BancABC part of atlasmara

Botswana Market Watch

29 July 2021

GMT		International and Local Data			
	BO	Nothing out			
09:00	EZ	Consumer confidence	Jul F		-4,40
12:00	GE	CPI y/y	Jul P	3.20%	2.30%
12:30	US	GDP q/q annualised	2Q A	8.30%	6.40%
12:30	US	Personal consumption	2Q A	10.70%	11.40%
12:30	US	Initial jobless claims	Jul 24		419k
14:00	US	Pending home sales y/y	Jun		13.90%

Africa	What happened?	Relevance	Importance	Analysis
World Bank funding	Following a meeting with leaders of 23 African countries in Abidjan, the World Bank said that African countries called for the largest-ever replenishment of the International Development Association of $100bn	The IDA is the single largest source of donor funds for basic social services in these countries. The replenishment of the IDA fund is vital for Africa	3/5 (economy, fiscal policy)	In April, the WB launched an early replenishment cycle after massive assistance was paid out to African nations to help deal with the COVID-19 pandemic. The WB aims to complete the replenishment in December, covering the 2023-2025 fiscal years
Regional trade support	To help offset revenue losses for countries that lower cross-border tariffs, African nations plan to raise about $8bn for a fund as part of a continent-wide free-trade agreement	Afreximbank previously provided $1bn for the fund to help cushion sudden revenue losses and encourage participation	3/5 (economy, trade)	Afreximbank said $1bn would be made available to help countries leverage funding from other multilateral development-finance institutions, export credit agencies, commercial banks, and donors
Africa vaccines	In a boost for a continent currently battling with a deadly third wave of coronavirus infections, countries in Africa are set to receive the first batch of 400mn doses of vaccines from Johnson and Johnson	The scaling up of the vaccine rollout is encouraging as the quicker people are vaccinated, the quicker economies can be reopened	4/5 (economic growth)	According to Strive Masiyiwa, who is a coordinator of the African Union task force team on vaccine acquisition, J&J doses will be used to immunize half of the estimated 800mn people in need of the vaccine on the continent

Global	What happened?	Relevance	Importance	Analysis
FOMC	The Fed unsurprisingly left interest rates unchanged and kept up the pace of its asset purchase programme at its July FOMC meeting	Low interest rates and liquidity support will remain continue to prop up the markets	4/5 (monetary policy)	Powell said that there is still some way to go before the Fed can begin tapering its bond buying programme, shifting focus to the Jackson Hole symposium in August for more clues on the timing
China Interventions	Chinese officials have tried to calm the markets following this week's rout, using state media and government-linked funds to ease the volatility	As Chinese markets stabilise, global ones should follow and we are seeing this in early trade today	4/5 (equity markets)	Chinese markets have narrowly avoided a bear market as a result, opening the door for a rebound as many stocks are now looking very cheap. Concerns over more interventions are fading
US Infrastructure Bill	The Senate has voted to go ahead with the broad infrastructure package, reaching an accord on a $550bn plan	More fiscal support is coming for the US economy, just as growth starts to slow	4/5 (fiscal policy)	The 67-32 vote means that there is a strong chance that the bill will pass the Senate, but some amendments are likely over the next few days

Local F.X. Opening Rates and Comment

	CUSTOMER BUY CASH	CUSTOMER SELL CASH	CUSTOMER BUY TT	CUSTOMER SELL TT
BWPZAR	1.2586	1.3833	1.2828	1.3700
BWPUSD	0.0854	0.0938	0.0871	0.0929
GBPBWP	16.2778	14.8247	15.9256	15.1336
BWPEUR	0.0721	0.0791	0.0738	0.0776
JPYBWP			9.5990	10.0733
USDZAR	14.1415	15.3355	14.4729	15.0037
EURUSD	1.1380	1.2332	1.1647	1.2066
GBPUSD	1.3372	1.4487	1.3685	1.4174

Benchmark Yield Curve

6m	1.5740
3y	4.7750
5y	5.9250
22y	8.3250

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0475	0.0000
3m	-6.1425	0.0000
6m	-15.0930	0.0000
12m	-34.6710	0.0000

Equities		Economic Indicators			
BSE Domestic Index	6628.58	**GDP**	0.7	**Bank Rate**	3.75
BSE Foreign Index	1551.22	**CPI**	8.2		

- Local news vendors are reporting on the spread of COVID and the concerns being expressed by various industry bodies regarding the protection of their members. Earlier in the week the Botswana Nurses Union put forward its concern about the high number of COVID-19 infections and death rates among nurses. The union stated that over 800 nurses have tested positive for the virus while 23 have died. The problem for many front line workers has been the pace of the vaccination programme. BONU national publicity secretary, Aobakwe Lesolame stated that only *28% of nurses are fully vaccinated while some have not been vaccinated at all and others are still waiting for their second doses*.
- Internationally, focus overnight rested with the US Federal Reserve's decision on interest rates and its outlook for monetary policy going forward. The Fed unsurprisingly left interest rates unchanged and kept up the pace of its asset purchase programme at its July FOMC meeting. Low interest rates and liquidity support will remain continue to prop up the markets. Chairman Powell said that there is still some way to go before the Fed can begin tapering its bond buying programme, shifting focus to the Jackson Hole symposium in August for more clues on the timing.
- This morning markets have been focused on developments in China where the tech sector has witnessed massive selling pressure over the past couple of sessions. Investor nerves are understandably freyed given the wild price action of late and this has led to the Chinese authorities stepping up attempts to calm the markets. Beijing came out saying that foreign brokerages not to "overinterpret" its latest regulatory actions, while the state media reported that yuan-denominated assets in the country remained attractive and that short-term market panic did not represent long-term value according to a Reuters report. The vendor also reported that the securities regulator had a meeting with the executives of top global investment banks in an effort to shore up confidence.
- The Fed effectively pressed pause on the dollar rally overnight and we currently have the USD index quoted just north of 92.15 as we head into the start of the EU session. Powells dovish tone underpinned the narrative of a weaker dollar, this coupled with the news that the Chinese authorities have taken steps to calm the market has boosted global risk appetite. The USD-CNY remained on the back foot retreating sharply as the market recovered from the shocks earlier in the week and we have seen the likes of the AUD and ZAR underpinned. From a flow perspective, good interest was noted this morning in cable with a range break now placing 1.3990 as the next target for sterling bulls.
- Local FX markets remain cautious however we could well see a recovery for the local unit given the developments overnight and in the Asian session this morning.

ZAR and Associated Comments

- In terms of local developments yesterday, domestic markets had to contend with National Treasury's (NT) assessment of the recent riots which rocked the country as it held a briefing on the government's economic relief package. NT expects the relief package for businesses and individuals affected by the riots to amount to R38.9 billion. On a seemingly positive note, the package will not require additional borrowing according to Treasury Director-General Dondo Mogajane. Additionally, tax collections have exceeded expectations, with the additional revenue sufficient to fund the package according to SARS Commissioner Edward Kieswetter.
- On growth prospects, NT still expects pre-pandemic levels of output occurring in 2023 despite recent upwards revisions to SA's 2021 economic growth. While it is reassuring that government is able to fund renewed social relief grants through higher tax revenue rather than additional borrowing, this still limits the government's ability to consolidate its debt by relying on temporary measures rather than much-needed structural reforms. Finance Minister Tito Mboweni also sparked some concern as he stated he wants workers to access retirement funds as a post-COVID-19 relief measure. While domestic markets largely shrugged this off, investors will likely keep a close eye on this narrative.
- Meanwhile, the ZAR instead took directional impetus from broader market dynamics, hovering around 14.8000/$ for the majority of domestic trading hours yesterday prior to the Fed's anticipated policy announcement, while the dollar approached the meeting on the front foot as investors favoured the safety of the greenback. Steadier trade than previous sessions this week was ultimately short-lived, with the local unit edging lower against a broadly stronger dollar to close 0.35% weaker at 14.8500/$.
- With investors receiving a surprise in the form of an advancement of the Fed's rate hike timeline after the last FOMC meeting, currency markets were trading more cautiously in general, leading to a mixed EM basket of currencies on the day. However, this time around, markets appear to have been surprised by a more dovish Fed, which maintained that the US recovery still has ground to cover, leaving rates unchanged as expected and providing minimal updates on the tapering front. While the FOMC statement noted that the economy is moving closer to the point where asset purchases could be scaled back, it stated the jobs market recovery has room to run and COVID-19 risks remain prevalent. The Fed noted FOMC members did talk about the process of eventual asset purchase tapering but pledged to give plenty of warning before it does.
- While the USD gained immediately following the FOMC statement, it has come under pressure overnight as markets deemed the greenback's recent rally overdone given a persistently accommodative Fed. This has allowed gains to come the way of most EM currencies, with the ZAR leading the charge thus far as it attempts a topside break of its 200-day moving average at 14.7300/$. The day ahead features a full domestic data card with money supply stats, private sector credit growth and producer price inflation all scheduled for this morning. Externally, markets will turn to US GDP and personal consumption data for Q2, which could provide some support to the USD on signs of a stronger than expected recovery in output and consumer spending..

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

Report produced by ETM Analytics for BancABC Botswana.
Disclaimer