

# Botswana Market Watch

# 1 April 2021

GMT		International and Local Data	Period	Exp	Previous
	<b>BO</b>	Nothing on the cards			-6.0%
07:55	<b>GE</b>	Markit/BME manufacturing PMI	Mar F	66.60	66.60
08:00	<b>EZ</b>	Markit/BME manufacturing PMI	Mar F	62.40	62.40
08:30	<b>GB</b>	Markit manufacturing PMI	Mar F	57.90	57.90
12:30	<b>US</b>	Initial jobless claims	Mar 27	677,50k	684k
13:45	<b>US</b>	Markit PMI manufacturing	Mar F		59.00
14:00	<b>US</b>	ISM manufacturing PMI	Mar	61.00	60.80

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	Johnson & Johnson announced an advance purchase agreement with the African Vaccine Acquisition Trust (AVAT) to make available up to 220mn doses of its single-shot coronavirus vaccine	The pace of economic recovery remains dependent on how quickly countries are able to build up immunity to the coronavirus	3/5 (economy)	The doses will be available to the 55 AU member states with delivery beginning in Q3 of 2021. AVAT has the potential to order an additional 180mn doses, for a combined total of up to 400mn doses through 2022

Global	What happened?	Relevance	Importance	Analysis
US labour data	According to the latest ADP data, private payrolls rose 517k in March, with leisure and hospitality rising 169k, manu up 49k and construction up 32k	Private sector companies began hiring again in March which is great news for an H2 rebound	4/5 (economy)	The economic recovery is well set for a powerful H2 in 2021 which will see a strong rise in overall payrolls materialise as well to raise hopes of normalisation of economic activity later this year
Aussie housing	March home prices surged at the fastest pace since 1988 as the effects of ultra-accommodative monetary policy manifest. It is a distortion with consequences	It is inflation of a different kind and stems from cheap money encouraging borrowing	3/5 (economy)	For every new listing, there are 1.1 homes being sold which will naturally drive-up prices. While it strengthens the balance sheet for home owners, it also prices out new, would-be homeowners
Japan business confidence	Big manufacturers' sentiment rose to +5 in March vs -10 in Dec, representing a rebound to pre-crisis levels. Big non-manufact mood also bounces to -1 from -5	A bounce to pre-crisis levels is a relief but not a guarantee of a similar bounce in economic activity	4/5 (economy)	The data will build the argument that the economy is on a recovery path although the covid-related restrictions will no doubt impact negatively on the strength of the upswing

## Local FX Opening Rates and Comment

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL	Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT				BWPUSD	BWPZAR	
BWPZAR	1.2773	1.3977	1.3019	1.3842	6m	1.2110				
BWPUSD	0.0864	0.0944	0.0881	0.0935	3y	4.6250	1m	-1.9500	0.0000	
GBP/BWP	15.9235	14.5660	15.5790	14.8694	5y	5.4250	3m	-6.2010	0.0000	
BW/PEUR	0.0737	0.0805	0.0755	0.0789	22y	6.5250	6m	-13.8840	0.0000	
JPY/BWP			9.7857	10.2259			12m	-30.5126	0.0000	
USDZAR	14.1921	15.3923	14.5247	15.0593						
EURUSD	1.1256	1.2195	1.1520	1.1931						
GBPUSD	1.3227	1.4330	1.3537	1.4020						
					<b>Equities</b>		<b>Economic Indicators</b>			
					BSE Domestic Index	6528.38	GDP	-6	Bank Rate	3.75
					BSE Foreign Index	1550.93	CPI	2.4		

- According to news sources the 4Q GDP reading was not published yesterday and there is has been no indication given of when we can expect the release. The CSO website is also unavailable at present to gain any further insight.
- The Botswanan President Masisi is concluding his trip to Zambia and Zimbabwe where he discussed regional conflicts and bilateral cooperation with his counterparts. President Masisi is currently the chair of SADC's Organ on Politics, Defense and Security. This two day visit comes on the back of a rising conflict in Northern Mozambique where insurgents have murdered a number of people and held the region to ransom. Dozens were killed at the weekend when militants attacked a hotel in Palma, north of the country.
- This topic as well as the topic of raising the region economically post COVID-19 will maintain prominence for now.
- In other news, Xinhua reported that *Baylee Enterprises (Pty) Ltd, a private company headquartered in Botswana's capital city Gaborone, is expected to start full production of electric cars in August this year. Peggy Serame, Botswana's Minister of Investment, Trade and Industry, said on Tuesday the company is currently importing electric motors and other parts needed to assemble the electric car in the southern African country. "The company is planning to start full production by August 2021," Serame made the announcement in parliament while answering a question from a fellow legislator who wanted an update on the development and production of electric cars. According to Serame, the company has developed the prototype of the electric car and it is currently undergoing compliance process with relevant stakeholders including Botswana's Department of Road, Transport and Safety.*
- The main news overnight, other than the private sector labour report which was stronger than anticipated and bodes well for Friday's payrolls data was the announcement of President Biden's infrastructural rejuvenation plan. The plan totals some \$2.0trln and will be funded in the main by the rise in the corporate tax rate to 28%. The plan will focus on rejuvenating, transportation, water systems, broadband and manufacturing, while also allocating a further \$400bn into care for the elderly and disabled Americans. Furthermore, the focus on manufacturing will al-so come in the form of research, development, innovation and job training efforts.
- Following on from the ADP data yesterday, the all-important non-farm payrolls numbers will close out the week. The last US jobs report showed a healthy labour market recovery as nonfarm payrolls increased by 379k, far surpassing Bloomberg consensus expectations of 200k and January's revised 166k gain. This was largely driven by the easing of restrictions following the US' second wave of infections, with a surge of jobs in the leisure and hospitality sector. Continued vaccine rollout and the Biden administration's \$1.9 trillion stimulus package will certainly have a positive impact on the labour market going forward, but this is not without the risk of a third and subsequent waves. We will thus see continued accommodative policy from the Fed, especially as nonfarm payrolls remain 9 million fewer than pre-pandemic levels. However, con-tinued signs of labour market recovery will feed the view for rising demand-side inflationary pressures given the vast stimulus added to the economy over the last year, resulting in the market continuing to price in higher future inflation.
- Moving onto the FX markets, although the bias remains to the topside, there are some early signs that the move may be starting to lose some momentum with some divergence noted on the technical charts between the price movement and underlying stochastics. US growth bets have spurred on the improved USD sentiment, but that will ironically bolster the trade deficit at a time when the budget deficit is exploding. Neither of these fundamentally support the USD which will eventually succumb to these pressures once the current clear-out of short USD positions has completed and the speculative element driving up the USD loses some momentum.
- The stronger USD has kept most emerging markets on their toes. The BWP has however managed to regain the 0.0900 handle and the turn of the month flow will dominate proceedings, at least for the morning after which we expect flows to dry up and corporates start to shut operations ahead of the Easter weekend.

## ZAR and Associated Comments

- The ZAR strengthened throughout the day yesterday, facing little resistance as the US dollar eased slightly despite US Treasury yields edging higher and strong US private sector employment data which confirmed hiring picked up pace in March. Additionally, the ZAR had domestic trade balance data in its favour which remained in surplus and more than doubled in February to R28.96 billion, suggesting the local currency remained supported during the first quarter of the year due to positive trade dynamics. The ZAR ultimately ended the day 1.05% in the green against the USD and closed the quarter at the 14.76/\$-handle.
- South Africa's trade balance has remained in positive territory for 10 consecutive months as of February. Despite January's dip to R12.42 billion, owing to pandemic-related trade disruptions, the positive trade balance alongside SA's high real yields on offer have continued to offer support to the ZAR. As a result, the ZAR fared relatively resiliently through Q1 where the current environment has been largely supportive of the USD. The US' strong vaccination drive and stimulus efforts has prompted bets that the US will lead the global recovery, while rising US Treasury yields have equally supported the greenback. Specifically, the 10-year US Treasury yield almost doubled in Q1, roughly from 0.90% to 1.73%, and the USD rose 3.65% over the quarter on a trade-weighted basis. The ZAR, meanwhile, suffered a 0.60% decline over the quarter as it began the year at 14.6700/\$, a marginal decline compared to the rest of the emerging market currency sample.
- Looking ahead, we may see the ZAR retain its resilience in the near term as the global recovery and higher commodity prices should support domestic exports while South Africa's consumptive dynamics remain weak owing to the weak macroeconomic backdrop. This is barring domestic developments which may elevate already rising fiscal risk, as the government continues to drag its feet on fiscal consolidation promises.
- The day ahead sees domestic economic updates in the form of the Absa manufacturing PMI and Naamsa vehicle sales growth. The PMI is expected to remain above the 50-neutral mark despite a weak real economy, but will likely show some impact due to the resumption of load shedding. The vehicle sales print is expected to rebound in March on a year-on-year basis. Given that

South Africa began lockdown restrictions in March last year, we will start to see future data releases pointing to significant re-bounds due to low-base effects, while demand dynamics are likely to remain weak compared to pre-pandemic levels. Externally, sentiment has kicked off in favour of the US dollar after President Joe Biden's announced plans for a \$2.25 trillion infrastructure spending package. The market will have the latest US initial jobless claims to digest later in the day, which may set up the USD for more gains ahead of tomorrow's release of the official monthly.

## Contacts

Mogamisi Nkate	+267 3674335	email: <a href="mailto:mnkate@bancabc.com">mnkate@bancabc.com</a>
Phillip Masalila	+267 3674621	email: <a href="mailto:pmasalila@bancabc.com">pmasalila@bancabc.com</a>
Kefentse Kebaetse	+267 3674336	email: <a href="mailto:kkebaetse@bancabc.com">kkebaetse@bancabc.com</a>
Maungo Sebonego	+267 3674338	email: <a href="mailto:msebonego@bancabc.com">msebonego@bancabc.com</a>

**Report produced by ETM Analytics for BancABC Botswana.**

## Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. BancABC on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.