Botswana Market Watch

7 April 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			-6.0%
11:00	US	MBA mortgage applications	Mar 26		-2.20%
12:30	US	Trade balance	Feb	$-70,45bn	$-68,2bn
18:00	US	Fed FOMC Meeting Minutes	Mar 17		
19:00	US	Consumer credit	Feb	$2,8bn	$-1,32bn

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
IMF forecast	The IMF is expecting a stronger economic rebound in 2021, with the global economy expected to accelerate 6% in 2021 vs the 5.5% previously forecast	Recent stimulus additions plus a strong vaccine rollout have liberated some economies	4/5 (economy)	Developing economies have been upgraded and are forecast to expand 6.7%in 2021 which when one considers the start implies that H2 will be an extremely strong period of growth
Cryptocurrency	The cryptocurrency market has now topped $2.0trln as Ethereum hits a fresh record high, which would signal a rise of 180% for the year-to-date	Bitcoin accounts for 50% of that and crypto is becoming more entrenched as a payment method	4/5 (market)	Cryptocurrencies are becoming engrained into everyday life and being commercially adopted by more large corporates. As decentralised finance takes hold, crypto usage will proliferate
US Job openings	Job openings rose 268k to 7.4mn in Feb, while hiring increased 273k to 5.7mn in a sign that the labour market is gathering momentum	Pent up demand, un-tapped savings and stimulus will ensure that hiring ramps up in H2 2021	4/5 (economy)	If there is concern around inflation it will arise out of expectations that the labour market will tighten up so quickly that wage inflation holds the potential to ramp up quickly

Local FX Opening Rates and Comment

	CUSTOMER BUY CASH	CUSTOMER SELL CASH	CUSTOMER BUY TT	CUSTOMER SELL TT
BWPZAR	1.2664	1.3878	1.2908	1.3744
BWPUSD	0.0874	0.0954	0.0890	0.0945
GBPBWP	15.8069	14.4460	15.4649	14.7469
BWPEUR	0.0736	0.0805	0.0754	0.0789
JPYBWP			9.8152	10.2666
USDZAR	13.9165	15.1014	14.2427	14.7747
EURUSD	1.1395	1.2346	1.1662	1.2079
GBPUSD	1.3276	1.4384	1.3587	1.4073

Benchmark Yield Curve

6m	1.2150
3y	4.7550
5y	5.3350
22y	6.7250

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.5795	0.0000
3m	-5.2016	0.0000
6m	-10.6763	0.0000
12m	-22.8345	0.0000

Equities / **Economic Indicators**

BSE Domestic Index	6526.36	GDP	-6	Bank Rate	3.75
BSE Foreign Index	1550.93	CPI	2.4		

- Botswana has started its controversial trophy hunting season yesterday after the season was halted as a result of the COVID-19 pandemic. Licenses have been issued for the killing of some 287 elephants which is the largest category of animals on offer for hunting. The elephant population of Botswana is estimated to be in the region of 130 000. The government introduced a blanket ban on hunting in 2014 to stem the decline of the wildlife population but restrictions have been lifted as this trend has reversed. It is hoped that the resumption of the season will bring back the traditional hunters from the likes of the United States and United Kingdom however there is likely to be some trepidation from this nations given the current status of COVID-19 throughout the region.

- Moving over to the United States, In what would amount to a strong reversal of policy, it now appears that the Biden administration is seriously considering finishing Trump's wall on the Mexican border in order to try and tackle the growing border crisis as Mexicans take their chances with a more amenable Biden administration which will offer refuge. But as the border crisis turns increasingly serious, so Biden will need to reconsider his administration's position on the matter and revert to a stricter, tougher approach or risk opening the floodgates to mass illegal immigration of poorly skilled workers.
- Strong job openings data has built the expectation that the economy is primed for a strong recovery through H2 2021. As momentum builds on a combination of pent-up demand, untapped savings, successful vaccination drives and a revival in global demand, so hiring will accelerate strongly in H2. For those concerned about inflation, this may be a warning that wage inflation may indeed accelerate in the latter part of the year as the effects of very strong growth in money supply gradually fosters inflation outside of the asset price inflation already witnessed.
- With the Fed maintaining the narrative that it is still too soon to begin talking of rate hikes, it will be interesting to see how the passing of additional stimulus in March has altered the Fed's balance of risks in the last FOMC meeting minutes. Financial markets see the potential risk of the economy overheating as US Treasury yields continue to price in higher inflation, while the Fed sees near term inflationary pressures as temporary. Overall, the latest FOMC minutes will likely reflect the Fed's dovish stance as it still sees significant slack in the labour market and will not want to obstruct the US' current recovery path. Insights into the Fed's longer-term outlook will be important, specifically regarding whether the latest stimulus package will significantly speed progress towards the Fed's employment and inflation targets.
- The investment community will be keeping a close eye on developments emanating from the G20 meeting of finance officials later today. The expectation is that the group will back a boost of some $650bn to the IMF's emergency reserves and extend the freeze on debt payments in an attempt to assist developing nations still struggling to combat the COVID-19 pandemic. The meeting will take place virtually on the sidelines of the meetings of the IMF and World Bank, this meeting will also be a platform for US Treasury Secretary Janet Yellen to press for a global minimum tax on corporate profits. Many governments will be in favour of such a suggestion as it allows them to rebuild their coffers without the threat of corporate relocations due to unfavourable tax conditions.
- Moving onto the FX markets, again US bond yields slip and again the USD comes under renewed pressure. The corrective trend is still very much intact and technically, there is a lot further the USD can fall in the coming weeks. Quite aside from the USD's own overvaluation against the majors, it continues to battle against its huge twin deficits, both of which are USD debasing. Add to that growing expectations that the Fed will not be quick to normalise and the USD comes under renewed pressure. This evening's FOMC minutes will therefore hold great interest and may hold market moving potential for the USD.
- Given the fact that we have the USD on the backfoot, it is not surprising to see the local unit notching up gains. The BWP-USD is currently marking time around the 0.0910 mark as we head into the open.

ZAR and Associated Comments

- The ZAR struggled for clear-cut direction yesterday as it swung both gains and losses, but ultimately managed to pare earlier losses which saw the currency trade back to 14.6100/$. This was largely driven by the dollar-leg, however, with the greenback easing yesterday afternoon alongside US Treasury yields, resulting in the ZAR ending the day flat at 14.5300/$.
- On the global news front keeping risk appetite supported, the International Monetary Fund (IMF) upgraded its global growth forecast to 6% for this year from a prior estimate of 5.5% in January. The organisation offered a warning though that developing countries will be harder hit by the pandemic and will suffer a longer road to recovery. The IMF underscored the need for policy makers to gradually reduce fiscal support in order to avoid so-called "fiscal cliffs" and that major central banks must give clear guidance as to future policy changes to ease the risk of capital outflows from emerging markets.
- Although these risks existed before the pandemic's downturn and exacerbated last year's market crash for EMs, they now come at a time when EM portfolio flows have weakened the most since April last year. The latest data from the Institute of International Finance showed that EM assets recorded net inflows of $10.1 billion last month, compared to $23.4 billion of net inflows in February. Upon further breakdown, Chinese equities and debt instruments accounted for 90% of the latest inflows, suggesting rising risk for other emerging markets.
- While the USD's first quarter rally appears to be running out of steam, rising US Treasury yields will continue to sap EM asset demand and may cause portfolio flows to slow further. The SARB equally sees this as a risk to SA, with comments from deputy governor Fundi Tshazibana yesterday that rising bond yields and a stronger dollar poses risks to EMs and their respective recoveries. Furthermore, the SARB deputy governor once again highlighted concern over the SA's fiscal state and how the continued deterioration could impact monetary policy, suggesting the SARB sees limited room to support the economy through accommodative policy in the current global climate.
- Having said that, the SARB will likely maintain looser policy for as long as the ZAR's stability will allow, which presently depends on US yields, the USD and, by extension, the stateside growth and inflation outlook. We maintain that the vast stimulus released will act to debase the monetary value of the USD and could ignite an inflationary episode. However, the short term may still hold some dollar strength if the market continues to price in sooner monetary policy tightening. On that note, the market will have the

Fed's March FOMC meeting minutes to digest later in the day, while prior to that the domestic data card kicks off with the economy-wide Standard Bank PMI and SACCI business confidence index.

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