

GMT	International and Local Data			
11:00	BO	91-Day and 182-Day T-Bills on offer		
0/N	US	Fed's Annual Jackson Hole Policy Retreat		
12:30	US	Wholesale inventories m/m		Jul P 1.10%
12:30	US	PCE core y/y		Jul 3.60% 3.50%
12:30	US	Advance Goods Trade Balance		Jul \$-90bn \$-91.20bn
14:00	US	Michigan consumer confidence		Aug F 70.90 70.20
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
Afghanistan	The U.S.'s chaotic withdrawal from Afghanistan took a turn for the worse yesterday when ISIS attacks started via suicide bomber. Many civilians dead, as well as U.S. and Afghan soldiers	Evacuation by the 31 st remains the primary target, regardless of how much more damage it may cause	4/5 (geopolitics)	The pace of evacuations is increasing, and all is being done to evacuate those that can and want to leave. However, the situation is fluid, and the vacuum left by the U.S. withdrawal will be destabilising for the region
Chinese industrial profits	Industrial profit growth has slowed for the fifth consecutive month rising 16.4% y/y, the slowest growth this year	Offers insight into the general slowdown of the economy and the need for stimulus	3/5 (economy, monetary policy)	Current monetary policy is described as slightly supportive of economic growth. The amount of monetary support may be increased at the margin to assist
Australia economy	Retail sales for July contract 2.7%, far worse than the 2.3% contraction anticipated. Lockdowns have impacted the economy heavily	Further economic weakness is expected to the point of a recession in Q3 and possibly again in Q4	3/5 (economy)	Even though the vaccination rate has increased significantly, the spread of the virus will keep the lockdowns in place, with Australia yet to experience a full-blown wave as other countries have

Local FX Opening Rates and Comment

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL	Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT				BWPUSD	BWPZAR	
BWPZAR	1.2708	1.3886	1.2953	1.3753	6m	1.5750				
BWPUSD	0.0853	0.0932	0.0870	0.0923	3y	4.7250	1m	-1.9208	0.0000	
GBP/BWP	16.0235	14.6907	15.6768	14.9967	5y	5.8250	3m	-6.1913	0.0000	
BW/PEUR	0.0726	0.0791	0.0743	0.0776	22y	8.3250	6m	-18.4665	0.0000	
JPY/BWP			9.5990	10.0122			12m	-44.4454	0.0000	
USDZAR	14.2957	15.5151	14.6308	15.1795						
EURUSD	1.1291	1.2235	1.1555	1.1970						
GBPUSD	1.3148	1.4245	1.3456	1.3937						
					Equities		Economic Indicators			
					BSE Domestic Index	6734.95	GDP	0.7	Bank Rate	3.75
					BSE Foreign Index	1548.59	CPI	8.9		

- The Bank of Botswana released its August Monetary Policy Report for August yesterday. The report is the medium through which the bank informs the public about the conduct of monetary policy on a regular or timely basis. It serves to meet the public's expectation of a transparent and accountable central bank in fulfilling the monetary policy mandate set out in the Bank of Botswana Act (Cap 55:01). ([the full report can be found by clicking here](#))
- A quote from the report really sums up how the bank is currently thinking about the broader macro backdrop - *The Bank's formulation and implementation of monetary policy focuses on entrenching expectations of low, sustainable and predictable level of inflation through a timely response to price developments. The Bank remains committed to responding appropriately to preserving price stability without undermining economic activity.*
- Internationally there is growing anger at the Biden administration over its handling of Afghanistan. Geopolitical risk has stepped up in a large way with the EU now needing to bolster borders ahead of what may be a flood of refugees. Reports of bomb blasts in Kabul headlined across the globe with the evacuation process a shambles.
- Moving over to macro drivers, most of the focus will be on Fed Chairman Powell's comments at the Kansas City Fed's Jackson Hole symposium that will take place virtually this year. Investors are particularly interested in the guidance that the Fed might offer on the timing of the taper. Although it is widely accepted that the taper can now proceed given the strength of the underlying U.S. economy, investors are unclear whether the taper will start in Sep or whether the Fed will wait until 2022 to begin. If the latter, the USD will come under tremendous pressure, and a strong risk rally will follow. If the former, the USD will likely regain its composure, although it is unlikely to surge given just how much of this news has been priced in.
- Given this backdrop it is not surprising to see markets waiting for guidance before adopting firm directional plays. The local currency market is no different. The BWP has made up some of the ground lost to the greenback over the past couple of sessions but we expect trade today to be measured. Investors are also reminded of the T-Bill auction today with the government preferring to issue at the shorter end at the moment.

ZAR and Associated Comments

- The USD-ZAR traded water for most of the day yesterday, hovering in a narrow range and unable to sustain any topside or downside breaks outside of 14.9000-15.0000. Resultantly, the ZAR held steadier than most other EM currencies, which fell as the US dollar edged higher. While risk appetite showed signs of fading, the USD began to show some strength as it bounced off a one-week low, spurred on by an uptick in Treasury yields and today's Jackson Hole speech from Fed Chair Jerome Powell.
- Albeit a marginal gain of 0.30% as it settled near the 14.9000/\$-handle, the ZAR secured its fourth consecutive daily gain yesterday. While the ZAR's continued strength this week has been notable, it is ultimately due to its higher sensitivity to broader market moves. Recall the local currency weakened the most amongst EM currencies last week and has thus had greater scope to reverse losses this week as the USD eased and investors scaled back Fed tapering bets.
- On the data front, domestic PPI data yesterday showed producer prices eased in July, slowing to 7.1% y/y from 7.7% y/y in June. The deceleration was less pronounced on a monthly basis as the PPI rose 0.7% from 0.8% in June. While the removal of base effects as we move forward should see producer price inflation ease in the coming months, inflation in input prices remains significantly elevated and some 2.5% greater than current CPI inflation. All in all, the weak state of domestic consumption has inhibited producers from offloading higher prices onto consumers. As such, we will unlikely see a significant bump in inflation in the near term, barring substantial currency depreciation, as consumers remain price-sensitive and thus likely to cut back purchases should inflation rise substantially.
- Externally, overnight Fed speak has been the major development and, with a hawkish tone emanating, will keep the market on edge ahead of Powell's Jackson Hole speech. Specifically, Dallas Fed President Kaplan said he expects the Fed to begin raising interest rates next year. Meanwhile, two other regional Fed Chiefs downplayed the impact of the delta COVID-19 variant, with one repeating calls for a trimming of the Fed's \$120 billion per month in asset purchases soon. While none of the Fed speakers mentioned hold votes on monetary policy this year, this should stoke bets that the number of hawks amongst FOMC members is growing.
- In the spot markets, major currencies have continued to trade mixed against the USD in this morning's Asian session. Haven currencies have been bid, with the Japanese Yen and Swiss Franc both buoyed this morning, suggesting the market may be turning more risk-averse than it was at the start of the week. While most focus will be on the Fed's Jackson Hole symposium through the day, the release of the Fed's preferred measure of inflation, core personal consumption expenditure (PCE), should also hold some market-moving potential given its implications for US monetary policy further out.

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