

Botswana Market Watch

7 September 2021

GMT	International and Local Data				
	BO	7-Day Certificates on offer			
09:00	EZ	GDP sa y/y		2Q F	13.60%
09:00	EZ	ZEW economic sentiment		Sep	42,70
09:00	GE	ZEW economic sentiment		Sep	30,30
					40,40

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 exports	Export growth surprised to the upside, beating expectations and rising from July's reading, rising 25.6% y/y. This is a strong reading given the high base	The data confirms that the economic recovery holds some momentum and has further to run	3/5 (economy)	This offers relief to investors anticipating the end of the risk rally on expectations the global economy was faltering thanks to another wave of infections and more restrictions.
Oil production	A week after hurricane Ida and the U.S. regulator has confirmed that more than 80% of oil production in the Gulf of Mexico remains shut	This equates to approximately 1.5mn bpd, but the disruption is expected to be temporary	3/5 (markets)	The region is struggling to overcome the disruption, but production will soon come online to minimise the economic impact and restore normal service, after which stocks will get rebuilt
U.K. spending on NHS	The NHS will receive a further £5.4bn over the next six months to cover additional costs of the pandemic and overcome the treatment backlog	The pandemic has prevented the treatment of many other ailments that must be caught up	2/5 (economy)	The NHS will remain under considerable pressure through the months ahead as the huge backlog of treatments waiting for the end of the pandemic finally get underway.

Local FX Opening Rates and Comment

CUSTOMER				Benchmark Yield Curve				Forward Foreign Exchange		
BUY	SELL	BUY	SELL							
CASH	CASH	TT	TT							
BWPZAR	1.2445	1.3554	1.2685	6m	1.5740			BWPUSD	BWPZAR	
BWPUSD	0.0875	0.0952	0.0891	3y	4.7250			1m	-1.9598	0.0000
GBPBWP	15.8078	14.5269	15.4658	5y	5.8250			3m	-6.2693	0.0000
BWPEUR	0.0736	0.0801	0.0754	22y	8.4750			6m	-14.9858	0.0000
JPYBWP			9.8250					12m	-35.3633	0.0000
USDZAR	13.6608	14.8133	13.9810							
EURUSD	1.1402	1.2356	1.1669							
GBPUSD	1.3292	1.4401	1.3604							
				Equities		Economic Indicators				
				BSE Domestic Index	6741.71	GDP	0.7	Bank Rate	3.75	
				BSE Foreign Index	1548.83	CPI	8.9			

- News headlines remain focused on COVID-19 both locally and across the globe. Economic dynamism across the world has been severely stunted as a result of the lockdowns imposed by governments to contain the spread. Countries are however emerging from these in various stages and locally the narrative is no different. The second phase of school opening's takes place today and there has been a relaxing of lockdown laws in relation to alcohol consumption and gatherings as of yesterday.
- Longer term the region as a whole faces a difficult time in getting international tourists to return in the numbers they once did. The UK still has the region on the red list which will only change when a significant amount of the local population is vaccinated. The government is stepping up the pace of vaccinations but they have come under fire for the slow roll out in the past.
- In other local news, the country continues to press ahead with its quest of becoming an IT hub for the region. IT-Online reported that *Paratus Botswana has invested over \$6-million in independent fibre connectivity in Botswana as a seamless add-on to its existing infrastructure backbone. At no extra cost to its customers, fibre connectivity will give businesses unmatched uptime via a quality connection, and particularly at a time when network capacity is under pressure due to remote working. The investment in fibre is also strategically important in further securing Botswana as a hub in the southern African region.*
- Moving over to the United States, The USD appears to have stabilised to some degree despite the bad payrolls miss. Investors will still be digesting the outcome and the implications longer term. On the one hand, investors might feel more comfortable on stocks knowing that the Fed will not look to taper as early as Sep. However, on the other, the data also showed that the economy was under considerable pressure and may struggle to maintain its current momentum. At the moment, earnings have held up, and that will prevent stock markets from experiencing a correction, but the concerns persist, with the spread of the delta variant still unknown at a time when global vaccination rates are slowing in some parts of the globe. Normal trading behaviour will resume today following the long weekend, and a better perspective on the performance of the USD will be formed.
- In the wake of Hurricane Ida, more than 80% of production in the Gulf of Mexico remains offline. This equates to some 1.5mn bpd of lost production, and although a temporary disruption, it will still influence the region's economic activity in the short term. Stockpiles will ensure that no crisis emerges, with production expected to start coming back online this week. Another effect of the hurricane was the 350 reports of oil spills in the region, which will pose a different challenge for the authorities. The disruption from this hurricane was significant and will take a little longer to recover from. In related news, President Biden will be travelling to New York and New Jersey today to assess the degree of the damage wrought by hurricane Ida.
- In terms of the local markets, the BWP remains on the front foot as we enter the start of Tuesday's trading session. We expect the local unit to remain anchored above the 0.0900 mark for now We remind investors that today is the traditional short term funding day with 7-day certificates on auction. These auctions are always well attended given the use of the certificates within the banking and financial sector.

ZAR and Associated Comments

- The ZAR shrugged off broader trading momentum at the start of the week as it gained against a firmer USD. While the emerging market currency basket traded more mixed, major currencies were weaker on aggregate as the dollar bounced off lows after last week's payrolls miss. Nevertheless, riskier assets remained largely upbeat, aided by hopes that US stimulus measures would stay in place for the remainder of the year. Global equity markets, barring stateside markets which were shut for a holiday, continued to surge ahead as a result, while it should be no surprise that the local currency continues to gain amid positive risk appetite.
- The ZAR advanced 0.55% to close the first trading session of the week on the front foot at 14.2300/\$. In terms of domestic data, this week's consumer confidence release was fast-tracked to yesterday. The FNB/BER consumer confidence index (CCI) improved to -10 during Q3 from -13 in the second quarter. According to the Bureau of Economic Research (BER), the recovery comes off the back of upticks in the household financial position component and the time-to-buy durable goods sub-index, with consumers less pessimistic about the appropriateness of the present time to buy big-ticket items. As for household finances, the contributing factors were primarily temporary welfare measures and the public sector wage agreement reached at end of July.
- While growth is expected to continue to improve, the pace of which ultimately depends on improvements in aggregate demand. Despite the rebound in Q3's consumer confidence, overall levels of the CCI remain subdued relative to 2018/2019, while the government will not be able to fund households through welfare measures indefinitely. Although dated, Q2's GDP data will now hold focus. The economy has battled through the majority of the year with low levels of consumer confidence, and thus it will provide insights into growth pressures, or rather lack thereof, from the domestic demand side. Nevertheless, the second-quarter growth numbers could surprise given it is the first since the revisions made by StatsSA regarding the base year and how the output from specific sectors is calculated and allocated.
- In the spot markets at present, sentiment has remained supported overnight in favour of riskier assets as data out of China showed exports rose faster than expected in August, bolstering the outlook for global economic growth. Meanwhile, the ZAR has held steady as it awaits a stronger catalyst. Given the local unit's meteoric rise since the back end of August, some profit-taking could hold it back from further gains in the near term, especially with markets expected to trade more cautiously ahead of a slew of central bank policy decisions this week.

Contacts

Mogamisi Nkate

+267 3674335

email: mnkate@bancabc.com

Phillip Masalila	+267 3674621	email: pmasalila@bancabc.com
Kefentse Kebaetse	+267 3674336	email: kkebaetse@bancabc.com
Maungo Sebonego	+267 3674338	email: msebonego@bancabc.com

Report produced by ETM Analytics for BancABC Botswana.

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. BancABC on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.