

- 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 AstraZeneca 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 million 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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