Botswana Market Watch

29 March 2021

GMT		International and Local Data	Period	Exp	Previous
		Nothing on the cards			
08:30	GB	Net consumer credit	Feb	-1,50bn	-2,39bn
08:30	GB	M4 money supply y/y	Feb		13,30%

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	1.3021	1.4152	1.3272	1.4016
BWPUSD	0.0867	0.0941	0.0884	0.0932
GBPBWP	15.8730	14.6153	15.5296	14.9198
BWPEUR	0.0735	0.0799	0.0753	0.0783
JPYBWP			9.7169	10.0834
USDZAR	14.4204	15.6378	14.7584	15.2994
EURUSD	1.1312	1.2258	1.1577	1.1993
GBPUSD	1.3227	1.4333	1.3537	1.4023

Benchmark Yield Curve

6m	1.2200
3y	4.3650
5y	5.2250
22y	6.3550

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0280	0.0000
3m	-6.2205	0.0000
6m	-13.1528	0.0000
12m	-32.9843	0.0000

Equities / **Economic Indicators**

BSE Domestic Index	6544.84	**GDP**	-6	**Bank Rate**	3.75
BSE Foreign Index	1550.93	**CPI**	2.4		

- All eyes will be on the GDP reading for 4Q 2020 due for release on Wednesday. We will also receive the aggregated 2020 figure which will show the destruction as a result of COVID-19 which forced hard lockdowns and crated both international and domestic demand for goods and services. Forecasts are rather broad in terms of what the final tally will be ranging from a 7.7% contraction to a more bearish 8.9%. The good news is that the rebound predicted for 2021 is strong however it is going to take sometime before we experience economic activity at pre-COVID-19 levels.
- The world will be focused on a number of macro themes this week which include how each region is faring from an economic recovery standpoint. Europe is fighting the third wave of COVID-19 infections with a hard lockdown a reality for many on the continent. This certainly has dampened hopes of a broader recovery in economic activity over the coming months given the level of damage currently being inflicted as a result of the curtailed movement of people and activity. Moving across the pond to the United States we have very different circumstances with the government moving ahead with massive stimulus programmes and the data pointing to a strong recovery. All eyes will be on President Joe Biden's trip to Pittsburgh this week where it is expected he will unveil a multitrillion dollar plan to rebuild America's infrastructure. He is expected to push for a "Build Back Better" plan with the price tag being as high as $4trn to pay for roads etc in the years ahead.
- Good news on the trade front. The container ship blocking the Suez canal namely the 400m long Ever Given has been re-floated and is currently being secured according to Inchcape Shipping Services. This has raised hopes that the busy shipping route will be reopened to traffic in soon and that the backlog of ships will slowly be cleared. At least 369 vessels are currently waiting to transit the canal so clearing the backlog is going to be a lengthy process. Shipping rates for oil products nearly doubled in recent days however this should moderate in due course. It is also important to note that some shippers have chosen to navigate the route via the Cape of Good Hope as they believe that the journey would be equal to the current delay of sailing to Suez and queuing.
- Moving onto the FX markets, The start of the week has been one of sustained USD strength with other currencies coming under pressure as investors flood to the world reserve currency as sentiment surrounding a global economic recovery takes a hit. Currently investors are betting that the United States will be the outperformer in terms of economic growth especially when compared to the likes of the EU which has had a significantly less successful COVID-19 vaccination campaign and is experiencing a hard lockdown in many of its countries. The EUR-USD has consolidated its position below the 1.1800 handle while the likes of Sterling has slipped as well. Commodity currencies such as the AUD and CAD are equally on the back foot and emerging markets are finding the start of the week tough going. The ZAR is clear of the R15.00 handle and the MXN is looking towards 20.75 as a target.
- The start of the week will be measured for local markets as investors assess the points above. We do not expect the bulls to have a major impact on the markets upfront rather adopting a wait and see approach given the level of risk off that is currently embedded in the narrative.

ZAR and Associated Comments

- Souring risk appetite and a buoyant US dollar over the course of last week saw a broad retreat for emerging market currencies and riskier assets, while the ZAR also had to contend with a more dovish than expected SARB rate announcement. However, Friday saw the local unit pare weekly losses as it gained alongside a rebounding emerging market currency basket, ultimately ending domestic hours at 14.9800/$.
- Nevertheless, the ZAR still encountered a 1.85% weekly decline against the USD as it retreated back to the 15.0000/$-handle. As the reflation trade gains momentum, where investors bet on growth and inflation normalising price levels, we will likely see EM currencies suffer further. This is mostly due to EM nations' lack of fiscal space to have supported their economies through the pandemic's economic downturn, as well as slow access to vaccines, while rising yields in developed economies will equally detract from their relative attractiveness. For the ZAR, pre-pandemic structural challenges remain and will continue to limit the country's growth and recovery potential for as long as the government drags its heels on critical reforms.
- The USD, meanwhile, has gained on the reflation trade and higher Treasury yields as inflation expectations have persistently risen and been supported by strong economic data. Vast fiscal and monetary stimulus has backstopped the US economy from an even worse economic downturn, but the cause of the US' recovery has the markets at odds. Despite recent USD strength, in fact over 2% for the month to date, the market has maintained its net short position since 2020 as continued loose policy is seen to debase the USD over time. On the fiscal front, the market will look to US President Joe Biden later this week for an outline of his infrastructure spending plan, which will provide an extra boost to an already strong US recovery. Resultantly, this will likely bolster the USD, but could add to longer-term pessimism if the economy overheats with runaway inflation.
- The day ahead sees an empty domestic data card, leaving the ZAR to track external sentiment which remains tetchy at best. Tomorrow picks up with a slew of economic releases with money supply statistics, employment figures and government budget balance gracing the data card. It is a shortened trading week ahead with generally lower liquidity likely to exacerbate volatility, while rumours are growing domestically of potentially tightened restrictions ahead of the Easter holiday period, all of which may result in heightened currency volatility in the near term..

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Report produced by ETM Analytics for BancABC Botswana.