

# Botswana Market Watch

# 30 March 2021

GMT		International and Local Data	Period	Exp	Previous
		<b>Nothing on the cards</b>			
09:00	EZ	Consumer confidence	Mar F		-10.80
12:00	GE	CPI y/y	Mar P	1.70%	1.30%
13:00	US	House price index m/m	Jan	1.30%	1.10%
13:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Jan	11.50%	10.10%
14:00	US	Consumer confidence	Mar	96.00	91.30

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. Lingered 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
Bank share losses	The collapse of equity derivatives trader Archegos Capital has left many banks exposed to losses and their share prices have reflected the selloff.	This is the danger of highly leveraged positions in a monetary distorted world	3/5 (markets)	Although the effects will be temporary, they will hurt some of the banks and prompt a further look at highly leveraged derivatives trades that can cause systemic problems if large enough
Suez Blockage	Late on Monday, traffic once again started to flow through the Suez Canal, after tug-boats were able to free a container ship that had blocked the channel for almost a week	Some 113 ships will likely be in transit through the canal by this morning, removing a huge block on trade	2/5 (economy)	This had the potential to deal global trade a significant blow, but the effects or losses will likely prove temporary and the ultimate impact on global GDP negligible. Backlog should be dealt with before the end of the week
Vaccine latest	A study in the US on vaccines developed by Pfizer/BioNTech and Moderna showed that the risk of infection fell by 80% just 2 weeks after 1 <sup>st</sup> injection	These mRNA vaccines appear to be powerful in containing the spread of the virus	4/5 (economy)	Given that the risk of infection fell even further to more than 90% after the second shot, the vaccines have been massively successful in curbing the spread. Now the rollout must complete

## Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT			BWPUSD	BWPZAR		
BWPZAR	1.2857	1.4029	1.3105	1.3894	6m	1.2130				
BWPUSD	0.0864	0.0942	0.0881	0.0933	3y	4.3650	1m	-2.0865	0.0000	
GBPBWP	15.9178	14.5950	15.5734	14.8990	5y	5.2250	3m	-6.2205	0.0000	
BWPEUR	0.0734	0.0801	0.0752	0.0785	22y	6.3550	6m	-13.8889	0.0000	
JPYBWP			9.7268	10.1343			12m	-30.5614	0.0000	
USDZAR	14.2860	15.4846	14.6209	15.1496						
EURUSD	1.1292	1.2237	1.1556	1.1972						
GBPUSD	1.3223	1.4326	1.3533	1.4016						
					<b>Equities</b>		<b>Economic Indicators</b>			
					BSE Domestic Index	6525.1	GDP	-6	Bank Rate	3.75
					BSE Foreign Index	1550.93	CPI	2.4		

- Much of the news flow has surrounding the mining sector this morning with the likes of AIM listed Botswana Diamonds reporting that it had an eventful six months and is making progress on its diamond projects in Botswana and South Africa. The mining company reported progress on its Maibwe joint venture in Botswana saying that the core work done is being sampled for fresh micro-diamond work, the results of this will enable a clearer picture for liquidator to make a decision on the project going forward.
- In other news, the Botswana explorer Kanye is set for an IPO in London and has snapped up eight prospecting licenses in the Kalahari Copper Belt. The mining group is a JV before Power Real Resources and Kavango Resources and the expectation is that the JV will yield a copper find which will in time diversify the current mining revenue stream for the government which is heavily data dependent.
- Keeping with mining, Base metals are trading mixed this morning with copper presently bid while aluminium is on the backfoot as we enter the start of the EU session. Copper is making its way back up to the \$9000/tonne with the curve now looking to move back into a situation of contango, where it would suggest that demand is picking up ahead of an anticipated rise in consumption given that the second quarter traditionally is a strong consumption period.
- There is also an element of investors looking to get ahead of an announcement by the US President Biden tomorrow of a massive infrastructure spending spree which would boost demand for the red metal over the next decade, not just in the near term.
- The latest news on the trade disruption caused by the stranded container ship Ever Given is that traffic is flowing normally through the Suez Canal with some 113 ships expected to have transited the canal by early this morning. There is however a backlog of some 422 ships which should be cleared by the weekend. Nile TV reported that vessels waiting to transit the canal include dozens of container ships, bulk carriers, oil tankers and liquefied natural gas (LNG) or liquefied petroleum gas (LPG) vessels.
- Moving over to the US, No surprise really to find out that the Fed will persist with its ultra-accommodative monetary policy for a while and will not turn less accommodative unless inflation becomes a problem. With the likes of the CDC warning of yet another surge and "impending doom", it is no wonder that the central bank will feel justified in persisting with its policy stance for a while longer. A fourth surge would almost certainly weigh heavily on policy that will need to adjust to avoid a further contraction.
- The Covid pandemic in the US is at a sensitive stage. Inoculations are happening at an accelerating pace, but there are concerns that a fourth wave may be in the pipeline. President Biden has urged states to pause their reopening efforts amid a surge in cases that have raised concerns about the trajectory of the pandemic. Hospitalisations are once again on the rise. However, 90% of US adults will be eligible for the vaccine through early April. That has not stopped the CDC from issuing a warning of "impending doom" as the country remains a long way away from herd-immunity and many could still die.
- In terms of the FX markets, Inflation concerns are lifting bond yields and placing a further squeeze on remaining USD short positions, driving the USD to a fresh 1yr high. Talk of hedge fund losses impacting in banks also caused some rotation back to the safety of the USD, but the broader and more powerful theme is still one of a strengthening USD on the back of the steady grind higher in bond yields and the steepening of the yield curve seen so far this year. Some profit taking may be in store with Asian bourses on the front foot this morning and the Easter long weekend looming.
- The stronger USD has taken its toll on the local unit and we witnessed the BWP slip below the 0.0900 mark yesterday. This will now become the level to watch as the market awaits tomorrow's GDP reading.

## ZAR and Associated Comments

- The ZAR led only a handful of EM currencies higher yesterday with a 0.60% gain, snapping overall bearish momentum at the start of a shortened trading week. Meanwhile, the trade-weighted dollar index (DXY) rose to more than a four month high as traders pre-empted moves ahead of a data-heavy week, with the all-important US non-farm payrolls report due on Friday. Yet, the ZAR held firm after last week's losses and moves above the USD-ZAR currency pair's 100-day moving average could not be sustained, with the unit ultimately closing near the 14.9000-handle.
- According to the latest CFTC data, speculators continued to trim their net long ZAR position in the week ending March 23, taking the overall position to \$70mn. A short squeeze on the USD would have contributed the most to this reduction, but it also suggests sentiment towards the ZAR is falling amidst a sluggish domestic economic recovery and adverse market conditions for EMs in general. Despite COVID-19 and ongoing structural challenges hindering first quarter economic performance, the ZAR has remained resilient on account of SA's relatively higher real yields on offer, but it will likely come under pressure as global reflation continues and developed world yields rise – should the domestic economy continue to be outpaced. The domestic recovery holds potential impact in that a speed up in the business cycle could allow the SARB to begin lifting rates sooner, thus supporting the currency. However, this may ultimately be balanced out by the return of domestic imports, which have been subdued for almost a year now and subsequently resulted in positive terms of trade. Therefore, the ZAR's short term path depends mainly on external developments and the pace of the global economic recovery, especially as the market edges towards a neutral position on the currency.
- The day ahead will see a domestic economic update including February's government budget balance and non-farm payrolls releases, with the payrolls figures being for Q4 last year. Prior to this, M3 money supply and private sector credit statistics for February are on the data card this morning, with the former remaining a function of high government bond issuance and private sector credit growth remaining benign amid weak business activity. Externally, US consumer confidence later in the day could add to dollar bids as consumers are expected to have an improving outlook amid the nascent economic recovery.

- The day so far has picked up where yesterday left off with the USD near recent highs, buoyed by higher treasury yields overnight, while ZAR has swung between gains and losses in early morning trade. The political climate is heating up with President Ramaphosa announcing the NEC decision yesterday ordering ANC members who have been charged with crimes to step down within a month or face suspension. Although a win on the political reform and anti-corruption fronts, it remains to be seen whether ANC Secretary-General Ace Magashule will vacate his position as he has been charged with money laundering, fraud and corruption. On the coronavirus front, the National Coronavirus Command Council will meet today to finalize potentially stricter lockdown rules ahead of the Easter holiday period, with the fears being this period could ignite a third wave...

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