# Botswana Market Watch 16 August 2021

| GMT | | International and Local Data | | | |
|---|---|---|---|---|---|
| | BO | Nothing on the cards | | | |
| O/N | JN | GDP annualised | 2Q P | 0.50% | -3.90% |
| 02:00 | CH | Industrial Production Y/Y | Jul | 7.90% | 8.30% |
| 02:00 | CH | Retail sales y/y | Jul | 10.90% | 12.10% |
| 04:30 | JN | Industrial production y/y | Jun F | | 22.60% |
| 12:30 | US | Empire manufacturing | Aug | 28,50 | 43,00 |
| 20:00 | US | Net long term TIC flows | Jun | | $-30,20bn |

| Africa | What happened? | Relevance | Importance | Analysis |
|---|---|---|---|---|
| **Food prices fall in July** | World food prices fell for the second month in a row in July. The FAO's food price index, which tracks international prices of the most globally traded food commodities, averaged 123.0 points last month compared with 124.6 in June | Although still elevated, the recent decline in food prices will be a relief to many nations, especially emerging markets, given the current inflation concerns | 4/5 (monetary policy) | Global food inflation may continue to slow over the coming months as supply conditions normalise. For SA, lower external food prices and a bumper crop domestically suggest that food inflation may peak in the near term, helping to keep inflation expectations contained |
| **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 |
|---|---|---|---|---|
| **Chinese Data** | China's retail sales and industrial output numbers showed economic activity slowed by more than expected in July | Data suggests that China could be pushed into easing monetary policy again | 4/5 (economy/ monetary policy) | Fresh COVID outbreaks weighed on economic activity which was already under pressure from the massive foods and the regulatory crackdown |
| **US Budget** | Some moderate Democrats are threatening to withhold support from Bidens $3.5trn budget blueprint until the infrastructure package is signed into law | The budget won't get any GOP support so all Democrat votes are needed for it to pass | 4/5 (fiscal policy) | The tug of war between moderate and progressive Democrats is threatening the US recovery through fiscal support and could lead to an eventual government shutdown |
| **Canada Snap Election** | Canadian PM Trudeau has called for a snap election on 20 September in an effort to regain his party's majority in parliament | A majority will help Trudeau pass laws that will see greater social spending | 3/5 (politics/ fiscal policy) | Current polls suggest that his Liberal Party has enough support to regain its majority following approval of his handling of the COVID-19 pandemic |

## Local FX Opening Rates and Comment

| | CUSTOMER BUY CASH | CUSTOMER SELL CASH | CUSTOMER BUY TT | CUSTOMER SELL TT |
|---|---|---|---|---|
| **BWPZAR** | 1.2592 | 1.3833 | 1.2835 | 1.3700 |
| **BWPUSD** | 0.0854 | 0.0937 | 0.0871 | 0.0928 |
| **GBPBWP** | 16.1912 | 14.7623 | 15.8409 | 15.0699 |
| **BWPEUR** | 0.0725 | 0.0795 | 0.0742 | 0.0779 |
| **JPYBWP** | | | 9.5696 | 10.0326 |
| | | | | |
| **USDZAR** | 14.1488 | 15.3526 | 14.4804 | 15.0204 |
| **EURUSD** | 1.1319 | 1.2264 | 1.1585 | 1.1998 |
| **GBPUSD** | 1.3301 | 1.4410 | 1.3613 | 1.4098 |

**Benchmark Yield Curve**

| | |
|---|---|
| **6m** | 1.5760 |
| **3y** | 4.7250 |
| **5y** | 5.8250 |
| **22y** | 8.3250 |

**Forward Foreign Exchange**

| | BWPUSD | BWPZAR |
|---|---|---|
| **1m** | -1.9793 | 0.0000 |
| **3m** | -6.2108 | 0.0000 |
| **6m** | -14.9858 | 0.0000 |
| **12m** | -34.7490 | 0.0000 |

| Equities | | Economic Indicators | | | |
|---|---|---|---|---|---|
| **BSE Domestic Index** | 6710.25 | **GDP** | 0.7 | **Bank Rate** | 3.75 |
| **BSE Foreign Index** | 1551.22 | **CPI** | 8.2 | | |

- Botswana has extended the COVID-19 restrictions as the death toll in the country as a result of the virus rises. The President announced the extension of the night time curfew and postponed the opening of schools. President Masisi announced the restrictions in a televised address on Friday. He was quoted as saying the following - "*The disease burden is weighing heavily on us, with infections continuing to increase across the country, and precious lives being lost on a daily basis here at home and across the continent,*" *Masisi said.* "*Our nation has attained the highest prevalence ever.*"
- "*Interzonal movement continues to be restricted to essential travel only,*" *he said.* "*Reopening of schools [will] be delayed for a further three weeks, except for those students preparing for their final examinations. The ban on sale of alcohol remains. Curfew will now start earlier at 8 p.m. and end at 4 a.m. for the next three weeks, after which there will be a review.*"
- Moving over to the international stage it has been all about disappointing data at the start of the week. Investors adjusted their views on the Fed taper following a plunge in US consumer sentiment on Friday. The University of Michigan released its preliminary first half reading of consumer sentiment on Friday and it plunged to 70.2 from the final reading of 81.2 in July. This is the lowest level in a decade as the US becomes increasingly worried about the spreading Delta variant of COVID-19 and the impact on the economy.
- This morning, data out China namely retail sales and industrial production, both of which missed expectations as a result of the COVID-19 outbreaks and floods disrupting business activities. Fears of the world's second largest economy slowing down are not unfounded and this will undoubtedly impact the likes of base metals as demand wanes.
- Moving over to the dollar, we witnessed the world's reserve currency retreated sharply on Friday following some disappointing consumer confidence data. Heading into the weekend investors were sensitive to squaring off positions, especially ahead of this week's FOMC minutes. Investors described the data is triggering a rethink on the timing of an early taper, but this is just one set of data and by no means the most influential. The more likely cause was a market that wanted an excuse to lighten up on some of its long USD positioning. This week should see the USD stabilise ahead of the FOMC. Should the FOMC speak hawkishly about inflation and the taper, the USD will more than unwind the retreat seen on Friday.
- Looking at the week ahead we have the all-important decision on local interest rates. Movements in the markets are as such likely to be small as investors exhibit caution ahead of the announcement. The BWP remains anchored below the 0.0900 mark as the start of the week beckons.

## ZAR and Associated Comments

- The week ended with a battle between the ZAR bulls and bears, with the local currency ultimately able to swing losses in the latter half of the domestic trading session as the US dollar came under pressure. A gauge of US consumer confidence came out far lower than expected, its lowest since 2011 amid the fast-spreading delta COVID-19 variant. This ultimately weighed on the outlook for consumer spending and demand-side inflation expectations in the US, tempering bets that the Fed will have to combat inflation sooner than projected with policy tightening.
- Domestically, newly appointed Finance Minister Enoch Godongwana took a global investor call on Friday, where he pledged to continue the policy framework set up under his predecessor Tito Mboweni. Godongwana faces the arduous task of taking over the reins in the wake of the worst economic downturn in a century while also needing to right the proverbial fiscal ship. Furthermore, he noted the main threats to SA's fiscus, namely the rising public sector wage bill, SOEs and debt servicing costs.
- While nothing much came in the way of new or unexpected information, the ZAR continued to pare losses into the end of the session, closing the day 0.2% stronger at 14.7350/$. However, the local unit closed off its second consecutive week in the red, falling 0.70% from the previous Friday's close. Since the August 5th announcement of the recent cabinet reshuffle though, including Godongwana's appointment and Mboweni's resignation, the ZAR has weakened roughly 2.4% against the dollar, the most in the EM currency basket, suggesting some degree of policy uncertainty has been priced in.
- Meanwhile, risks to growth prospects remain including an upwards trend in third-wave COVID-19 infections, now on the rise in KZN once again. This will likely see the government erring on the side of caution in terms of relaxing restrictions and containment measures. Earlier in the day on Friday, Health Minister Joe Phaahla told a media briefing before putting forward cabinet proposals that the Health Ministry does not recommend lowering virus restrictions.
- While investors will have to continually price in risks to the economic recovery through persistent virus-related restrictions, the week ahead promises some notable data to give an update on the health of SA's recovery, including mining production, CPI and retail sales stats. The inflation data will likely hold most focus, given implications on SARB policy, while the civil unrest during July may limit the market-moving potential of the other releases. Externally, eyes will turn to Wednesday's release of FOMC minutes for hints of how much taper talk was discussed at the central bank's last meeting. The day thus far has seen weaker risk appetite during the Asian trading session, with Chinese retail sales and industrial production continuing to highlight risks of further economic slowdown. As such, emerging market currencies and riskier assets have struggled for traction at the start of the week, while the dollar remains equally subdued following Friday's tumble

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