

# Botswana Market Watch

## 9 August 2021

GMT		International and Local Data				
	<b>BO</b>	Nothing out today				
<b>01:30</b>	<b>CH</b>	CPI y/y		Jul	1,00% (a)	1,10%
<b>06:00</b>	<b>GE</b>	Trade balance		Jun	16,30bn (a)	12,30bn
<b>08:30</b>	<b>EZ</b>	Sentix investor confidence index		Aug	29,00	29,80
<b>16:00</b>	<b>US</b>	Fed's Barkin Speaks in Roanoke, Virginia				
Africa		What happened?	Relevance	Importance	Analysis	
<b>Food prices fall in July</b>		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	<b>4/5</b>  (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	
<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 immunise half of the estimated 800mn people in need of the vaccine on the continent	
Global		What happened?	Relevance	Importance	Analysis	
<b>US Payrolls</b>		Payrolls on Friday grew very strongly and beat market expectations with a rise of 943k jobs, while the unemployment rate dropped to 5.4%	Data was stronger than expected, giving rise to speculation that tapering will begin soon	<b>4/5</b>  (economy, monetary policy)	The data highlights a broadening recovery that is building up some momentum that may bring forward the timing of the possible taper to later this year or early in 2022 if sustained	
<b>China factory gate prices</b>		July's factory gate price pressures have grown further to raise eyebrows as PPI rose 9.0% y/y, matching the high seen in May	CPI is under control, so targeted tightening is likely to be the most likely reaction	<b>3/5</b>  (economy)	It is clear that supply-side constraints persist and will crimp industrial profits, which will ultimately curtail the overall performance of the economy	
<b>Aramco results</b>		Aramco posts a massive jump in profits of nearly 300% in Q2 on the back of recovering oil demand. The global easing of travel restrictions has helped	A rebound in oil demand implies a rebound in global GDP and broader-based demand	<b>3/5</b>  (economy)	Good news from a global economic policy perspective, but many threats to this improved performance exist, including the resurgence of the pandemic with new variants	

### Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange		
	CASH	CASH	TT	TT					
BWPZAR	1.2646	1.3777	1.2890	1.3644	6m	1.5750	1m	BWPUSD	BWPZAR
BWPUSD	0.0863	0.0939	0.0880	0.0930	3y	4.7250	3m	-1.9890	0.0000
GBPBWP	16.0477	14.7466	15.7005	15.0538	5y	5.8250	6m	-6.2303	0.0000
BWPEUR	0.0733	0.0799	0.0751	0.0783	22y	8.3250	12m	-15.0735	0.0000
JPYBWP			9.7366	10.1241				-34.9343	0.0000
USDZAR	14.0669	15.2570	14.3966	14.9269					
EURUSD	1.1292	1.2235	1.1557	1.1970					
GBPUSD	1.3316	1.4427	1.3628	1.4115					
Equities		Economic Indicators							
BSE Domestic Index	6700.98	GDP	0.7	Bank Rate	3.75				
BSE Foreign Index	1551.22	CPI	8.2						

- With the spread of the Delta variant increasing around the globe, Botswana is not being spared as the country is also facing rising COVID-19 cases. Health facilities are being overstretched, and a slow vaccination pace due to the poor procurement of vaccines by the government and shortage of oxygen is not helping the situation. Speaking during a parliamentary meeting, Minister of Health and Wellness Edwin Dikoloti noted that Botswana's oxygen needs have doubled due to the increased number of infections and people needing hospitalisation. The minister noted that Botswana currently needs around 200k kgs of oxygen, double the amount the country consumed prior to the coronavirus outbreak. Against this backdrop of the increased oxygen usage, Health Minister Dikoloto reported that the health ministry equipped all its major facilities with adequate oxygen supplies by installing a 25-ton oxygen tank at the country's COVID-19 high care hospital Sir Ketumile Masire Teaching Hospital. Botswana also received eight oxygen concentrators and twenty ventilators from the Chinese Embassy in Botswana.
- Still on the COVID-19 front, the Botswana government received 38.4k doses of the AstraZeneca vaccine over the weekend. According to the Health Ministry, the consignment was purchased by the government through the COVAX facility. Part of this consignment will be used as the second dose for those who were previously informed that their second doses were not available. The arrival of the vaccines will likely offer Botswana some reprieve amid the resurgence of the pandemic in the country.
- Looking abroad, it will be a slow start to the week with some public holidays on Monday and Tuesday elsewhere in the world to keep trading volumes a little thinner. That being said, the US is not on holiday, and some focus will turn to the passage of the infrastructure bill and whether or not the bipartisan portion of the deal can be finalised and implemented. There is scope for that to take place either today or tomorrow. This will be the bill with the least amount of resistance, given its bipartisan nature. In the future, the Democrats will have to rely increasingly on its simple majority.
- Whether the economy requires as much boosting as the Democrats believe that it does is debatable. The payrolls data is now coming good and produced a stronger than expected result to give rise to speculation that the Fed will indeed bring forward the timing of its taper. Whether that can take place before the end of the year or be postponed until 2022 will depend to some degree on the inflation trajectory.
- Looking at the global FX, it was all a rather predictable response to some stronger than anticipated payrolls numbers released on Friday that gave rise to speculation that the Fed may be forced into tapering sooner than initially thought. With jobs availability outstripping worker supply, there are fears that inflation may gain in strength as the economy steadily recovers and the true state of the labour market is better understood. Bond yields have started to rise once more on the back of the data and this should help support the USD.
- The BWP-USD continued to sell-off after slipping for the third straight session. The cross retreated by 0.55% on Friday to end the day just north of the 0.0905 mark. The sell-off in the BWP was partly due to a firmer dollar off the back of the strong US labour data, which is raising bets that the US Fed will begin tightening monetary policy sooner than previously expected. A breach below the crucial support 0.0905 could potentially open doors for the cross to retreat further in the session ahead.

## ZAR and Associated Comments

- South African markets are closed today on account of Woman's Day. The ZAR has extended its losses from the end of last week this morning with the USD-ZAR trading at 14.6600 at the time of writing.

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