

- De Beers the world's largest seller of rough diamonds reported a 33% drop in revenue in 2020 which it attributed to the COVID-19 pandemic which resulted in a global economic downturn. The diamond giant which is 15% owned by the Botswanan government reported sales of \$440m in the 10th site sale which was below the \$462m it achieved at the 9th sale of 2020, it was however up on the 10th site sale of 2019 where it recorded sales worth \$426m. Sales for the full year came in at \$2.78bn compared with \$4.044bn in 2019. It is hoped that there is a sustained recovery in 2021 however consumers may be somewhat reluctant to spend on luxury purchases until they are certain that the worst is out of the way. That is why the first round of vaccines are so important, it sets the stage for a more broadbased vaccine programme across the world in the second quarter of 2021 which hopefully reaches all corners of the globe by the end of 2021.
- In other news, Xinhua reported the following - *Botswana's public and private sectors have been encouraged to take full advantage of the Chinese market to grow their exports. Policymakers and business executives made the revelation on Wednesday at an investment summit organized by the Botswana Investment and Trade Center (BITC) in Gaborone, Botswana's capital city. As Botswana looks forward to recovering from the economic doldrums caused by COVID-19, the southern African nation is seeing the Chinese market as the answer to its economic difficulties. The opening up of China to world imports does present export opportunities from Botswana, Kutlo Moagi, BITC's Director of Corporate Affairs, told the summit. Currently, diamond has been the main export from Botswana to China. ([full article here](#))*
- Given the potential for copper to add to the diversified mining exports of Botswana its worth casting an eye towards that market from time to time.
- Copper has marked levels above \$8000/tonne in Asia this morning for the first time in 7 years. The bullish undertone has been driven by progress on the US stimulus talks and strong economic prospects out of China.
- All the fundamentals are aligning strongly for copper, a weaker USD, strong growth out of China, and predictions of a deficit all point to higher prices in due course. We may well be entering a new super cycle - we do however caution that currently the market is overheated and is due for a correction in the short term.
- Locally the economic calendar remains bare which will leave the markets to focus on international developments once more. We are heading into the final two weeks of the year and many corporates and investors will be winding down interest as 2020 fades. It is however worth noting that there has been an increase in risk appetite over the past couple of days and this has been supportive of frontier and emerging markets. Yesterday we had the Pula gain some 0.22% against the greenback and we view the outlook for the Pula in 2021 as favourable.

ZAR and Associated Comments

- Global risk appetite surged yesterday following the US Fed's rate decision on Wednesday which, despite keeping policy unchanged, instilled confidence that the central bank remains committed to reinforcing the economic recovery. Further boosting sentiment is progress over the next round of US fiscal stimulus with the market hopeful for a conclusion this week. After US retail sales figures on Wednesday and initial jobless claims yesterday which continue to point to a turbulent recovery, this underscores the need for further government support and prompts US lawmakers to come to an agreement.
- Resultantly, the US dollar came under heavy pressure yesterday. The dollar index (DXY), which tracks the greenback against major currencies on a trade-weighted basis, fell below the 90-handle for the first time since the second quarter of 2018. Emerging market currencies took advantage of dollar bearishness on aggregate, of which the ZAR was a top performer on the day, closing roughly 1.3% stronger at the 14.65/\$-handle.
- Aggressive monetary and fiscal policy by the US and other developed nations has heavily weighed on the US dollar and other haven currencies, especially alongside the resumption of global risk appetite. The reflation of risky assets, however, may yet run the risk of being overdone as the divergence of asset prices versus underlying economies widens due to financial systems being flush with liquidity. This is true for emerging markets as well, which generally have higher associated degrees of fiscal risk and have likely been elevated by the pandemic. However, in terms of the local currency, the ZAR remains about 5% weaker year-to-date while the USD has retreated to 2 ½ year lows, suggesting a degree of fiscal risk remains priced in. Nevertheless, as developed nations' central banks are unlikely to tighten policy anytime soon, emerging markets still have further upside potential which should be the status quo into 2021 as the pace of vaccine administration picks up.
- For the day thus far, the USD staged a minor comeback overnight after news that US stimulus negotiations may hit a roadblock in the form of expiring Fed coronavirus loans which may not be able to be revived by the Biden administration next year. Thus, negotiations may spill over into the weekend and allow the USD some reprieve for the day ahead.

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