

## Botswana Market Watch

## 4 August 2021

GMT	International and Local Data				
	<b>BO</b>	Nothing out today			
08:00	<b>EZ</b>	Markit composite PMI	Jul F	60.60	60.60
08:30	<b>GB</b>	Markit composite PMI	Jul F	57.70	57.70
09:00	<b>EZ</b>	Retail sales y/y	Jun	4.40%	9.00%
11:00	<b>US</b>	MBA mortgage applications	Jul 30		5.70%
12:15	<b>US</b>	ADP employment change	Jul	675k	692k
13:45	<b>US</b>	Markit composite PMI	Jul F		59.70
14:00	<b>US</b>	ISM non-manufacturing composite PMI	Jul	60.50	60.10

Africa	What happened?	Relevance	Importance	Analysis
<b>World Bank funding</b>	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	<b>3/5</b> (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
<b>Regional trade support</b>	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	<b>3/5</b> (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
<b>Africa vaccines</b>	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	<b>4/5</b> (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
<b>US Household Debt</b>	US household debt rose at the fastest pace since 2013 in Q2 amid a mortgage boom as consumers took advantage of low interest rates	Rising consumer debt levels pose a notable threat to financial market stability when rates start rising	<b>4/5</b> (economy)	Household debt levels as a share of the economy are still below those leading up to the 2008 GFC, but delinquencies could rise as COVID support policies are slowly withdrawn
<b>RBNZ Rate Hike Bets</b>	New Zealand's unemployment rate fell more than forecast and wage growth came in at a 13-year high, prompting an increase in rate hike bets	A full 25bp rate hike is now priced in for the RBNZ's August meeting as a result of the data	<b>3/5</b> (monetary policy)	New Zealand went from one of the most dovish central banks to possibly being the first developed-market one to raise rates. The currency is rallying and bonds are weaker as a result.
<b>China COVID Outbreak</b>	China is now experiencing its broadest outbreak of COVID since the start of the pandemic. The delta variant has spread to at least half of all its provinces	New virus controls will likely curb retail spending and economic growth in H2	<b>4/5</b> (economic growth)	Containment measures have already seen many revise their forecasts lower for economic growth for this year, although officials will likely ramp up support in the coming months

### Local FX Opening Rates and Comment

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL	Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT						
BWPZAR	1.2516	1.3636	1.2757	1.3505	6m	1.5760		BWPUSD	BWPZAR	
BWPUSD	0.0876	0.0954	0.0893	0.0945	3y	4.6250	1m	-2.1548	0.0000	
GBP/BWP	15.8643	14.5790	15.5210	14.8828	5y	5.8250	3m	-6.3278	0.0000	
BW/PEUR	0.0738	0.0804	0.0756	0.0788	22y	8.3250	6m	-15.4733	0.0000	
JPY/BWP			9.7857	10.1750			12m	-35.4900	0.0000	
USDZAR	13.7083	14.8706	14.0296	14.5489						
EURUSD	1.1395	1.2346	1.1662	1.2079						
GBPUSD	1.3369	1.4484	1.3682	1.4171						
					<b>Equities</b>		<b>Economic Indicators</b>			
					BSE Domestic Index	6703.94	GDP	0.7	Bank Rate	3.75
					BSE Foreign Index	1551.22	CPI	8.2		

- President Mokgweetsi Masisi has made an appeal to his US counterpart, Joe Biden to assist Botswana with COVID-19 vaccines. The President made the appeal during a closed meeting with the U.S. Undersecretary of State for Political Affairs Victoria Nuland. The press secretary of the presidency Bathalefi Leagajang was speaking to reporters in Gaborone giving insight into the contents of the meeting. Xinhua reported the following - *The president "expressed frustration at the slow pace of vaccine distribution which he said has resulted in the loss of many lives," said Leagajang, adding that the assistance can go by sales or donations. Botswana has put many of her development projects on hold and channeled money towards the fight against COVID-19, including vaccine payments, Leagajang said. Nuland, the first senior U.S. official to visit Botswana after Biden took office, conveyed the administration's admiration for Masisi's governance both at home and in the region.*
- On a more positive note, Botswana is powering ahead of its eastern neighbour namely South Africa in the coal stakes. The developing coal industry in Botswana could well take domestic business from South African coal companies in the short term, and start exporting its product through the Richards Bay terminal by 2023 or 2024. MiningMX have cited the following as reasons for the potential outperformance of locals versus South Africa; *lower transport costs to key customers such as the cement producers in North West Province because of the closer proximity of the Botswana collieries, and a more understanding and supportive attitude from the Botswanan government than that shown by the South African government. All this emerged from presentations to the 2021 Coal Industry Day held in Johannesburg on July 27.* The diversification of the mining sector remains key to Botswana which has for decades relied on the diamond industry for hard currency earnings.
- Keeping with the mining industry this morning it is worth taking a look at the performance of base metals from time to time given the strategic importance of these to the furthering of economic development in the country.
- Rising COVID-19 cases and slowing manufacturing in both the United States and China have taken the shine off base metals overnight. The Delta variant of the coronavirus is testing defences across China and the Southern United States while much of Asia such as Australia remains in hard lockdown which is hitting broader sentiment. 3m LME copper shed some 1.65% yesterday to close the session at \$9541.50/tonne while Zinc took it on the chin shedding 2.69% on the day to close at \$2969.50/tonne.
- This morning we have noticed some bargain hunting in the Asian session with a softer dollar lending support. 3m LME copper has risen by 0.5% this morning to \$9589.00/tonne ahead of the London open.
- The dollar is currently pinned with investors awaiting the release of the next round of US employment statistics which starts today with the ADP numbers. The Fed have been clear in their message that they want to see a sustained improvement in the employment figures before embarking on the taper programme, however we are not clear as to what the golden number is, or what the Fed deems good enough. Unfortunately this leads to volatility on the one side and apathy on the other for the markets. As we enter the start of the EU session, we have the USD Index marked just ahead of the 92.00 level, while the euro is marking time around 1.1870. The big outperformer in the Asian session has been the New Zealand dollar which rallied hard on the back of the jobless rate falling unexpectedly by 4% in the last quarter raising the likelihood of a rate hike from the central bank in the coming weeks.
- The BWP-USD has anchored itself above the 0.0900 which will be welcome news for importers. We expect this level to be the support for the session going forward given that the dollar remains on the back foot for now.

## ZAR and Associated Comments

- The USD-ZAR extended its downwards slide yesterday before paring losses in afternoon trade as risk appetite waned and the dollar caught a bid alongside other haven currencies. However, the ZAR held onto gains as it led EM currencies for the second day, ultimately trading 0.60% stronger to close at 14.3200/\$.
- Looking ahead, markets may begin to turn more cautious as the week progresses, with last month's US nonfarm payroll statistics due Friday. With the Fed's FOMC intent on maintaining accommodative monetary policy and focussing on achieving full reemployment to pre-pandemic levels rather than taming perceived transitory inflationary pressure, the central bank and market participants will be fixated on job market data releases. Strong releases in the coming months will ultimately feed into the Fed's FOMC meetings and see discussions surrounding tapering asset purchases beginning to heat up. Once the Fed begins tapering asset purchases, tighter financing conditions offshore could pressure emerging markets and, by extension, their currencies.
- As such, these major data releases could see additional volatility, while investors sticking to the sidelines could exacerbate liquidity issues. Having said that, one-week implied volatility for the USD-ZAR continued to retreat yesterday from two-month highs reached last week as traders price in less risk for the currency pair. However, fresh in the minds of investors will be the potential downside risks facing the ZAR. On the back of nationwide violence and looting last month, today's data release in the form of the economy-wide Standard Bank PMI will likely corroborate the dip seen in Monday's Absa manufacturing PMI reading. SA's weak economic fundamentals are starting to show within Standard Bank's whole-economy PMI, which is estimated to drop below the 50-mark after it slipped for the second straight month in June off the back of a drop in output and stalling new orders. The PMI reading of 51 was its lowest in three months, showing that the expansion in the economy is slowing. The tightening of COVID-19 measures, which hit consumer demand, led to output decreasing for the first time in six months. This is expected to have continued in July as restrictions remained in place, while the civil unrest hit business confidence in KZN and Gauteng.
- Given expectations for a dip, the data may not have much market-moving potential. However, a weak domestic economic backdrop ultimately gives the SARB room to support the economy through lower rates for longer. As for the ZAR, the local currency had traded close to 4.50% stronger as of yesterday's close from last week's lows around the 15.0000/\$-handle. Thus, markets may begin to become more consolidative with some profit taking potential on the local unit after recent moves. Externally, markets will turn to US private payroll data later today, which will likely set the tone for the official jobs report on Friday.

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