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Economic Overview

Inflation began the year with 0.8% increase to 2.5% in January. The increase during the month was mainly attributable to a rise from the Food and Non-Alcoholic Beverages and Miscellaneous Goods & Services groups which both firmed by 0.7% each. The upward pressure from the Food basket was driven by fruits, coffee and tea products while insurance services led to the increase of the Miscellaneous Goods basket. On the contrary, the Transport index was the only group that recorded a negative contribution of 0.1% during the month. Upside inflationary pressures remain, due to imported inflation though not at an alarming rate that may result in a breach of the upper band of the target range. During the month, imported inflation rose by 1.6% while core inflation (which excludes food and administered prices) edged up by 0.2% from December to 3.5% in January. Although inflation increased for the month of January, it is still below the lower band of the Bank of Botswana's medium-term target band. This provides room for the central bank to maintain its expansionary stance in order to boost the local economy which has been hard hit by the slowdown in global diamond sales. According to the latest Q4 report by De Beers, diamond production for Botswana tumbled by 31% to 4.2 million carats relative to Q4 2023. The low production was mainly attributable to the Jwaneng mines which registered a huge drop of 69% y/y while Orapa recorded a 10% growth for the same period. However, relative to the previous quarter, production rose by 6% buoyed by the 25% uptick in production from the Orapa mine. Total production for the year 2024 fell by 27% to 17.9 million carats from 24.7 million recorded in 2023.

Stock Market Overview

Local equities closed the month in the green by 0.33% at 10,108.63 pts, ahead of the previous month's 0.26% gain. Factoring dividends, total returns mirrored the DCI at 0.33%. Sefalana (+3.95% to BWP 14.75) posted the largest monthly return, followed by StanChart (+1.81% to BWP 7.01) and Cresta (+1.59% to BWP 1.28). Conversely, Choppies declined by 3.64% to BWP 0.53. Market activity surged during the month with turnover increasing significantly to BWP 163.7 million compared to BWP 46.5 million in the prior month. Deals in Engen accounted for 21% of market turnover, followed by Sefalana (13%) and RDCP (12%). Noteworthy developments during the month included contrasting trading statements from BIHL and Letshego. While the microlender notified shareholders that it anticipated an improvement in losses after tax, BIHL cautioned the market that it expected profits before tax to decline by 90% - 98% on account of a large impairment against the carrying value of an investment in an associate, lower net insurance and investment services results.

Fixed Income Market Overview

New issuances by the Botswana Government declined significantly registering a 57% drop in February relative to the BWP 4.6 billion that was raised in January. This was due to reduced appetite by the market. Although government desired to raise more funding, appetite was notably lower, particularly for mid and long-term bonds. The 2-year bond in particular, received marked lack of appetite when only 16% of the BWP 600 million that was offered during the February auction was raised. Shorter-dated instruments however continued to be oversubscribed, with the 6-month Treasury Bill (TB) receiving bids totalling BWP 913 million compared to the BWP 900 million on offer which represents a bid-to-offer spread of 1.19X. The 3-month TB was also well received by the market with a 96% uptake of the BWP 900 million on offer during the February auction. On the long-end of the curve, both the 10-year and 18-year bonds received 73.7% and 73.5% allocations respectively, from the BWP 600 million that was auctioned for each. Relative to the prior month bid-to-cover ratios for short dated instruments declined slightly, reflecting the ongoing liquidity crisis. The bid to cover ratio for the 3-month TB was almost flat at 1.16x while for the 6-month dropped from 1.37x to 1.19x.

Product Performance

iPRO Botswana Money Market Fund

The Fund delivered a return of 0.55% net of fees for the month of February, bringing the rolling 3-month and 12-month returns to 1.60% and 6.45%, respectively. This compares favorably against the benchmark Average Overnight Call Rate returns of 0.14% and 0.55% for the same periods.