

# Botswana Market Watch

24 May 2021

GMT	International and Local Data		Period	Exp	Previous
12:30	US	<b>Bloomberg May Economic Survey</b> Chicago Fed activity index	Apr		17,10

Africa	What happened?	Relevance	Importance	Analysis
<b>Agriculture funding gap</b>	CDC Group, the UK's development investment arm, is taking a step to help bridge what it estimates is a funding gap of as much as \$31bn that Africa's agriculture and food industry faces each year. The CDC is targeting \$1bn worth of investment into Africa this year	As banks withdraw funding from agriculture due to regulation changes, and with some larger players defaulting, institutions such as CDC have a significant role to play in plugging the shortfall	3/5 (economy)	Many African governments are under strain from the costs of managing the COVID-19 pandemic against a backdrop of poor investment and political instability. The funding from the CDC aims to reach more than half a million farmers across 29 sub-Saharan African nations, from Mozambique and Tanzania to Kenya
<b>Cost of slow vaccine rollout</b>	A study done by the World Bank showed that the slow rollout of COVID-19 vaccines in Africa could cost the continent \$14bn a month in economic output	Less than 0.5% of the continent's roughly 1.3bn people are fully immunized, according to Bloomberg data	4/5 (economy)	Africa is struggling to secure vaccines as wealthy countries hoard vaccines for their citizens. This has ultimately resulted in a much slower rate of vaccination in Africa than in other parts of the world
<b>Africa vaccines</b>	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
<b>Cryptocurrency Latest</b>	Cryptocurrencies remain under regulatory and government attack. China has cracked down on crypto mining. This after the US introduced some regs and the previous week's China crypto ban	With governments around the globe looking for more tax revenue, the crypto market will be regulated and taxed	3/5 (market)	Ironically, regulating the cryptocurrency market may lend it even more credibility, although it remains unclear how the dust will settle. What is clear is that the crypto market will change fundamentally and face many regulatory burdens
<b>EM bond holdings</b>	A JP Morgan survey that monitors hard currency holdings of EM debt shows that it dipped to the lowest level in five years	A combination of rapidly rising inflation, as well as rising debt levels, have weighed	4/5 (economy, market)	Fiscal metrics have deteriorated, and on top of that, there are signs that inflation will take hold across many different emerging markets
<b>Israel - Hamas cease-fire</b>	The cease-fire has held through the weekend and for a third consecutive day allowing Egyptian mediators to continue working their diplomatic effort	Peace in Israel will help to de-escalate tensions in the region and will help to ease risk aversion	4/5 (geopolitics)	The humanitarian crisis in Gaza has now prompted the UN and other international organisations to seek ways of assisting those that have lost homes, businesses and loved ones

## Local F.X. Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT						
BWPZAR	1.2494	1.3635	1.2735	1.3504	6m	1.5240		BWPUSD	BWPZAR	
BWPUSD	0.0896	0.0978	0.0913	0.0968	3y	4.6250	1m	-2.0670	0.0000	
GBP/BWP	15.7739	14.4634	15.4326	14.7647	5y	5.4250	3m	-6.4155	0.0000	
BW/PEUR	0.0735	0.0802	0.0753	0.0786	22y	6.7250	6m	-15.6780	0.0000	
JPY/BWP			9.9724	10.3989			12m	-34.4663	0.0000	
USDZAR	13.3911	14.5212	13.7050	14.2070						
EUR/USD	1.1694	1.2672	1.1968	1.2398						
GBP/USD	1.3581	1.4717	1.3899	1.4399						
					<b>Equities</b>		<b>Economic Indicators</b>			
					BSE Domestic Index	6594.87	GDP	-4.1	Bank Rate	3.75
					BSE Foreign Index	1550.85	CPI	3.2		

- Botswana is one of five African countries that are currently insulated against the freeze of Indian COVID-19 vaccine exports. Mmengi reported that *Botswana, South Africa, Namibia, Mauritius and Libya are self-financing their participation in the COVAX facility and thus will not be receiving their supplies from India, but from other AstraZeneca producers in Europe and South Korea.* Policymakers and the general population will be breathing a sigh of relief given that India has suspended all exports from the Serum Institute of India for the next seven months as the country grapples with the COVID-19 virus. India is currently one of the hardest hit with over 250 000 deaths officially recorded, unofficial predictions have the number much higher. The healthcare system is on the brink of collapse, and tensions are rising.
- Internationally, focus has been on China at the start of the week. Industrial metals have responded to further warnings from Beijing. The Chinese regulator has fired a shot across the bow of industrial metal companies saying that they need to maintain "normal market order" following significant gains in metal prices this year. Reuters reported the following- *The NDRC, China's top economic planner, along with the industry ministry, the state-owned assets regulator, the State Administration of Market Regulation, and the China Securities Regulatory Commission held the talks on Sunday with major domestic commodity companies and urged them not to drive up prices, according to the statement. The statement warned that companies "should not collude with each other to manipulate market prices ... hoard goods and drive up prices."* The regulators pledged they would monitor the commodity market and strengthen inspections for both futures and spot markets.
- Not surprisingly we have seen base metals tumble this morning in the Asian session. The benchmark 3m copper price was down some 0.3% at \$9853.50/tonne after falling 1.67% on Friday. Shanghai copper was down 1.4% at CNY71590/tonne.
- Looking ahead we still hold the view that the broader macro picture on base metals is unchanged, and what we are seeing is the froth being removed from the market. This is good news for Botswana given the development taking place around the industrial metals complex. The Kalahari Copper Belt is expected to add meaningfully to the economy in the coming decades and diversify the country away from the diamond trade which has been responsible for some 70% of Botswana's export earnings.
- In terms of the FX markets, USD remains on the defensive this morning as it struggles to make back any ground, especially with US Treasury yields still dipping and the authorities confirming that they are in no hurry to remove fiscal and monetary stimulus. Technically, the bias remains to the downside and with no significant data scheduled for release today, investors may well tread water for a little while longer as they search for a catalyst to the move.
- The local unit is anchored above the 0.0930 mark, we expect this support level to hold at the open as investors and corporates alike digest the news flow from the weekend. We would like to point out to the reader that we are heading into the week where traditional end of month corporate payments take place and this could well influence the price action and liquidity in the FX market.

## ZAR and Associated Comments

- The USD-ZAR extended its decline on Friday, securing a close below the 14.0000-handle for the second day running. Strong Eurozone PMI data earlier in the day, signalling rebounding economic activity, drove broad US dollar weakness and resulted in the currency pair hitting an intraday low around 13.8900, the strongest the ZAR has been against the USD since July 2019. Despite the USD paring losses as US PMI figures later in the day were similarly strong, the bounce the greenback saw earlier in the week on Fed FOMC meeting minutes which showed unexpected mention of monetary policy tightening has ultimately faded out of view as expectations remain for the Fed to maintain loose policy for the foreseeable future.
- While the dollar bounced back from its mid-week volatility, the ZAR still managed to eke out gains in the wake of the SARB's domestic monetary policy update. Recall, the SARB offered a more balanced if not more hawkish outlook due to it being the second meeting the MPC unanimously decided to hold the repo rate at 3.5%. This ultimately favoured the ZAR into the end of the week and will continue to do so as the market now expects a tightening cycle laying ahead and beginning as early as the end of this year.
- The ZAR also ended the week off with a notable 1.20% gain against the USD ahead of a scheduled S&P sovereign credit rating review, which was joined by Fitch's review also released after domestic market hours on Friday. While noting the risks which may pose ratings downgrades in the future, both ratings agencies decided not to alter their ratings as yet. S&P affirmed SA's long-term foreign-currency debt of 'BB-', being three notches below investment grade, and kept the local currency debt rating at BB, both with a stable outlook. Fitch meanwhile maintained its negative outlook on SA debt, keeping its rating of long-term local and foreign currency debt at 'BB-'.
- While the risks that government's fiscal consolidation and debt stabilisation plans face have not abated, ratings agencies appear to be giving the government some room to enact plans outlined in the February budget. Key amongst these plans will be the public sector wage bill freeze and, with negotiations still ongoing, the big three ratings agencies may simply be waiting to see how these negotiations pan out. In addition to this, as noted by S&P, the agencies are aware of the structural impediments weighing on growth, specifically the unreliable electricity supply and weak investment expenditure. National Treasury meanwhile released a statement on Friday saying that government is committed to the implementation of critical growth enhancing reforms and fiscal consolidation, both of which have been noted by the agencies will likely plague credit ratings in the future.
- Over to the spot markets, while the dollar's volatile mid-week trade continued into the weekend as it swung Thursday's losses to post a net trade-weighted gain on Friday, this week has kicked off with a dollar-bearish bias, albeit with larger moves few and far between in early morning trade. As for the ZAR, the local unit has hovered just shy of Friday's 13.9600/\$ close, while general sentiment being against the USD this morning looks set to continue as the day progresses in light of minimal data on the cards to alter this sentiment.

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