

Botswana Market Watch

8 June 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	7-Day Certificates on offer BWP10bn			
06:00	GE	Industrial production wda y/y	Apr	29.50%	5.10%
09:00	EZ	GDP sa y/y	1Q F	-1.80%	-1.80%
09:00	EZ	ZEW economic sentiment	Jun		84.00
09:00	GE	ZEW economic sentiment	Jun	85.00	84.40
10:00	JN	BOJ Deputy Governor Amamiya Speech at NIKKEI Financial Seminar			
12:30	US	Trade balance	Apr	-\$68,5bn	-\$74,4bn

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
UK retail sales	British Retail Consortium has reported strong May retail sales, up 10% y/y, with consumer spending also up 7.6% y/y. Total sales are up 28.4% y/y and like-for-like sales up 18.5% y/y.	Low base factors are obviously impacting the growth rate, but it is a solid showing that will persist through H2 2021	3/5 (economy)	The recovery is now well underway, with the June sales likely to be as strong if not stronger. Furthermore, H2 2021 will be characterised by monetary and fiscal stimulus effects that have yet to manifest fully.
US Housing	A Fannie Mae survey showed that the percentage of people who felt it was a good time to buy a home declined to 35% in May, the lowest since the survey began	The House Purchase Sentiment Indicator has fallen to a record low level after a phase of growth	3/5 (economy)	After an impressive run through the past year driven by ultra-low interest rates, high prices deter would-be buyers. This reflects the distortionary effect ultra-loose monetary policy has
ECB purchases	The ECB bought five times more bonds in April and May than the EZ's four largest countries sold, and bond yields still rose	Yields might've been even higher had the ECB not intervened as they did	4/5 (economy, monetary policy)	The ECB bought €135bn worth of bonds from the four largest countries, and still, the power of the market to position for growth, inflation and liquidity dominated

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	1.2259	1.3378	1.2495	1.3249	6m	1.5760		
BWPUSD	0.0906	0.0989	0.0924	0.0980	3y	4.7750	1m	-2.0378 0.0000
GBPZAR	15.6000	14.3080	15.2625	14.6061	5y	5.1250	3m	-6.5618 0.0000
BWPEUR	0.0744	0.0811	0.0761	0.0796	22y	6.7750	6m	-15.8438 0.0000
JPYBWP			10.1492	10.5820			12m	-35.1488 0.0000
USDZAR	12.9866	14.0813	13.2910	13.7766				
EURUSD	1.1689	1.2667	1.1963	1.2393				
GBPUSD	1.3593	1.4726	1.3911	1.4408				

Equities		Economic Indicators			
BSE Domestic Index	6596.6	GDP	-4.1	Bank Rate	3.75
BSE Foreign Index	1550.85	CPI	3.2		

- Botswana is due to start the roll out of the second round of vaccinations today for those that received the Chinese made Sinovac vaccine. Teams will be despatched across the country to provide guidance and logistical support. Those that received the Astra-Zeneca vaccine will be due to receive their second jab from the week beginning 21st June 2021. The data showed that as of yesterday Botswana has recorded some 56 217 COVID infections with 866 mortalities.
- The IT sector received another boost with Orange Botswana announcing the launch of its new TD-LTE network which it has branded Konnecta Max. IT Web reported - *The new network will offer fixed and wireless connectivity to 22 towns nationwide. CommsUpdate reports that it will be available for both prepaid and postpaid subscribers, and will offer three pricing plans for each payment type. The operator's CEO Patrick Benon told ITWeb: "With the COVID-19 crisis, Botswana's need for fixed internet has tremendously increased, and our customers need more speed, more stability and unlimited internet at an affordable price. "We have decided to use 4G-TDD technology because at home our customers consume heavy amounts of data, and they want unlimited internet. Also, it was important to separate the fixed internet network from the mobile network to avoid fixed internet usage compromising the quality of our mobile usage.*
- Moving over to the US, Republicans are set to oppose Treasury Secretary Yellen's efforts to impose and agree to a corporate minimum tax of 15%. The Republicans view this as anti-competitive, anti-US and limiting options when the pandemic is not yet over. For Republicans, more broadly, this is also seen as enabling a bigger government with more socialist principles and will seek to block its passage. In retaliation, the Biden administration may try and use budget procedures to pass it through the Senate with the simple majority that the Democrats have. In defence, Yellen has indicated that this is an effort to try and stop the race to the bottom on global taxation and crowd in some large multinationals that have been able to domicile themselves in a very tax-efficient manner.
- In another related development, President Biden is expected to continue his talks with Republican Senator Shelly Capito to try and secure a bipartisan infrastructure bill that will easily pass through Congress. Unfortunately, the counteroffer produced by the Republicans on Friday fell well short of what the Democrats would've liked to see, implying that there are still some negotiations left to undertake. Whether Biden is serious about his bi-partisan discussions or is simply paying lip service remains to be seen. More news on this front should be forthcoming later this week
- U.S. authorities have seized \$2.3mn worth of Bitcoin paid by Colonial after last month's hacking episode shut down its pipelines and threatened disruption to portions of the economy. The FBI managed to obtain the key that unlocked the wallet to secure the coins, but it is unclear how they obtained the key. It may reflect the progress made by the authorities to track the flow of digital money, given that ransomware has become a serious global threat. This will likely also raise tensions between the U.S. and Russia, thought to be behind the hack.
- In terms of the FX markets, no material change in the performance of the USD that remains largely rangebound for now. Most technical indicators are pointing to a loss of momentum, and without much in the way of data to respond to on at the start of the week, USD traders are searching for inspiration or a catalyst of sorts to prompt some position taking. Some developments later this week in the form of the G7 meeting may hold some interest, although it is unclear what, if anything, will be taken from this event. For now, more range trading appears to be the order of the day which will likely apply to the BWP as well.

ZAR and Associated Comments

- The USD-ZAR gradually appreciated during yesterday's domestic trading hours, despite pressure remaining on the US dollar at the start of the week. Recall, last week ended with a softer-than-expected nonfarm payrolls print, which ultimately tempered bets that the US economy was approaching a stage where the Fed may begin to consider paring back monetary support.
- While the tapering of monetary policy support will eventually lead to some emerging market asset and currency pressure, this is only once developed-world central banks' inflation and employment targets have been met. Specifically for the US, there would still need to be several months of solid hiring and elevated inflation for the Fed to pare back its policy support and, as such, loose offshore policy will continue to support emerging market asset flows.
- However, traders ultimately decided to book profits on the ZAR yesterday following its 2.50% rise last week, and the local unit fell 0.70% against a broadly softer USD to close at 13.5200/\$. Though, the local currency's fast rise through the latter half of May and the beginning of June has mainly gone uncontested and secured the unit's strongest levels since February 2019.
- It remains to be seen whether the market accepts or rejects these levels given South Africa's fiscal risks, but fiscal consolidation efforts do appear to be gaining traction. On that front, a dramatic adjustment to government's contingent liabilities was announced yesterday. In an emailed statement, Transport Minister Fikile Mbalula said the Road Accident Fund (RAF) had cut its liabilities by over 90%, amounting to a R305 billion decrease. However, an altered accounting treatment resulted in the massive decrease, and the underlying position was essentially unchanged. Still, these developments will support the government's fiscal consolidation efforts and suggest that the RAF may require less funding in the future.
- Nevertheless, the ZAR shrugged this off yesterday. Seemingly, foreign investors also remain content with government bond yields in light of fiscal risks and elevated debt levels, exacerbated by the COVID-19 pandemic. The latest bond ownership data from National Treasury shows that foreign ownership of SA government bonds (SAGBs) rose further in May, coming in at an 11-month high of 30.5% from 29.9% in the month prior. Appetite for SAGBs appears to be picking up as this was the second straight month that foreign ownership has risen.
- Emerging market assets continue to be generally supported too, primarily due to sustained loose offshore monetary policy. Emerging market ETFs had their 31st week of consecutive inflows last week. South African ETFs attracted \$31.4 billion in the week ending June 4, of which \$25.3 billion went into equity ETFs and \$6.1 billion to bonds. While this was 46.5% lower than the

previous week, domestic assets remain bid, and SA-tracking funds are now worth \$12.2 billion, the highest within the EMEA space.

- All this to say that the ZAR should remain supported in the near term by investment flows, which will likely continue for as long as developed-world monetary policy remains loose. Looking further out though, the currency could suffer a correction due to eventual Fed tapering and a pick up in the domestic economy, causing a deterioration in South Africa's terms of trade. In the spot markets currently, the dollar has traded broadly on the front foot this morning, while the ZAR has hovered near yesterday's close. Later this morning will feature domestic GDP growth for Q1, which is expected to remain negative on an annual basis, as economic activity remains below pre-pandemic levels but should show positive quarter-on-quarter change.

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