

## Botswana Market Watch

## 23 March 2021

GMT	International and Local Data		Period	Exp	Previous
	<b>BWP 10.3bn 7-day certificates on offer</b>				
12:30	US	Current account balance	4Q	\$-186,25bn	\$-178,50bn
12:30	EC	Bank of Spain publishes macro-economic outlook for 2021-2023			
13:00	US	Fed's Bullard Discusses Economy at LSE Event			
14:00	US	<b>New home sales</b>	Feb	885k	923k
14:00	US	Richmond Fed manufacturing index	Mar	15	14

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
Germany Lock-down	Germany is extending its national lockdown to 18 April, covering the easter weekend to try and break the third wave of the virus	New lockdowns in Europe will slow their recovery and they will lag the likes of the US	4/5 (economy)	This highlights the impact of the EU's slow vaccine rollout but as summer nears and more vaccines are produced the restrictions should be lifted
ECB	The ECB has boosted the pace of bond purchases with net purchases coming in at the most since December last week	ECB is stepping in to ease volatility in the markets and keep borrowing costs low	3/5 (monetary policy)	The new pace of purchases may help contain yields, but it is unlikely that we will see a full reversal of the recent increases
Fedspeak	Powell's prepared remarks for his testimony to Congress show that he now sees the economic recovery as progressing faster than first expected	Powell's affirmation of loose monetary policy will help contain rising bond market yields	3/5 (monetary policy)	Despite the more optimistic remarks, Powell still doesn't see interest rates rising anytime soon as the recovery is far from complete with millions still negatively impacted

### Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve	Forward Foreign Exchange				
	CASH	TT	CASH	TT			BWPUSD	BWPZAR		
BWPZAR	1.2896	1.3144	1.4083	1.3947	6m	1.2160				
BWPUSD	0.0874	0.0890	0.0953	0.0943	3y	4.3650	1m	-2.1353		
GBPZAR	15.8274	14.8155	14.5132	14.8155	5y	5.2250	3m	-6.2888		
BWPEUR	0.0732	0.0783	0.0799	0.0783	22y	6.3550	6m	-13.5330		
JPYBWP		9.7169		10.1343			12m	-33.4035		
USDZAR	14.1706	14.5027	15.3742	15.0416	<b>Equities</b>					
EURUSD	1.1453	1.1721	1.2411	1.2143	<b>Economic Indicators</b>					
GBPUSD	1.3294	1.3606	1.4403	1.4091	BSE Domestic Index	6560.42	GDP	-6	Bank Rate	3.75
					BSE Foreign Index	1550.93	CPI	2.4		

- The China Daily reported the following this morning - *Diplomatic relations between China and Botswana have grown significantly this year, with the African nation becoming the 46th country on the continent to sign a memorandum of understanding on the China-proposed Belt and Road Initiative. Botswana also was one of the five African countries that State Councilor and Foreign Minister Wang Yi visited in January. Chinese Ambassador to Botswana Zhao Yanbo shared insights on the diplomatic ties between the two countries and the benefits of the BRI. He said the BRI cooperation agreement will further boost the two nations' political mutual trust and raise bilateral ties to a more mature, sustainable stage.*
- China's significance in the broader continent continues to expand. This is undoubtedly a long term strategic initiative by the Chinese to secure influence and raw materials at a time when its relations with the west are at a near all-time low.
- New sanctions against China came into force yesterday. The United States, Canada, Britain and the EU imposed sanctions on Chinese officials as a result of alleged human rights abuses in Xinjiang. Beijing hit back swiftly with punitive measures against the EU which at face value appear far broader than those levied against it by the single currency bloc. The Chinese have banned European lawmakers, diplomats, institutes and families from trading with China. Those wishing for a less frosty US-Sino relationship under the Biden administration may have sometime to wait still. Biden looks likely to continue to the pressure seen under the Trump administration for now.
- It is worth noting that China is boosting its diplomatic ties across the globe with the likes of Latin American and emerging Asia all seeing Chinese interest and investment.
- Taking a look at the performance of the FX markets thus far, we have seen a rotation to safety ahead of Powell's testimony later today. Adding to the risk off tone seen in Asia has been the Sino tensions with the West and the reciprocal sanctions put in place. The more liquid emerging market currencies have fared the worst with the likes of the ZAR and MXN shedding around 0.70% ahead of the EU open. The NZD was the major underperformer of the majors falling some 1% to trade at 0.7084 a new YTD low, this came on the back of a raft of measures introduced by the government to cool the overheating New Zealand housing market which should take the pressure of the Central Bank to hike rates
- The day ahead sees the traditional Tuesday T-Bill auction and we have a number of Central Bank speakers across the globe which should keep investors focused. We expect a measured start to the local FX market with risk sentiment not at its best currently.

## ZAR and Associated Comments

- With domestic markets closed for Human Rights Day yesterday, the ZAR gapped lower over the weekend to start the week on the back foot internationally as the sacking of Turkish Central Bank Governor by President Tayyip Erdogan delivered a fresh blow to risk appetite and emerging market currencies specifically. While contagion effects appear to be limited, this sapped bullish impetus for EM currencies on the day despite the USD trading broadly weaker against most major currencies.
- However, the local currency recouped losses through the course of the day as risk aversion receded, closing flat at the 14.7200/\$-handle after spiking to 14.9500/\$ in intraday trade. The week ahead may hold additional volatility for the ZAR and investors may begin to choose the side lines ahead of the SARB rate announcement scheduled for Thursday. Prior to this, the market will have the latest inflation statistics (due tomorrow) to digest and to potentially update bets when monetary tightening will commence. While, upside inflationary pressures remain muted due to weak domestic demand, rising fuel and electricity costs will begin to move inflation back towards the midpoint of the SARB's 3-6% target range.
- Recall the last several MPC meetings have held a split panel, with some more dovish members opting for a further 25bps cut. Recent central bank rate hikes out of developing nations will have captured the SARB's attention and may prompt some members to consider hiking in response. All in all, risks appear to be balanced and the SARB is not expected to begin with rate hikes just yet, but will see the ZAR's recent stability as an opportunity to keep rates at record lows to support the economy.
- Externally, the USD remains buoyed as higher yields have continued to increase its attractiveness as a haven asset, while emerging market currencies have traded broadly weaker during early hours after Fed Chairman Jerome Powell stated the US economy has substantially improved. In Europe, the ECB recently delivered on its promise to boost bond purchases in order to halt rising yields, which holds significance if US treasury yields continue to rise to the point where the Fed sees the need to step in. For the USD-ZAR, the currency pair has traded with a topside bias and is likely to continue alongside further rotation into the USD ahead of the Congressional testimonies later today by Fed Chairman Powell and US Treasury Secretary Janet Yellen..

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