

# Botswana Market Watch

# 24 September 2021

GMT		International and Local Data			
<b>08:00</b>	<b>BO</b>	<b>Nothing out</b>			
<b>12:45</b>	<b>GE</b>	<b>IFO business climate</b>		Sep	99.00 99.40
<b>14:00</b>	<b>US</b>	Fed's Mester Discusses the Economic Outlook			
<b>14:00</b>	<b>US</b>	<b>New home sales</b>		Aug	713k 708k
<b>14:00</b>	<b>US</b>	Powell, Clarida and Bowman Host Fed Listens Event			
<b>14:05</b>	<b>US</b>	Fed's George Discusses Economic Outlook			
Africa	What happened?	Relevance	Importance	Analysis	
<b>Global economic data</b>	There are signs that momentum is being lost in many jurisdictions as the effects of the low base gradually dissipate out the data.	More variants and cautious politicians could restrain the broader recovery	<b>3/5</b> (economy)	Although there are countries that are opening up and learning to live with Covid, the effects are expected to linger and affect confidence and sentiment	
<b>Africa-China trade</b>	Data from the Chinese Ministry of Commerce showed that trade between China and Africa rose 40.5% y/y in the first seven months of 2021, reaching a record high of \$139.1bn	Vice-Minister of Commerce said that African products have enjoyed increasing recognition. Imports to China from Africa rose 46.3%	<b>4/5</b> (economy, trade)	Given that many African economies are dependent on the export of commodities and agriculture products for hard currency flows and tax revenue, the jump in exports is encouraging. There are signs that the Chinese recovery has stalled, which could dent African exports to China	
<b>OPEC +</b>	OPEC agreed to keep returning production to the market gradually and raised output by 400k bpd	The oil price nudged slightly lower, but prices remain buoyant for now	<b>4/5</b> (economy)	OPEC+ will phase more supply back into the market, while they ensure sustainability. However, demand is picking up, and stockpiles are falling	
Global	What happened?	Relevance	Importance	Analysis	
<b>BoE</b>	The BoE anticipates that inflation will exceed 4% by the end of the year, while higher natural gas prices are likely to affect inflation	Two members voted to end QE early, but weak growth data will keep BoE cautious	<b>4/5</b> (economy, markets, monetary policy)	The BoE stated that the case for a hike in rate appeared to have strengthened on account of the rise in inflation forecasts. QE could start as early as Nov	
<b>Evergrande</b>	As of this morning, Evergrande has not made its dollar bond interest payment. The company has a 30-day grace period before it formally defaults	Investors are now left in limbo, uncertain of whether the company will find a solution or default	<b>5/5</b> (economy, markets)	As a precaution, the PBoC has injected cash into the banking system to avoid any significant fallout affecting the banking system that would cause a credit crunch.	
<b>US consumer confidence</b>	Consumer confidence has taken a knock due to a combination of concerns over energy bills, food costs and tax hikes needed to balance the fiscal books	Data comes after BoE makes a case for policy normalisation. This kind of data may cause CB to pause	<b>4/5</b> (economy)	The GfK data shows that although the economy is in recovery mode, that it will likely be an uncomfortable recovery that needs all the support, it can get to overcome all the economic headwinds	

## Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve	Forward Foreign Exchange				
	CASH	CASH	TT	TT			BWPUSD	BWPZAR		
BWPZAR	1.2676	1.3839	1.2920	1.3706	6m	1.5730				
BWPUSD	0.0859	0.0937	0.0876	0.0928	3y	4.7250	1m	-1.9305 0.0000		
GBP/BWP	15.9509	14.6217	15.6058	14.9263	5y	5.8250	3m	-6.2010 0.0000		
BW/PEUR	0.0732	0.0798	0.0749	0.0782	22y	8.4650	6m	-14.7615 0.0000		
JPY/BWP			9.7071	10.1241			12m	-34.6808 0.0000		
USDZAR	14.1533	15.3639	14.4850	15.0315						
EURUSD	1.1271	1.2212	1.1536	1.1947						
GBPUSD	1.3174	1.4276	1.3483	1.3967						
					Equities		Economic Indicators			
					BSE Domestic Index	6876.54	GDP	0.7	Bank Rate	3.75
					BSE Foreign Index	1548.82	CPI	8.9		

- The government released its budget strategy yesterday and this gave analysts much to chew on overnight as they unpacked the document which was presented by the Ministry of Finance.
- This budget document is of particular significance as it shows the path that the government is planning as the country emerges from the COVID-19 pandemic. The document estimates growth of 4.3% in 2022 which slips slightly to 4.2% in 2023 driven by higher commodity prices.
- Diamonds remain the largest hard currency earner and prices have stabilised since falling in the global COVID induced lockdowns. As it stands diamond earnings are responsible for 2/3 of its hard currency earnings and 1/5 of the country's GDP. Gaborone is well aware of these constraints and policymakers remain committed to broadening the economy and creating additional streams of revenue.
- Gaborone does however expect the budget deficit to grow despite the strong growth numbers. The budget deficit is expected to widen to 4% of GDP in 2022 up from 3.7% in 2021. Public debt is expected to be 26.8% of GDP in 2022 up around 4% from 2021.
- Internationally Central Bank's have the stage at the moment. Norway is looking at hiking rates, and the BoE has warned that it could end Q.E. as early as Nov, stating that the case for rate hikes has risen. Although several growth headwinds persist, inflation has become a concern in countries around the world. Supply chain disruptions, chip shortages, high or buoyant commodity prices, and the rise in natural gas prices have translated into a general rise in inflationary pressures. The Fed has alluded to similar, so the theme of tightening monetary policies across many jurisdictions is upon us. Treasury yields are also on the rise and could have a lot further rise in the coming weeks.
- The challenge for the central banking authorities is that the rise in inflationary pressures needs to be considered against the backdrop of a weaker growth environment. Some of the data being released out of the U.S. has surprised to the downside. The Citi economic surprise index remains entrenched firmly to the downside. Yesterday's weekly jobless claims were a case in point as they unexpectedly rose on the week to 351K, a rise of 16k compared to a week before while continuing claims rose by 181k to 2.84mn. Furthermore, the total receiving benefits has also fallen now that the federal support programmes are being unwound, which means tougher times for those that have not yet found employment.
- Moving over to the FX markets, some key events have passed this week that, on balance, have left the USD a little top-heavy and in need of a correction lower. For now, the USD continues to trade in a consolidative fashion, but the technical charts show it to be overbought and vulnerable to a correction lower. However, the uncertainty around the Evergrande debt saga will hold that correction back and how that unfolds. Evergrande missed a payment date for its dollar debt but still have 30-days of grace before it is considered in default. That leaves investors in limbo as to whether the company will or won't make the payment. Concerted efforts are being made to ensure that the payment is made to limit contagion damage.
- Domestically the BWP remains anchored below the 0.0900 mark for now in the interbank market. The expectation is that investors will continue to unpack the various macro drivers and assess the risk on/off drivers into the weekend. . We do anticipate a retake of the 0.0900 mark in due course, but it may not happen this week.

## ZAR and Associated Comments

- SA out for a public holiday, expect flow to be on the light side. .

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