

Botswana Market Watch

2 August 2021

GMT	International and Local Data			
08:00	BO	BWP 300m of 91, 182 and 364 Day bills on offer		
07:55	GE	Markit/BME manufacturing PMI	Jul F	65,60
08:00	EZ	Markit/BME manufacturing PMI	Jul F	62,60
08:30	GB	Markit manufacturing PMI	Jul F	60,40
13:45	US	Markit PMI manufacturing	Jul F	63,10
14:00	US	ISM manufacturing PMI	Jul	60,60
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
US-China Relations	China's securities regulator has called for talks with the US after IPOs for Chinese companies in the US were halted until risk disclosures were improved	Suggests that Chinese Authorities are trying to undo some of the damage from last week	4/5 (equity markets)	China and the US are both looking to increase their oversight over Chinese IPOs while fears over last week's market rout are starting to fade as the Chinese step in to ease the pressure
China PMIs	China's manufacturing PMI showed a slowing recovery but expectations are that it will remain relatively stable for now	H2 of 2021 should see a relatively steady rate of growth for China	4/5 (economic growth)	The rebound in China's manufacturing sector will face some risks ahead from supply bottlenecks and rising COVID cases in many Asian trading partners
Fed Speak	Fed member Kashkari has warned that the spread of the delta variant will harm the US recovery and prevent many from looking for work	A slowing labour recovery will threaten the Fed's push to normalise its loose monetary policy	3/5 (monetary policy)	Kashkari is not a voting member this year but his comments echo some of the concerns held by others, suggesting more must be seen before tapering of asset purchases can begin

Local F.X. Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve	Forward Foreign Exchange	
	CASH	CASH	TT	TT		BWPUSD	BWPZAR
BWPZAR	1.2679	1.3796	1.2923	1.3663	6m	1.5745	
BWPUSD	0.0868	0.0943	0.0885	0.0934	3y	4.6250	1m -2.1450 0.0000
GBPZAR	15.9911	14.7111	15.6452	15.0176	5y	5.8250	3m -6.8250 0.0000
BWPEUR	0.0731	0.0795	0.0748	0.0779	22y	8.3250	6m -16.3410 0.0000
JPYBWP			9.7366	10.1241			12m -37.7325 0.0000
USDZAR	14.0247	15.2101	14.3534	14.8810			
EURUSD	1.1396	1.2347	1.1663	1.2080			
GBPUSD	1.3343	1.4456	1.3656	1.4143			
		Equities		Economic Indicators			
	BSE Domestic Index	6690.72	GDP	0.7	Bank Rate	3.75	
	BSE Foreign Index	1551.22	CPI	8.2			

- We open the new month with news that the government is expecting some 1.38mn COVID-19 vaccines over the next 8 weeks. The vaccines are expected to be received between now and September from different global sources including the COVID-19 Vaccine Global Access Facility (COVAX) according to Mr. Edwin Dikoloti, Botswana's Minister of Health and Wellness.
- This news will be welcomed by the broader population given the supply shortages and delays.
- There is more good news locally with Xinhua reporting on the opening of the Khoemacau Copper Mine. The vendor reported the following - *Botswana's copper mining sector is expected to bounce back with the opening of Khoemacau Copper Mine, 72 kilometers from the resort town of Maun, on Friday. The development comes after a five-year lull, and industry experts say Botswana's copper output will surge between 2022 and 2025. Khoemacau Copper Mine, with a capacity to produce 165,000 tonnes of high-grade copper and silver concentrate a year, is expected to contribute about 10.77 billion U.S. dollars to the country's gross domestic product and bring in an estimated 90 million dollars in annual tax revenue during its 22-year lifespan, presidential spokesman Bathalefi Leagajang said.*
- Globally, focus will be on the PMI numbers released across the world today. We have already had the release of many of the Asian PMI numbers but the highlight was the Chinese PMI which fell sharply in July. The manufacturing activity expanded at its slowest pace in 17 months given the higher raw material costs, extreme weather and equipment maintenance requirements over the period. The Official PMI reading came in at 50.4, down from 50.9 in June, with the slip being sharper than expectations as analysts had penciled in a reading of 50.8.
- The weaker PMI reading pressured both the onshore and offshore yuan this morning and some of that pressure has filtered through to the likes of the aussie dollar given the strong trading dynamics between the two countries. In terms of the dollar, we see mild weakness this morning with the USD Index still holding north of the 92.000 mark at 92.093 at the time of writing. The euro and euro crosses have been subdued this morning which is understandable as investors await the deluge of PMI data yet to come. The expectation is for a quiet EU start with the pace expected to pick up mid-morning.
- The BWP-USD held onto the 0.0900 level into the close of the month which will be welcome news for importers. We expect this level to be the pivot for the session as the global PMI numbers take centre stage.

ZAR and Associated Comments

- While the ZAR backtracked on Friday, declining 0.35% against the US dollar to close at the 14.6000/\$-handle, the local unit still managed to secure a weekly gain of 1.70% as it was aided by a weaker USD and the US Fed's dovish policy announcement. Despite Friday's lift for the USD, the trade-weighted dollar index, known as the DXY, had retreated in the previous four days, which will likely have investors questioning the greenback's outlook going forward.
- The ZAR eventually capitalised on dollar weakness over the week while shrugged off stronger trade balance data on Friday. However, being data for June, the limited reaction was understandable given the shock to the economy from riots and looting experienced in July. Nevertheless, the trade data highlighted SA's current robust trade dynamics, with the surplus rising for the second month to a record high of R57.68 billion. SA's outbound shipments are supported by the persistent increase in global commodity prices while weak domestic demand dynamics weigh on imports.
- Meanwhile, June's monthly budget balance swung back into surplus, coming in at R63.15 billion. As a result, the government recorded its smallest budget deficit in the first quarter of the fiscal year since 2015-2016. The improvement is primarily due to higher tax intake on account of greater mining company revenues due to surging global commodity prices. Given the cyclical and non-permanent nature of the improvement, deficits may remain the status quo for the foreseeable future should the government fail to follow through on touted reform action. The budget will thus remain heavily indebted and the fiscus vulnerable to further pressure from many of the state's ailing enterprises. However, there are those in government offering solutions for some SOEs. Commenting on Eskom on Friday, Deputy Finance Minister Masondo said that he does not support moving Eskom's debt to state books, but he did note the sovereign's involvement in resolving the SOE's debt is needed. The deputy FinMin also proposed listing the power utility or selling a stake in the company to foreign investors to help ease financial strain. Should these solutions go unconsidered and thus unexecuted, we will likely see the fiscus and taxpayers continue to take the strain.
- As for the ZAR, despite last week's gain, which was mainly due to a single day of dollar weakness, July ultimately brought a second consecutive monthly loss as it fell 1.95%. While growth prospects have taken a hit, which has equally put a spanner in the works for government's fiscal consolidation efforts, trade dynamics should offer the local unit some resilience for now. However, as we saw on Friday, a record trade balance failed to stave off the ZAR's June losses which amounted to 3.85%. In the spot markets, the US dollar appears to be steadying but remains at crossroads as it hovers near two-week trade-weighted lows. The day thus far has seen EM currencies slightly pressured, with the ZAR falling alongside the laggards. The day ahead sees Naamsa vehicle sales and the Absa manufacturing PMI for both for July. The data will show an expected dip due to July's civil unrest and thus will not likely have significant market-moving potential. Meanwhile, the global stage readies itself for US employment data due at the end of the week, which could counteract the Fed's recent dovish communication, should July's hiring prove more robust than expected...

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