

Botswana Market Watch

4 June 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			
09:00	EZ	Retail sales y/y	Apr	25.50%	12.00%
11:00	US	Powell Takes Part in BIS Panel on Climate			
12:30	US	Change in nonfarm payrolls	May	663k	266k
12:30	US	Unemployment rate	May	5.90%	6.10%
14:00	US	Durable goods orders m/m	Apr F		-1.30%
14:00	US	Factory orders	Apr	0.50%	1.10%

Africa	What happened?	Relevance	Importance	Analysis
Agriculture funding gap	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
Cost of slow vaccine rollout	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)	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
World Health Organization - Africa vaccine	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	4/5 (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
US-Sino relations	US President Biden expanded restrictions on US companies investing in China, naming a further 59 companies that are banned due to their links to military and surveillance	Any notion the Biden administration would treat China with kid gloves will now be dispelled, with tensions set to rise	3/5 (geopolitics)	This is a powerful sign that the Biden Administration will likely extend rather than reverse the Trump administration's tougher stance. The only difference is the absence of tweets and inflammatory remarks
US labour data	Yesterday's weekly jobless claims and the private sector payrolls ADP data both produced some stronger than expected data	Sets the stage for the payrolls data today that could similarly be better than expected	4/5 (economy)	The data confirmed that the US economy is on the mend and that the recovery is now gathering momentum. H2 2021 will likely be a strong half.
EZ business growth	EZ business activity, especially in the services sectors, surged in May as some countries eased their restrictions, helping the composite PMI rise to 57.1	Confidence is rising, vaccination drives are accelerating, and the economic recovery is building	4/5 (market, monetary policy)	Given the amount of monetary and fiscal stimulus that has been applied, the recovery in the EZ economy is likely to be relatively robust and gather steam through H2 2021.

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	1.2289	1.3412	1.2526	1.3283	6m	1.5750	1m	-2.0280	0.0000
BWPUSD	0.0902	0.0985	0.0920	0.0975	3y	4.7750	3m	-6.5130	0.0000
GBP/BWP	15.5933	14.2985	15.2560	14.5964	5y	5.3250	6m	-15.7365	0.0000
BW/PEUR	0.0745	0.0812	0.0762	0.0797	22y	6.7750	12m	-34.9148	0.0000
JPY/BWP			10.1787	10.6125					
USDZAR	13.0730	14.1773	13.3794	13.8706					
EURUSD	1.1628	1.2602	1.1901	1.2329					
GBPUSD	1.3526	1.4658	1.3843	1.4341					

Equities		Economic Indicators			
BSE Domestic Index	6597.47	GDP	-4.1	Bank Rate	3.75
BSE Foreign Index	1550.85	CPI	3.2		

- News on the wires namely Reuters is that the *Botswana's Public Officers Pension Fund (BPOF)*, with 83 billion pula (R102-billion) in assets under management, has appointed South African advisory firm NMG Benefits to administrate the fund. Effective June 2, NMG Botswana, a joint venture between BPOPF (51%) and NMG South Africa (49%), will collect contributions, manage payrolls and maintain records for the 156,000-member fund, it said late on Wednesday. The outsourcing of the fund's administration is to comply with a 2017 decision by Botswana's regulators that all pension funds be managed by an independent administrator unconnected with the fund itself
- In other news Moderna INC has entered a supply deal with Botswana for the COVID-19 vaccine. The deal with Botswana is separate from the 500 million doses which Moderna has agreed to supply to the GAVI-led COVAX vaccine sharing scheme.
- Internationally, the Biden administration has listed a further 59 companies on the political front in which U.S. companies are banned from investing in. The Executive Order was signed yesterday and puts to rest any debate around whether the Biden administration would undo much of the stronger stance the Trump administration adopted concerning China. On the contrary, Biden appears to be extending Trump's efforts which will do little to improve US-Sino relations, which were frosty even before this. Add the growing U.S. claims that Covid-19 was man-made and leaked from a virology institute in Wuhan, and US-Sino relations are low and set to deteriorate a lot further
- Looking at the day ahead, the all-important US non-farm payrolls data is scheduled for release and will capture the focus of most investors worldwide. The previous non-farm payrolls print showed the U.S. added only 266k jobs in April, falling well short of the 1mn consensus expectation. This suggested the labour market was still suffering from growing pains as the economy continued its rapid reopening. Despite surging job openings, companies have reported having trouble recruiting workers due to fears of catching COVID-19, childcare responsibilities, and generous unemployment benefits. It appears as though the economy has reopened faster than many workers have been able to return to work, although this will even out over time, with a notable tightening of the labour market still expected in the months ahead. That being said, the labour market reflected a significant amount of slack and has some way to go before the Fed might consider cutting its monetary support. Nevertheless, the data hold plenty of market-moving potential as there are growing bets that discussions about monetary tapering may be necessary sooner than the Fed expects.
- The financial markets have started the final day of trade for the week in a very measured fashion as investors look to trim risk ahead of the US data this afternoon. We expect a similar narrative to hold for the local markets following yesterday's losses on the BWP as a result of a much stronger USD following upbeat data,

ZAR and Associated Comments

- Yesterday saw turbulent trade for the USD-ZAR as the currency pair traded higher by the end of domestic hours but still managed to test the 13.5000/\$-handle earlier in the day. The ZAR pushed to its strongest levels against the USD since February 2019 on the previous day, which may have exhausted its bullish run into the end of the week. Furthermore, the USD found broad support as private payroll data showed strong hiring in May, while US initial jobless claims for the week ending May 29 notched lower.
- Despite the ZAR falling 0.65% against the USD yesterday, it was far from the worst performing EM currency on the day. Considering Wednesday's gains, which took the unit to 28-month highs, the ZAR appeared to hold up well relative to the rest of the EM basket of currencies. Thus, market sentiment suggests there is still upside momentum behind the local currency, which remains roughly 1% in the green this week. Implied volatilities on USDZAR options also indicate lower near-term risk, with at-the-money volatility for the three-month tenor falling on the session yesterday to 13.62%, the lowest since February 2020.
- While some robust data helped the dollar yesterday, the overall bias for the greenback remains to the downside until the Fed begins more open discussions around tapering its asset purchases. Thus, for as long as developed world monetary policy remains loose, we continue to see emerging market currencies remaining supported. This holds true for the ZAR, as it trades in the absence of visible short-term catalysts to spur weakness, while hedging costs will remain low as indicated by implied volatility levels.
- In terms of data yesterday, the economy-wide standard bank PMI remained in expansionary territory for the 8th consecutive month in May. Confidence towards future output remained robust, with firms largely expecting a recovery in economic conditions over the coming year as the vaccine roll-out continues. All in all, the economy will stay on a recovery path from the pandemic's dip until the country's structural challenges start to hinder potential future growth once again. On that topic, the IMF noted yesterday in a virtual conference hosted by S&P Global Ratings that South Africa must implement structural reforms at state companies alongside fiscal consolidation efforts. The hosting ratings agency also sees government ultimately compromising in public sector wage negotiations, suggesting risks to sovereign credit ratings further down the line.
- Despite the above, the ZAR remains poised for further upside in the months ahead due to supportive trade dynamics and high yields on offer amid loose DM monetary policy. Looking to the spot markets this morning, the ZAR has managed to recoup some of yesterday's losses in early morning trade as it hovers around the 13.6200/\$-handle. In contrast, the US dollar has traded broadly on the front foot ahead of the US nonfarm payrolls (NFP) print later today. Yesterday's private payroll data suggests we should see an equally strong NFP release, but the USD's reaction may be slightly more muted given the trade-weighted dollar index's (DXY) jump to a three-week high yesterday. Nevertheless, a stronger USD will ultimately cap the ZAR's gains for the week, while traders may similarly pare back positions ahead of the domestic first-quarter GDP results due next week.

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Report produced by ETM Analytics for BancABC Botswana.

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