

Botswana Market Watch

10 August 2021

GMT		International and Local Data			
09:00	BO	Botswana to place 7-Day certificates			
0/N	JN	Current account total		Jun	¥824,30bn
0/N	JN	Trade balance		Jun	¥638,80bn
09:00	EZ	ZEW economic sentiment		Aug	61,20
09:00	GE	ZEW economic sentiment		Aug	58,50
14:00	US	Fed's Mester Discusses Inflation Risks		Aug	63,30

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 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	Afreximbank previously provided \$1bn for the fund to help cushion sudden revenue losses and encourage participation The scaling up of the vaccine rollout is encouraging as the quicker people are vaccinated, the quicker economies can be reopened	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 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
Fedspeak	Atlanta Fed President Bostic and Richmond Fed President Barkin that although the labour market has room for improvement, inflation is at a level for hikes	Both signalled the need to normalise policy and are eyeing Q4 or soon thereafter for the taper to start	4/5 (monetary policy)	These comments follow similar sentiments by St Louis Fed President Bullard, who also pointed out that inflation is well above the 2% target and something that needs to be tackled
US job openings	The latest JOLTS report released on Monday showed that Job openings shot up by 590k to 10.1mn as of the last day of Jun	Employers are not finding staff to rehire as quickly as they would like	4/5 (economy)	This holds the potential to boost wage inflation in the remaining months of the year as tighter labour market conditions eventually weigh on unit labour costs
Oil prices	Although stabilising, oil prices remain on the defensive as fears of further restrictions and Covid related disruptions continue to weigh on overall sentiment	The slide in oil prices reflects in part expectations of an impact to demand amid ample supply	3/5 (economy)	Any recovery from the pandemic will be fraught with fits and starts as the different waves of the virus continue to build and moderate. Air travel has reflected a plateau because of it

Local FX Opening Rates and Comment

CUSTOMER BUY					CUSTOMER SELL					
BUY		SELL		BUY		SELL				
CASH		CASH		TT		TT		Benchmark Yield Curve		
BWPZAR	1.2623	1.3888	1.2866	1.3755	6m	1.5760		BWPUSD	BWPZAR	
BWPUSD	0.0854	0.0939	0.0871	0.0930	3y	4.7250		1m	-1.9890	0.0000
GBPGBP	16.1820	14.7210	15.8319	15.0277	5y	5.8250		3m	-6.2303	0.0000
BWPEUR	0.0728	0.0800	0.0745	0.0784	22y	8.3250		6m	-15.0735	0.0000
JPYBWP			9.6482	10.1343				12m	-34.9343	0.0000
USDZAR	14.1829	15.3805	14.5154	15.0477						
EURUSD	1.1268	1.2211	1.1532	1.1946						
GBPUSD	1.3293	1.4402	1.3605	1.4090						
					Equities		Economic Indicators			
					BSE Domestic Index	6703.01	GDP	0.7	Bank Rate	3.75
					BSE Foreign Index	1551.22	CPI	8.2		

- The Botswana Investment and Trade Centre has delivered a strong performance for 2020-2021 financial year despite having to contend with the COVID-19 pandemic. The BITC facilitated foreign direct investment of some BWP1.38bn against a target of R1.8bn for the measurement period. Mmegi reported - *Figures made available recently indicate that the BITC, which is the country's chief investment and export development agency, also recorded a total domestic investment of P957.4 million over the same period, against the target of P2 billion. Briefing the media recently, BITC CEO Keletsositse Olebile said the performance for the last two years was slightly over the 80% target with a slight decline in the 2020-2021 financial year. "The performance reflects some level of resilience to the COVID-19 situation as the notable achievements realised over the year were a result of investment decisions made in prior years before the pandemic," he said.*
- The government has announced that it expects its first ever consignment of the Johnson & Johnson COVID-19 vaccine on Thursday. The initial shipment will total 108 000 doses, but the total amount expected through the African Vaccine Acquisition Task Team (AVATT) facility will be 1 152 654 doses of the Johnson and Johnson vaccine. This comes a day after the government announced that it had received 38 400 doses of the AstraZeneca COVID-19 vaccine.
- Internationally markets have responded to the strong US Non-Farm payrolls on Friday throughout much of yesterday's trade. The big standout market was undoubtedly the gold market. Bullion bulls experienced additional pain yesterday as a flash crash in gold took the yellow metal to a low of \$1684.37/oz before recovering to close at \$1729.46.
- Those bearish gold have pointed out that the USD is strengthening and inflation is proving to be manageable at present, those bullish remain steadfast in their stance that inflation is evident in asset prices across the globe and that currency debasement is on the cards. Thus, levels like this provide exceptional entry points for bargain hunters. Currently we have the yellow metal changing hands at \$1737.02/oz into the EU open.
- Nothing in the way of significant market-moving data will leave the focus with Fed speakers and the guidance they offer on tapering. Yesterday two Fed speakers in the form of Bostic and Barkin both painted a picture for the need to consider tapering by year-end. Inflation is above the 2% market and could rise further, while the labour market is gathering strong momentum and rehiring is now set to take lace at a more rapid pace. There will be more Fed speak today when the Fed's Mester takes to the podium, but the overall message is unlikely to change. The US economy is gaining momentum and a taper will be appropriate in the months ahead as inflation becomes more of a concern.
- More Fed speak and a stronger case for tapering and the USD has found more support. The USD index is now trading up to the highs seen in mid-July, with a break above that offering the greenback a green light to rally further. There is limited data and information for traders to respond to at the moment, which will leave the focus for today on any comments made by the Fed's Mester. For now, the weekly bias appears to be tilted more to the top side.
- Given the broadly stronger USD it was not surprising to see the BWP-USD slip below the 0.0900 handle in the interbank market. This will become resistance first off this morning as we enter the Tuesday trading session. South Africa also returns from a long weekend so liquidity in the local market should improve.

ZAR and Associated Comments

- A cabinet reshuffle announced by President Cyril Ramaphosa last Thursday and solid US jobs data on Friday ultimately saw the ZAR end last week on the back foot. While the ZAR initially sank 2.50% on the resignation of former Finance Minister Tito Mboweni, further downside pressure was limited as the currency quickly trimmed losses during the session following the announcement of cabinet changes, including Enoch Godongwana as the new finance chief. Investors ultimately assessed the change to have minimal impact on fiscal consolidations plans, with challenges on that front remaining firmly in place given the government's reliance on debt and South Africa's low-trend growth to support expansive fiscal policy.
- However, losses on the session were not fully recouped as riskier currencies, in general, were dealt a blow by a bumper US jobs report. The nonfarm payrolls print surprised to the top side, with the US economy adding 943k jobs in July compared to expectations surveyed by Bloomberg of 870k, pointing to a healthy labour market. This is ultimately a step towards meeting the Fed's goal of reaching pre-pandemic labour market conditions, which would see the central bank removing monetary support along the way. US Treasury yields have subsequently traded to near one-month highs, increasing the greenback's appeal while weighing on emerging market and riskier assets.
- The combination of Friday's developments saw the ZAR end the session 1.70% weaker at 14.6300/\$, removing all of its weekly gains. With domestic markets shut for a holiday yesterday, international trade saw the local unit take direction from broader currency dynamics. The USD, meanwhile, remained buoyant and received a boost from hawkish comments of central bank officials yesterday. Atlanta Fed President Raphael Bostic said he is eyeing a fourth-quarter start to tapering, while Boston Fed President Rosengren said the Fed should announce at the September meeting that it will start reducing its \$120 billion monthly Treasury and mortgage bonds.
- As such, the ZAR picked up where last week left off, declining 0.70% to close at 14.7350/\$. Weaker sentiment has followed through overnight, with the ZAR trading amongst the laggards in the EM sample of currencies on the day thus far. Domestic manufacturing data in the day ahead will unlikely turn the tide for the ZAR, given the data will be based on June's output and any recovery will likely have been undone by the riots and looting that July held. The week ahead will see more up-to-date data with the SACCI business confidence index due tomorrow, while the domestic data card is rounded off on Thursday with mining production stats. Externally, the market has Eurozone economic sentiment data to digest in the day ahead, where even a considerably strong reading is unlikely to support the euro against a significantly buoyant USD at present.

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