

Botswana Market Watch

14 June 2021

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			
04:30	JN	Industrial production y/y	Apr F		15.40%
09:00	EZ	Industrial production (wda) y/y	Apr	37.50%	10.90%
13:00	EC	ECB's Schnabel Speaks			
13:00	UK	BOE's Bailey at Association of Corporate Treasurer's Conference			

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
G7	The G7 has drawn attention to China, have told China to respect rights, Kong Kong's freedoms and has urged a study into the origins of the virus	The comments on China were geopolitical and only hardened the G7 stance against China	4/5 (politics, economy)	In response, China has responded by saying that "small groups" do not rule the world in the first sign that the comments made by the G7 will not be accepted and will harden relations
Middle East changes	Benjamin Netanyahu's 12-year reign as PM ended on Sunday, with the parliament approving a government of change	Whether the new government fosters that change is highly debatable	3/5 (economy)	Palestinians, for the most part, are unmoved by the news as they expect the new government to retain a hard-line stance and for unity to be absent
UK recovery	"Make UK" and BDO confirmed that their quarterly manufacturing gauge rose at the fastest pace since the series began 30 years ago, alongside other indicators	Increasing sales orders are a function of backlogs, pent up demand and a cyclical recovery	4/5 (economy)	The manufacturing sector is now recovering strongly and will contribute massively to the economic recovery through H2 2021. It will also cause policymakers to rethink their stimulus

Local F.X. Opening Rates and Comment

CUSTOMER				CUSTOMER				CUSTOMER				CUSTOMER			
BUY		SELL		BUY		SELL		BUY		SELL		BUY		SELL	
CASH		CASH		TT		TT		Benchmark Yield Curve				Forward Foreign Exchange			
BWPZAR	1.2419	1.3551	1.2658	1.3421	6m	1.5760	1m	-2.0280	BWPUSD	BWPZAR					
BWPUSD	0.0904	0.0986	0.0922	0.0976	3y	4.7750	3m	-6.5325	0.0000						
GBPBWP	15.5801	14.2896	15.2431	14.5873	5y	5.1250	6m	-15.7463	0.0000						
BWPEUR	0.0747	0.0814	0.0764	0.0799	22y	6.7750	12m	-34.9148	0.0000						
JPYBWP			10.1591	10.5922											
USDZAR	13.1833	14.2944	13.4923	13.9851											
EURUSD	1.1617	1.2586	1.1889	1.2314											
GBPUSD	1.3547	1.4676	1.3864	1.4359											

Equities		Economic Indicators			
BSE Domestic Index	6599.87	GDP	-4.1	Bank Rate	3.75
BSE Foreign Index	1550.85	CPI	5.6		

- There has been an interesting comparison drawn between South Africa and Botswana in the mining-journal.com which highlights the attractiveness of Botswana for global mining companies. The article points out the advantages of Botswana over its Eastern neighbour. The article can be viewed by [clicking here](#)
- This week will be important from a local data perspective with both the inflation reading for May as well as the Central Bank decision on rates on the cards. There has been a rise in inflation globally with higher energy costs and food costs coupled with supply constraints all playing a role. We expect the inflationary pressures to remain entrenched at least in the short term.
- On the international front, the G7 concluded over the weekend, and the collective raised the pressure on China to respect rights, not tamper any further with Hong Kong's freedoms and conduct a thorough investigation into the virus's origins. They also listed developments in the South China Sea as concerning, raising the temperature on relations that deteriorated through the Trump administration and have slid even further under Biden. In response, China has responded with a terse comment that a "small group" of countries does not rule the world. As a result, diplomatic tensions between China and the rest of the world remain under considerable pressure.
- Back in the United States. The infrastructural plan may run into further headwinds. The bipartisan deal is not sweeping enough for the Democrats, and House Speaker Pelosi has indicated that the Democrats are not likely to accept this vastly scaled-down version of the plan. As a result, the only way the Democrats will vote for the bi-partisan deal is if it allocates more to social welfare. Democrats are unlikely to back down given they have a simple majority in both the House and the Senate.
- The USD has firmed in thinned out Asian trade as China, Hong Kong, Taiwan and Australia enjoy a long weekend. Furthermore, the market remains lopsided in terms of USD positioning, and simply scaling that back will translate into some short covering that may be further assisting the USD ahead of the retail sales data tomorrow and the FOMC decision and guidance scheduled for Wed. Technically, the trade-weighted USD is now running into some resistance and may struggle to gain much further ahead of such key events, with underlying momentum a little lacking.
- We expect a measured start to the local markets given all the data due for release. BWP expected to hold north of the 0.0940 mark.

ZAR and Associated Comments

- The USD-ZAR appreciated into the end of the week, adding 0.85% on Friday to close near 13.7100/\$. This took the currency pair to a 2% gain for the week, the first week in four the ZAR has ended weaker against the US dollar. However, this was primarily driven by the dollar leg, which stole the spotlight from positive domestic developments last week. The USD initially failed to garner much support from a Thursday inflation print which showed CPI rose 5% y/y in May. The greenback eventually added to weekly gains on Friday as US Treasury yields ticked higher.
- The local unit began Friday on the front foot but failed to secure earlier gains as the dollar strengthened. The ZAR had initially traded firmer to 13.5200/\$, on a government announcement that it has sold a 51% stake in state-owned airline SAA. Pravin Gordhan announced the sale to a consortium comprised of Global Airways and Harith General Partners. The group will reportedly invest R3.5 billion over the next three years while taking over financial obligations outside of the existing liabilities, which the government will still settle. Thus, the government remains on the hook for SAA's existing liabilities, but the sale of a majority stake is welcomed and will help alleviate some pressure on SA's fiscus.
- While this news led to some positive sentiment towards the ZAR initially, this proved to be short-lived as currency markets became broadly more tentative ahead of this coming week's US Federal Reserve policy meeting. Emerging market currencies were ultimately a mixed bag and most major currencies fell against the dollar. This also saw the ZAR having limited opportunity to extend the previous day's gains following the president's announcement to lift the limit on private power generation.
- With the ZAR shrugging off some seemingly positive domestic developments, this is ultimately indicative that they will unlikely change the domestic economic backdrop in the near term. While dealing with structural economic and fiscal challenges will certainly unlock future economic growth potential, the market remains fixed on the short to medium-term outlook for interest rates both domestically and externally.
- The week ahead heats up on that front. The USD has held steady at the start of the week ahead of the Fed's policy announcement on Wednesday, suggesting the market remains wary of less dovish communication from the central bank. Nevertheless, the Fed will likely not sway too far from previous guidance on rates as the current inflation spike has so far conformed to expectations.
- Meanwhile, the ZAR has traded slightly weaker amongst other emerging market currencies during a Chinese holiday-thinned Asian trading session. In addition to a US monetary policy update, domestic pandemic risks are rising once again and may reduce sentiment towards the local unit at the start of the week. Last week, SA was officially declared to be in its third wave of infections and, over the weekend, it was announced that SA will dispose of 2 million Johnson & Johnson vaccines said to be contaminated in production after a US ruling.

Contacts

Mogamisi Nkate	+267 3674335	email: mnkate@bancabc.com
Phillip Masalila	+267 3674621	email: pmasalila@bancabc.com
Kefentse Kebaetse	+267 3674336	email: kkebaetse@bancabc.com
Maungo Sebonego	+267 3674338	email: msebonego@bancabc.com

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