

Botswana Market Watch

27 April 2021

GMT		International and Local Data	Period	Exp	Previous
	B.O.	Botswana to place bills			
13:00	US	House price index m/m	Feb	1.00%	1.00%
13:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Feb	11.80%	11.10%
14:00	US	Consumer confidence	Apr	111.85	109.70
14:00	US	Richmond Fed manufacturing index	Apr	20.00	17.00

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	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 vaccine rollout. As such, the economic recovery in Africa could lag other parts of the world	3/5 (economy)	The amount of money needed by Africa to prevent the transmission of the virus is the same as the total amount of official debt service payments already deferred by 45 of the poorest countries participating in the G20's Debt Service Suspension Initiative

Global	What happened?	Relevance	Importance	Analysis
Covid - India	More than 350k people a day are being infected in India and the healthcare system has now being completely overwhelmed to the point of a humanitarian crisis	India is singlehandedly boosting global numbers and poses a risk to global growth	5/5 (economy, virus)	India's 1.4bn population is a source of global growth and the latest Covid surge poses a significant risk to India's growth as well as that of the rest of the world that will experience weaker demand
BoJ	The BoJ has kept its yield targets unchanged as expected, but cut its inflation forecast for the current fiscal year. The board also expects inflation to miss the target beyond Kuroda's term	The BoJ has signalled that monetary policy will remain ultra-loose for a prolonged period of time as Covid risks persist	4/5 (economy, monetary policy)	Nothing too surprising about any of this and the market has taken the news in its stride. The BoJ has struggled to stimulate the economy and lift inflation to any meaningful degree amid the steady rise in government debt
China industrial profits	China's industrial profits grew sharply in March from a year ago as demand for raw materials rose strongly amid a global economic recovery	Profits grew 137% for the Jan-Mar period compared with a year ago to signal a solid recovery underway	3/5 (market)	The economic recovery is underway even though the outlook is uncertain and the risk of Covid persists. It is however a function of an economy that is being liberated

Local F.X. Opening Rates and Comment

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL	Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT						
BWPZAR	1.2653	1.3792	1.2897	1.3660	6m	1.2070				
BWPUUSD	0.0886	0.0964	0.0903	0.0955	3y	4.7550	1m	-1.8428 0.0000		
GBPWP	15.6394	14.3576	15.3011	14.6567	5y	5.3350	3m	-6.2888 0.0000		
BWPEUR	0.0734	0.0800	0.0752	0.0784	22y	6.7250	6m	-13.4258 0.0000		
JPYBWP			9.8152	10.2259			12m	-33.7253 0.0000		
USDZAR	13.7080	14.8627	14.0293	14.5412						
EURUSD	1.1584	1.2554	1.1856	1.2282						
GBPUSD	1.3324	1.4435	1.3636	1.4123						
					Equities		Economic Indicators			
					BSE Domestic Index	6546.75	GDP	-4.1	Bank Rate	3.75
					BSE Foreign Index	1550.93	CPI	3.2		

- The Botswana government received a donation of the Sinovac COVID-19 vaccination from the Chinese government over the weekend. Xinhua reported - *Wang Xuefeng, Chinese ambassador to Botswana, said at the handover ceremony that the donation is a gift to Botswana from the Chinese government, a symbol of the two countries' time-tested friendship, and a new milestone in China and Botswana's joint fight against COVID-19. He said that in the face of the severe pandemic, China and Botswana have shown care to each other, and stood shoulder to shoulder to combat the virus, adding that the vaccine donation is the latest achievement in the two countries' anti-pandemic cooperation.*
- The fight against COVID-19 continues across the globe, certain countries have been hit harder than others, Vietnam for example has only recorded 25 deaths while on the other side of the spectrum we have the likes of Brazil and India who are fighting a wave of infections with massive loss of life recorded.
- To show how bad it can get, one merely has to look at India. New COVID-19 cases remained above 300 000 for a sixth straight day on Tuesday. Over the past 24 hours 323 144 new cases were recorded while hospitals are completely overrun turning away patients due to a lack of beds and oxygen. The military have been called in to assist. Granted, India is the second most populous country, but one cannot ignore the toll both economically and from a humanitarian perspective.
- There is however some positive news with US approving the resumption of the J&J vaccine. Given its role as an important yardstick for the rest of the world, lifting the "pause" in America has allowed other countries around the world to do the same. While India is suffering through a major Covid-19 humanitarian crisis, new cases in the US have fallen sharply in the past week, with deaths having subsided to the lowest since Oct 2020. As the vaccination programme continues to roll on and the US emerges from its massive wave, the outlook is steadily improving. For the most part, vaccines are being accepted and are gaining traction. Although this is no guarantee of the end of the pandemic, it will offer the broader population some immunity and allow the authorities to continue to open up their economy. This news bodes well for a robust recovery from Q2 onwards, with strong traction anticipated through H2 2021.
- Botswana has thus far registered 43 394 positive cases with 691 fatalities.
- In other news, Debswana is confident on the outlook for diamonds as it confirms that it will be investing some \$6bn to construct the world's largest underground mine at Jwaneng. The new mine will involve some 360km of tunnel and full capacity is expected to be reached by 2034 according to Debswana Diamond transformation and innovation head Thabo Balopi. The annual production capacity is expected to be as much as 9 million carats and this new section should extend the life span of Jwaneng by some 20 years.
- Moving onto the FX markets, ahead of the FOMC decision and statement tomorrow, it is unlikely that the market will adopt any significant position. That said, the USD has recovered off its lows and is trading water at the moment as investors wait for a fresh catalyst. The overwhelming bias remains firmly set against the USD for now as expectations of an ultra-loose Fed as well as the large twin deficits raise the risk of further USD depreciation. The BWP is thus likely to remain contained above 0.0910 until the Fed provides its verdict.

ZAR and Associated Comments

- South Africa is currently on holiday with the country celebrating Freedom Day. The currency does trade as it's a CLS cleared currency but movements are expected to be muted given the holiday.

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