

Botswana Market Watch

13 April 2021

GMT	Int	ternational and Local Data		Period	Ехр	Previous
09:00		a to place BWP9bn 7-day certifica	tes	Ana		-6.0%
09:00 09:00 12:30 12:30		ZEW economic sentiment ZEW economic sentiment CPI y/y Real ave weekly earnings y/y Bostic, Rosengren, Daly & Harker	Speaks	Apr Apr Mar Mar	78.50 2.50%	74,00 76.60 1.70% 4.10%
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 conti- nent for the most part were al- ready weak prior to the global outbreak of the coronavirus. The pandemic amplified the fiscal problems on the conti- nent	5/5 (fiscal)	5% smaller by been if the pa impact of the productivity w spects. Linger	economies are of 2030 than they 2030 than they andemic never or pandemic on inviceighs on long-tering effects of the riskiest period for	would have ecurred as the restment and rm growth pro- e pandemic sug-
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	Africa requires around \$12bn to vaccinate enough people to build up herd immunity to contain the spread of COVID-19 on the continent according to a study conducted by the IMF and the World Bank	Relative to other parts of the world, Africa is lagging in its vac- cine rollout. As such, the eco- nomic recovery in Africa could lag other parts of the world	3/5 (economy)	the transmissi total amount o ready deferred	on of the virus is t of official debt serv	vice payments al- rest countries par-
Global	What happened?	Relevance	Importance		Analysis	
Chinese trade	Chinese trade is picking up fast. Exports are 30.6% higher y/y in Mar while imports grew even more at 38.1% to reduce the trade surplus to \$13.8bn	This data reflects both strong lo- cal and foreign demand which will likely remain strong in Q2	3/5 (economy)	countries oper extent of stimu	covery is taking sh n up their econom ulus is allowed to n should improve m	manifest, trade
BoE guidance	BoE board member Silvana Ten- reyro has said that removing fiscal or monetary support too early could have a damaging effect on the la- bour market	Another major central bank that will default towards looser for longer policy if inflation allows	2/5 (monetary policy)	side of stimula overheating ed	nks have collectivating too much and conomy rather that rolonging the labo	d dealing with an n not doing
EZ bad loans	Data from the ECB shows that non- performing loans fell to just 2.63%, the lowest since supervision started in 2015, despite the lock- downs	Govt guarantees, and ultra-ac- commodative monetary policy has shielded the banking sys- tem	3/5 (economy, market)	ahead, banks	nic draws to an en might feel more co if their resources l ad loans	omfortable

Local FX Opening Rates and Comment

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL							
	CASH	CASH	TΤ	π	Benchmar	k Yield Cur	ve	Forward F	oreign Exc	hange	
BWPZAR	1.2737	1.3918	1.2983	1.3784	6m	1.2200			BWPUSD	BWPZAR	
BWPUSD	0.0874	0.0954	0.0890	0.0945	Зу	4.7550		1m	-1.8330	0.0000	
GBPBWP	15.6948	14.3759	15.3553	14.6754	5y	5.3350		3m	-6.1913	0.0000	
BWPEUR	0.0734	0.0802	0.0752	0.0786	22y	6.7250		6m	-13.9035	0.0000	
JPYBWP			9.8152	10.2361				12m	-30.8685	0.0000	
							•				
USDZAR	13.9965	15.1785	14.3246	14.8501							
EURUSD	1.1413	1.2366	1.1681	1.2098	Equities			Economic	Indicators		
GBPUSD	1.3183	1.4282	1.3492	1.3973	BSE Domestic Index		6524.42	GDP	-4.1	Bank Rate	3.75
					BSE Foreig	n Index	1550.93	СРІ	2.4		

- The COVID-19 virus is back in the headlines this morning but for a different reason. Reuters reported yesterday that *Botswana is investigating the deaths of two among thousands of people who had been given doses of AstraZeneca's COVID-19 vaccine to see if there is any link, the health ministry said. The southern African country has so far administered about 31,000 doses of the Astra-Zeneca vaccine, the only vaccine it has started rolling out. India donated 30,000 doses of the vaccine that were manufactured by the Serum Institute of India (SII), and Botswana bought 33,000 doses that were made in South Korea from global vaccine distribution scheme COVAX. The two people who died had taken the shots made in India.*
- There is growing concerns about the deaths linked to the vaccines, but those who focus on the numbers are saying that statistically the deaths although concerning should be taken in context with the benefit received by thousands who have been vaccinated. There have been reports of some 169 cases of a rare brain blood clot by early April against some 34 milion successful does according to Sabine Straus, chair of the European Medicines Agency.
- In other news, the Botswana Stock Exchange is looking to launch global depository receipts and trading in short term debt instruments to the products offered by the exchange. Many stock exchanges across the world have been plagued by delistings and a lack of liquidity and the latest move by the local exchange is aimed at addressing these issues.
- Moving onto international news flow, All eyes were focused on the Chinese trade numbers this morning. Exports grew at a robust pace in March soaring some 30.6% in USD terms year on year but slower than the 159% rise in February. On the import side, we had an increase of some 38.1% year on year versus a market forecast of 23.3% resulting in a trade surplus of \$13.8bn.
- Copper imports rose by 25% year on year the customs data showed, this despite disruptions from the top copper producer Chile. The data showed that China imported unwrought copper and products totalling 552,317 tonnes last month. Reuters reported that Copper imports in the first quarter totalled 1.44 million tonnes, up 11.9% year-on-year. That is the highest first-quarter amount since at least 2008, according to the vendors data.
- Keeping an eye on China and the copper price is important for local investors as the Kalahari Copper Belt is showing promise and has the ability to diversify the hard currency earnings of the country which has been largely dependent on diamonds and tourism.
- Taking a look at the global FX markets, ahead of the US inflation data later today, the USD has risen modestly off its recent low. The risk is that the data beats expectations to the topside and forces an adjustment in inflation expectations such that US bond yields rise a little further and bolster the performance of the USD. Technically, the USD is due a modest recovery, although the weekly chart shows that any near-term jump in the USD will likely be short-lived, and that there is a more than even chance that the USD will retreat still further. Also a feature that will influence the performance of the USD will be the strength of the earnings reports, as more companies report back on their performance through a very difficult time and offer guidance on future performance.
- The BWP-USD maintained its status above the 0.0900 level and we expect this to be the status quo for now.

ZAR and Associated Comments

- The new week kicked off with the ZAR trading slightly stronger against a softer USD on the day. The local unit managed to swing
 earlier losses as sentiment turned against the greenback, while the emerging market basket of currencies ultimately posted
 mixed performances, leaving the ZAR amongst the biggest gainers as it settled near its intraday high of 14.5600/\$ at the end of
 domestic hours.
- Despite US Treasury yields holding steady, with the 10-year note's remaining near 14-month highs, the settling of yields has been able to stem the dollar's surge of late. While inflation expectations have been the cause as the US economy is set to post strong economic performance in the near-term, it has historically been very difficult for the US to achieve its 2% inflation target. Adding further pandemic-related risks and a still weak labour market, inflation expectations may begin to soften somewhat following their recent rise. How Treasury yields react to upcoming inflation data will likely dictate dollar movements and, by extension, demand for EM currencies. For the ZAR though, the market's bullish outlook continues to moderate. Speculative long ZAR contracts fell to their lowest since August 2020 on a net basis according to the most recent CFTC data.
- While this trend has been in pace, the local currency has remained resilient and is the only emerging market currency in the green against the USD for the year to date. Investors continue to favour SA's relatively higher yielding assets amid ongoing positive risk appetite. Last week, domestic equity and bond ETFs attracted just over \$16 million to take total assets to \$11.2 billion, the highest among the EMEA complex. As a whole, emerging market ETFs climbed for a 23rd straight week last week, bringing in \$1.3 billion in inflows, despite being down from the prior week's \$3.45 billion.
- Should US yields continue to show signs of topping out, this should support EM currency demand at the expense of the USD. That being said, upcoming US inflation data later today holds the potential to surprise, given the US' outperformance, vaccination drive and base effects, and could reignite moves for the dollar-bulls. For the day thus far, US yields have continued to track higher ahead of today's auction for 30-year bonds, which will be closely watched as the broader market is concerned over appetite for longer-dated paper. The USD has subsequently been supported this morning, while the ZAR has joined the rest of the EM sample in the red in early morning trade. On the local data front, February's mining production statistics kick off this week's data releases. Mining output swung back into contraction at the start of the New Year despite the mining sector largely being immune to the new lockdown restrictions that were imposed by the government. The year-on-year contraction is expected to ease in February, aided by a surge in commodity prices, but may be held back by the tightening of restrictions in the Euro area specifically which would have impacted foreign demand..

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