Botswana Market Watch

25 March 2021

GMT		International and Local Data	Period	Exp	Previous
		Nothing on the cards			
12:30	US	GDP q/q annualised	4Q T	4.10%	4.10%
12:30	US	Personal consumption	4Q T		2.40%
12:30	US	Initial jobless claims	Mar 20		770k
15:00	US	Kansas City manufacturing activity	Mar		24

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	1.2951	1.4145	1.3201	1.4009
BWPUSD	0.0868	0.0953	0.0885	0.0943
GBPBWP	15.7622	14.4495	15.4212	14.7506
BWPEUR	0.0733	0.0801	0.0751	0.0785
JPYBWP			9.6678	10.0834
USDZAR	14.3268	15.5436	14.6626	15.2074
EURUSD	1.1349	1.2299	1.1615	1.2033
GBPUSD	1.3149	1.4249	1.3457	1.3941

Benchmark Yield Curve

6m	1.2140
3y	4.3650
5y	5.2250
22y	6.3550

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0475	0.0000
3m	-6.2595	0.0000
6m	-13.2990	0.0000
12m	-29.6546	0.0000

Equities / **Economic Indicators**

BSE Domestic Index	6555.08	GDP	-6	Bank Rate	3.75
BSE Foreign Index	1550.93	CPI	2.4		

- Once again local news flow is on the thin side and this will result in local markets focusing once again on offshore developments.
- Geopolitical tensions are on the rise this morning following the launch by North Korea of two ballistic missiles into the sea near Japan. This will ramp up pressure on the US administration under Joe Biden to finalise is policy on North Korea who continues to defy the international community regarding its illicit weapons programme. Japan's coast guard stated that it detected the first missile soon after 07.00am which flew about 420 kms, followed by a second missile some 20 minutes later.
- The German Chancellor Angela Merkel yesterday rejected demands for a vote of no confidence over the government's U-turn over the Easter Holiday circuit breaker lockdown. Merkel has ditched plans for an extended Easter break just two days after it was agreed with the governors of Germany's 16 states, which is raising concerns that she is loosing a grip on the crisis which is currently enveloping Europe. Reuters reported - "No, I will not do that," said Merkel, when asked during an interview on public broadcaster ARD about calls by all three opposition parties that she submit a vote of confidence. "I asked people today to forgive me for a mistake. This was the right thing to do, I believe. I also have the support of the whole federal government and parliament."
- Looking at the day ahead, nothing out locally however there is once again a data deluge out of the United States.
- The big release today is US GDP. Preliminary data showed that the economic recovery from one of the worst slumps on record was sustained in the final quarter of 2020. The secondary GDP reading showed that activity in the world's largest economy expanded by 4.1% q/q in Q4 as virus containment measures were eased and the aggressive monetary and fiscal stimulus measures continued to take effect. Looking ahead, the recovery is expected to have extended into Q1 2021 despite a second wave of the pandemic. High-frequency data and leading indicators suggest that the economic rebound will gain momentum in the second half of this year as the economy full reopens with a significant portion of the population expected to be vaccinated by this point. The Biden administration's massive stimulus bill will add to the pace of economic recovery in the US.
- The USD remains on the front foot this morning with the safe haven play very much in focus as the EU grapples with the third wave of COVID-19. The USD Index is currently trading just north of the 92.5600 mark as the time of writing while the EUR-USD is marking four-month lows. The single currency touched an intra-day low of 1,1811 in the Asian session and we expect investors to continue selling on any upticks.
- 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

- The ZAR weakened for a second day, even with a strong attempt by the ZAR bulls to reverse losses during the day, as the dollar remained the haven of choice amidst ongoing risk-off sentiment. The dollar index, which is a trade-weighted gauge of the greenback against a basket of currencies, rose to a four month high yesterday despite US Treasury yields easing slightly further from recent highs.
- The ZAR ultimately joined the rest of the EM sample of currencies which closed broadly in the red. Closing 0.85% weaker at the 14.9000/$-handle, yesterday's CPI data appeared to have little impact on the ZAR's intraday path with the unit strengthening shortly after a weak inflation print. Specifically, CPI inflation slowed down to 2.90% y/y in February from 3.20% y/y in the month prior, a result which undershot consensus expectations for a 3.10% rise. This will likely rule out bets for SARB rate hikes in the near term and may even push out expected hikes towards the backend of 2021, whereas the SARB's quarterly projection model (QPM) previously called for two 25bps hikes in Q2 and Q3 2021 at the January meeting. Looking ahead, however, supply-side pressures will likely continue to offset the weak demand environment. Due to the low base effects of last year, along with rising fuel and electricity prices, inflation is expected pick up in Q2, but seeing as the SARB remains data dependent we will likely not see any rate hike action today. Thus, the future path of the repo rate will largely depend on the SARB's inflation outlook, with market participants turning to the SARB for guidance today on where inflation would need to accelerate to for the central bank's hiking cycle to begin.
- On the domestic virus front, the National Coronavirus Command Council (NCCC) is reportedly considering a move to tighter restrictions for the Easter holidays, after which the country is expected to encounter a third wave of infections. In Europe, tighter restrictions already appear to be commencing, though Germany yesterday reversed plans for an Easter holiday circuit breaker lockdown. Should speculation grow that SA will be heading for harsher restrictions, we may well see heightened ZAR volatility at a time where global markets are less liquid due to the upcoming holidays.
- Prior to the SARB rate announcement this afternoon, the day ahead holds more inflation data in the form of producer price index (PPI) growth. The PPI is expected to have risen 3.60% y/y in February from 3.50% in January, and may add to outlooks that supply-side price increases will begin to outweigh the weak demand-side pressure. While the focus in the EM space is turning towards rate hikes this year from last year's easing, further currency volatility may occur should real rates not rise in accordance with other emerging markets. On that front, the day ahead also sees EM central bank rate announcements from the Philippines and Mexico. The day thus far has kicked off with risk assets still suffering and the US dollar buoyed, while the USD-ZAR has already tested the 15.0000/$-level in early trade with the bias remaining to the topside in the near term..

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