure once we see the UK or the US come on line later today.

Contacts

Mogamisi Nkate	+267 3674335	email: mnkate@bancabc.com
Phillip Masalila	+267 3674621	email: pmasalila@bancabc.com
Kefentse Kebaetse	+267 3674336	email: kkebaetse@bancabc.com
Maungo Sebonego	+267 3674338	email: msebonego@bancabc.com

Report produced by ETM Analytics for BancABC Botswana.

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. BancABC on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.