Botswana Market Watch

24 March 2021

GMT		International and Local Data	Period	Exp	Previous
		Nothing on the cards			
08:30	GE	Markit/BME manufacturing PMI	Mar P	60.70	60.70
09:00	EZ	Markit/BME manufacturing PMI	Mar P	57.60	57.90
09:30	GB	Markit manufacturing PMI	Mar P	55	55.10
11:00	US	MBA mortgage applications	Mar 19		-2.20%
12:30	US	Durable goods orders m/m	Feb P	1%	3.40%
13:45	US	Markit PMI manufacturing	Mar P	59.70	58.60

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
Virus Concerns	Progress on containing the virus and reopening economies has stalled globally with cases rising and new restrictions implemented	Rising cases have hurt market sentiment with equities falling in Asia this morning	4/5 (economy)	Tight supply and poor distribution of vaccines in Europe and through some Asian countries have meant that a new wave of infections is likely which will keep economies from fully opening
UST Auction	Concerns over weak demand for USTs were put to rest yesterday as the 2yr auction received solid demand, preventing a yield spike	Strong demand has supported USTs with the curve bull flattening	3/5 (fixed income)	We still have 5yrand 7r auctions to come this week but early indications are that demand should be solid. The risk of weak demand remains, however.
Oil Plunge	Oil markets plunged yesterday on a demand-driven sell-off as virus concerns resurfaced and long positions were unwound	Any further price declines may pressure OPEC to cut supplies again	3/5 (oil markets)	Renewed lockdown in Europe and swelling inventories in the US suggest that demand is not as strong as recently thought

Local FX Opening Rates and Comment

	CUSTOMER BUY CASH	CUSTOMER SELL CASH	CUSTOMER BUY TT	CUSTOMER SELL TT
BWPZAR	1.2936	1.4214	1.3185	1.4077
BWPUSD	0.0869	0.0954	0.0886	0.0945
GBPBWP	15.7736	14.3665	15.4323	14.6658
BWPEUR	0.0733	0.0805	0.0751	0.0789
JPYBWP			9.6482	10.1241
USDZAR	14.2938	15.4997	14.6288	15.1644
EURUSD	1.1372	1.2321	1.1639	1.2054
GBPUSD	1.3174	1.4275	1.3483	1.3966

Benchmark Yield Curve

6m	1.2110
3y	4.3650
5y	5.2250
22y	6.3550

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0573	0.0000
3m	-6.4155	0.0000
6m	-13.4160	0.0000
12m	-33.4620	0.0000

Equities		Economic Indicators			
BSE Domestic Index	6557.13	GDP	-6	Bank Rate	3.75
BSE Foreign Index	1550.93	CPI	2.4		

- Local news flow is on the thin side this morning however the international stage is certainly a melting pot of macro events and geopolitical tussles.
- Fed Chairman Powell played down the risks of unwanted inflation stating that prices would rise but it would be managed as Americans go out and spend following the massive injection of stimulus. He expects the economy to open as the health crisis fades but the market is not convinced as massive lockdowns in Europe show that nothing is certain. The Head of the World Heath Organisation called the increase in deaths and cases "truly worrying trends"
- The fact of the matter is that a third wave has certainly hit Europe. The region is dealing with a huge surge in cases and at the same time the bloc's vaccination rollout remains sluggish driven by supply snags and manufacturing issues. Its worth noting that EU leaders will be meeting virtually on Thursday to discuss possibly banning the export of vaccines. Germany the bloc's largest economy is set to extend the lockdown into April while France has introduced new measures to curtail the spread. France reported some 14 678 new cases yesterday taking the total number of infections to 4.31m and the death toll to 92908 after 287 deaths were reported yesterday
- Risk appetite has waned as fears of third wave of COVID-19 hit FX markets. Extended European lockdowns have put paid to thoughts of a synchronised global rebound. The paring of risk taking has benefitted the USD which touched 92.412 in the Asian session, this is within striking distance of the 4-month high seen earlier this month at 92.506. The EUR-USD remains offered with the single currency hitting a low of 1.1834 this morning, a level last seen in November 2020. Commodity currencies have taken it on the chin, the likes of the AUD, ZAR and CAD are all on the backfoot this morning
- Not surprisingly given the points mentioned above we saw the BWP weaken slightly against the greenback yesterday. The BWP remains anchored above the 0.0900 mark as we head into the open however this level could be the focal point for BWP bears and we think it may be tested today.

ZAR and Associated Comments

- Emerging market currencies sustained broad pressure from a stronger US dollar yesterday as extensions of lockdown restrictions in Europe and tensions between China and the West drove a rotation to safety. A risk off day across the FX spectrum ultimately saw the likes of the Russian Ruble and Turkish Lira fall 1.92% and 1.64%, respectively, while the ZAR was roughly 1.50% weaker at a stage before pulling back to end the day 0.40% weaker.
- As such, the ZAR traded in a wide range as it sold off towards the 14.9500/$-handle before paring losses to close just shy of 14.7800/$. The local unit did receive some support from a record high print of the SARB leading indicator, but this was expectedly short-lived with the currency rather tracking external developments while sentiment was already tetchy ahead of the SARB's rate announcement tomorrow. While the continued increase in the leading indicator points to rising economic recovery potential, it is worth noting that this is primarily due to base effects with real economic activity still very low when looking at more recent data such as retail sales, mining, and manufacturing. Overall, the economy's recovery remains fragile with a slow vaccine rollout implying an almost inevitable third wave of infections which will once again hamper the rebound.
- Despite the leading indicator's rise, the SARB, which has maintained its data-dependant stance for some time now, will have more than enough evidence to keep rates at current levels. However, FRA market pricing continues to point to an increased pace of policy tightening, expectations for which the SARB may need play down this week. For the day ahead though, the latest inflation print for February may assist the SARB in tempering bets for earlier rate hikes. With demand-side pressure remaining muted, consumer prices have primarily been driven by supply-side pressures, owing to the pandemic's disruption of supply chains alongside elevated commodity and energy prices. The rise in energy costs, administered electricity prices and the low base effects from 2020, point to a looming inflationary environment in the near-term. Nevertheless, the SARB may see these effects as transitory for the time being, with any hikes likely to be further out in the second half of the year.
- For the day thus far, the ZAR has begun on the back foot, leading EM currencies lower in early trade. ZAR bulls are likely to stick to the side lines, given the rate announcement tomorrow, while recent CFTC data showed bullish bets on the ZAR fell for the second week in the seven days ending March 16. Externally, US Fed Chair Powell and Treasury Secretary Yellen are expected to repeat their testimony today in front of the Senate Banking Panel. Powell said yesterday that the US economy would see price inflation this year as the economy continues to open up, but maintained that the Fed does not see this as a threat. Treasury yields came off recent highs while the dollar has remained bid overnight. Despite the continued risk off tone, the day ahead may offer some fresh impetus with Markit manufacturing PMIs out of Europe and the States later in the day, which may improve sentiment should the data point to a more synchronous global economic recovery. ..

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