

## Botswana Market Watch

## 11 June 2021

GMT		International and Local Data	Period	Exp	Previous
	<b>BO</b>	<b>Nothing on the cards</b>			
06:00	<b>GB</b>	Industrial production y/y	Apr	30.10%	3.60%
06:00	<b>GB</b>	Manufacturing production y/y	Apr	42.00%	4.8%
06:00	<b>GB</b>	Visible trade balance (GBP)	Apr	-11500mn	-11710mn
06:00	<b>GB</b>	Total trade balance (GBP)	Apr	-1849,5mn	-1966mn
08:30	<b>UK</b>	BOE's Bailey, Ramsden, Cunliffe and HMT's Sunak at BIS Event			
14:00	<b>US</b>	Michigan consumer confidence	Jun P	83,80	82,90

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	<b>3/5</b> (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	<b>4/5</b> (economy)	African 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>World Health Organization - Africa vaccine</b>	The World Health Organisation reported that Africa needs at least 20mn doses of the Astra-Zeneca Plc vaccine by mid-July to complete the immunization of people who have had their first doses	The WHO noted that less than two doses per 100 people have been administered in Sub-Saharan Africa, well below the global average	<b>4/5</b> (economy)	According to the WHO Regional Director for Africa Matshidiso Moeti, a further 200mn doses are needed for Africa to vaccinate 10% of its population by September. The pace of vaccine rollouts is a key determinant of the pace of economic recoveries

Global	What happened?	Relevance	Importance	Analysis
<b>G7 meeting</b>	The 47 <sup>th</sup> G7 summit is scheduled for the 11 <sup>th</sup> - 13 <sup>th</sup> June 2021. It comes just after broad acceptance of a US proposal for a global minimum corporate tax	It is not all plain sailing. Ironically, the City of London will ask for an exemption from the proposal	<b>3/5</b> (economy)	The UK believes that the banks in London will be heavily affected, and it could deal the economy and the city an even bigger blow following the Brexit disruptions that have already impacted
<b>Fed tapering</b>	A poll conducted by Reuters reveals that investors expect the Fed to announce tapering measures in Aug or Sep	Actual tapering in reduced bond purchases will only materialise in 2022	<b>4/5</b> (economy, monetary policy)	With the Jackson Hole Symposium due to take place on the 26 <sup>th</sup> - 28 <sup>th</sup> Aug, it is believed the Fed will use the opportunity to guide expectations for the taper
<b>US infrastructure bill</b>	It would appear that there has been a breakthrough of sorts with the bi-partisan group of five Republicans and 5 Democrats have reached a deal	Apparently, the deal would be an infrastructure bill that would not include tax increases	<b>4/5</b> (politics, economy, fiscal policy)	Sources reveal that the infrastructural package would total \$974bn over five years and \$1.2trn over eight. A much smaller amount than Biden hoped for, but one that should pass

### 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				BWPUSD	BWPZAR	
BWPZAR	1.2262	1.3369	1.2498	1.3241	6m	1.5760	1m	-2.0963	0.0000	
BWPUSD	0.0903	0.0984	0.0921	0.0974	3y	4.7750	3m	-6.4643	0.0000	
GBP/BWP	15.6697	14.3868	15.3307	14.6866	5y	5.1250	6m	-16.4190	0.0000	
BWPEUR	0.0741	0.0807	0.0758	0.0792	22y	6.7750	12m	-38.7124	0.0000	
JPY/BWP			10.1099	10.5311						
USDZAR	13.0306	14.1325	13.3360	13.8267						
EURUSD	1.1700	1.2679	1.1974	1.2404						
GBPUSD	1.3610	1.4745	1.3929	1.4426						
					<b>Equities</b>		<b>Economic Indicators</b>			
					BSE Domestic Index	6596.58	GDP	-4.1	Bank Rate	3.75
					BSE Foreign Index	1550.85	CPI	3.2		

- President Mokgweetsi Masisi will be concluding a two-day official visit to Tanzania today. The President is meeting with his Tanzanian counterpart President Samia Suluhu Hassan and discussions are said to be focusing on the strengthening of the South African Development Community and the insurgency in northern Mozambique.
- There is growing concern in SADC surrounding the insurgency as the threat of it spilling over into the likes of Zimbabwe rises as time passes. Swift action is needed to prevent contagion.
- The US CPI number has come and gone with the markets viewing the strong print as largely transitory and thus having no real impact on the Fed's trajectory for monetary policy. A closer look at the inflation figures showed that the pressure to the top side came from commodities and airfares leading to the view that the spike is likely temporary. Thus, the taps stay open. This has kept US Treasury yields capped and thus enhanced the attractiveness of other asset classes such as emerging markets, gold and equities with the S&P 500 hitting a new all-time high overnight.
- Taking a look at base metals, Copper desks are currently focused squarely on thoughts of Beijing instituting further measures to curb the price of commodities. It was reported after local closing yesterday that the National Food and Strategic Reserves Administration is planning to sell its reserves of copper, aluminium and zinc in a programme expected to last until the end of 2021. They will offer materials directly to downstream players at the end of the month.
- Reuters added - China is looking to release 800,000-900,000 tonnes of primary aluminium from its state reserves as soon as next month to ease high prices for the metal, consultancy CRU said in a note to clients, citing local market contacts.
- China is acutely aware of the price pressures that are currently embedded in its macro backdrop, domestic producer price inflation for May hit its highest level in more than 12 years due to a surge in raw material pricing and supply bottlenecks.
- The FX markets are in a more risk on frame of mind as we exit the Asian session and enter the EU open. The USD Index is marked below the 90 handle as we enter the final day of trade with most emerging markets trading in the green. This should allow for an easier open for local markets as bearish offshore factors fade into the background for now.

## ZAR and Associated Comments

- The local currency was on a tear yesterday as the ZAR bulls looked to recoup the previous day's losses, which put the unit at a one-week low against the USD. Further aiding the ZAR, the USD failed to catch a tailwind from inflation data which showed CPI rose 5.0% y/y in May, up from a previous reading of 4.2%, despite US Treasury yields lifting initially to account for the faster-than-expected annual inflation. Nevertheless, the dollar fell on a trade-weighted basis alongside Treasury yields later in the session as the market remained unconvinced these price pressures will result in runaway inflation. To that point, inflation slowed on a monthly basis from the April print.
- The ZAR took this in its stride later in afternoon trade, adding to gains secured earlier in the morning. On the domestic data front, the current account surplus widened more than expected in Q1, coming in at 5% of GDP or R267 billion from a prior figure of 3.7% of GDP or R198 billion. A breakdown of the data from the SARB shows that South Africa's trade surplus widened from R425 billion in Q4 of 2020 to R430 billion. The larger trade surplus resulted from the value of merchandise exports increasing to a new all-time high while imports rose to a lesser extent.
- High commodity prices continue to drive exports, underpinning a large trade surplus while imports remained subdued due to a weak economic recovery. With these dynamics set to stay, at least in the near term, SA's trade account and, by extension, the current account will remain supported and thus continue to underpin the ZAR's resilience.
- On the local economy, the ZAR shrugged off a less rosy domestic picture as data yesterday showed mining and manufacturing production continue to be plagued by persistent structural issues. April's manufacturing production stats naturally showed strong annual growth due to last year's lockdown, but the sector contracted on a monthly basis as bouts of load shedding hit production. The mining sector fared better with a 0.3% m/m rise in production, albeit markedly lower than March's 4.7% m/m increase. Evidently, the resumption of rolling blackouts could spell disaster for the country's ongoing economic recovery. As such, the government has seen fit to increase the limit of private power generation. Yesterday, President Ramaphosa announced that the limit on self-generation of power will be raised from 1MW to 100MW. This comes as the country has suffered severe load shedding this week, with Ramaphosa noting that the energy crisis is a massive risk at the moment. The change in regulations will help SA's energy crisis at the margin, but it is likely too little too late. Billions have already been wasted as a result of the energy crisis and these projects will still take time to come online, meaning load shedding will be here to stay for the foreseeable future.
- In the markets, though, the ZAR was on a one-direction trajectory as it snapped the past three days losing streak to ultimately gain over 1% against the USD, closing slightly below the 13.6000/\$-handle. The unit has continued to trade stronger overnight, with sentiment likely to remain positive towards ZAR on account of the lift to private-power generation. Meanwhile, a weaker dollar has offered an upbeat start for most emerging market currencies. Should this continue into the weekend, it would be telling of the market's perceptions of inflation and eventual tapering ahead of a US Fed policy update next week, where the market may ultimately be expectant of more dovish rhetoric at least until the end of the year.

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