

Botswana Market Watch

10 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
13:30	US	CPI y/y	Nov	6.70%	6.20%
13:30	US	Real ave weekly earnings y/y	Nov		-1.60%
15:00	US	Michigan consumer confidence	Dec P	68,00	67,40
19:00	US	Monthly budget statement	Nov		\$-165,10bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
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Covid-19 (Omicron)	All eyes still on South Africa and its experience with the Omicron variant. Cases are exponentially surging, but symptoms thus far have been mild	Such a rapid spread with milder symptoms may still be good news if it helps build herd immunity	4/5 (economy)	Mass infection and quick recovery means that although this wave will be dramatic, it may also be much shorter than previous waves and confer mass immunity to the unvaccinated
Evergrande and Kaisa	Both property development companies were cut to default after they missed payment deadlines, with cross-defaults triggered for both companies	This will prompt both companies to begin restructuring processes urgently to mitigate damage	4/5 (economy, market)	Although the risks of a disorderly default are low, the impact on risk appetite will linger for a while to come. This holds the potential to drive an element of risk aversion over thinned out Dec trade
US labour market	Weekly jobless claims released yesterday dropped 43k to just 184k, the lowest levels since 1969, in a clear signal that the labour market is tightening	Although good news in that it alludes to a strong recovery. It is bad news from an inflation point of view	3/5 (monetary policy, economy)	Although continuing claims increased slightly, the trend is overwhelmingly down, and investors will position for a strong wage inflation episode and the risk of a faster Fed taper

Factors on the Radar	What happened?	Relevance	Importance	Analysis
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Omicron - latest	As the surge in Omicron gathers momentum, countries around the world are implementing tighter restrictions and ramping up their push for vaccinations	Vaccine passports, work from home, testing, masks and restrictions for the unvaccinated coming	5/5 (economy, market)	Countries around the world are debating vaccine mandates. There are fiscal implications to the hospitalisation of the mostly unvaccinated that may result in fines or other financial penalties
Inflation	Inflation is in the spotlight as it surges across all jurisdictions worldwide. Today, that focus will turn to US inflation and the implications it might hold for the Fed's taper timeline	Energy prices continue to drive inflation, although the spike will be cyclical and central banks are more tolerant	4/5 (economy)	Knowing that the spike in inflation is mostly driven by supply-side shocks, logistical constraints and commodity prices, most central banks are just looking to weather the storm until the cycle turns lower once more
US debt ceiling	On Thursday, the Senate voted in favour of a bill that paves the way to increase the debt ceiling. The bill will allow a simple majority to vote for an increase	This will allow the Democrats to raise the debt ceiling on their own, using their simple majority	2/5 (fiscal policy, markets, economy)	It ultimately means that the risk of any tensions related to a possible debt default in the US is now put on the back burner and removes at least one source of potential financial market volatility



Highlights news vendors

CNBC - [Investors brace for the highest U.S. inflation reading in nearly 40 years](#)

ALL AFRICA - [Africa's Free Trade Area Can Deliver Considerable Inclusive Economic Growth for the Continent](#)

FT - [Evergrande rated 'restricted default' by Fitch after missed payment](#)

SOUTH CHINA POST - [Beijing snatches another diplomatic ally from Taiwan as Nicaragua switches ties](#)

REUTERS - [Dollar gains, equity rally stalls as caution returns](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2969	1.3081	1.3219	1.4035
BWPUSD	0.0811	0.0935	0.0827	0.0878
GBPGBP	16.1481	16.2831	15.7987	15.3437
BWPEUR	0.0778	0.0784	0.0735	0.0769
JPYBWP	0.0000	0.0000	9.4222	9.8392
USDZAR	15.3417	16.6357	15.7012	16.2758
EURUSD	1.0846	1.1751	1.1100	1.1497
GBPUSD	1.2700	1.3759	1.2997	1.3462

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-3.066375	-7.770242
BWPGBP	0.0639	0	3m	-8.90175	-18.77987
BWPEUR	0.0748	0.0000	6m	-18.37875	-45.98533
BWPZAR	1.3508	0.0121	12m	-39.82388	-152.9776

Forward Foreign Exchange

	Close	Change
Dollar Index	96.182	-0.089
EURUSD	1.1298	0.0006
GBPUSD	1.3228	0.0009
USDJPY	113.53	0.09
USDNGN	0	-409.74
USDZAR	15.9839	0.0639

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.405	0.011	SA 10y	9.485	0.03
3y	4.25	0.25	US 10y	1.4973	-0.0308
5y	5.89	0.29	German 10y	-0.351	-0.042
20y	8.46	0.06	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0.03		196	-29.5

International Fixed Income

	Close	Change
VIX	21.58	1.68
Dow Jones	35754.69	35.32
FTSE	7321.26	-2.85
JSE All share	72207.64	-535.37
Bots DCIBT	6997.25	-4.88
Nigeria Index	41685.22	416.24

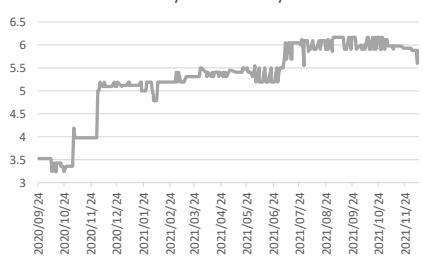
Commodities

	Close	Change
Gold	1774.46	-7.6
Brent Crude	74.42	-1.4
3m Copper	9534.5	-118
LME Index	4351.4	-40.7
1 carat index	5836	0

Spot BWP



BWP 5y local bond yield



BWP-ZAR



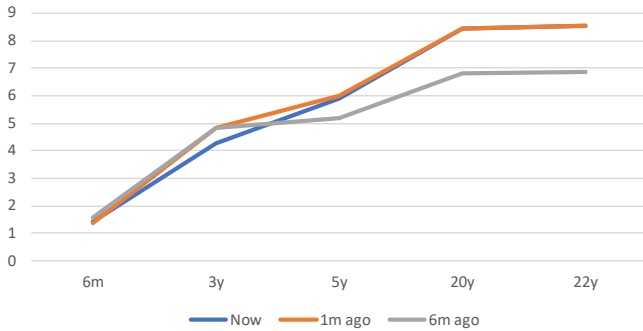
Local and regional talking points

- The health authorities have not reported an increase in hospitalisations despite Botswana being one of the first countries to detect the Omicron COVID-19 variant. This supports the narrative that new variant although far more transmissible has milder symptoms. As mentioned in previous notes, some scientists are now calling this the end of the pandemic as the virus and host learn to co-exist much the same as influenza has.
- This news will be welcomed as we are heading into the traditional end of year festivities where people travel and generally congregate. The country has been hit hard by the international travel ban and the economy would suffer another significant blow should local travel restrictions be introduced again.
- Moving over to South Africa, manufacturing production dropped notably in October, contracting 8.9% y/y from a downwardly revised 0.7% y/y increase in September (prior: 1.3%), reflecting the adverse impact of the ongoing supply-side bottlenecks, return of load shedding, and the three-week strike by steelworkers. The latest print missed expectations of a less pronounced contraction of 1.6% anticipated by analysts surveyed by Bloomberg and also marked the worst performance since August last year. Meanwhile, m/m, manufacturing output swung from an expansion of 3.0% in September to a contraction of 5.9%.
- Had it not been for the mining sector surprising to the upside, this would have been a bad data day for SA, with the impacts felt broadly. SA's mining production surprised to the upside in October, swinging into an expansion of 3.4% m/m from a downwardly revised contraction of 4.4% m/m in September. This is notably the most substantial rebound in mining activity this year on a month-to-month basis and keeps output back around pre-pandemic levels. Mining production also rebounded convincingly on a y/y basis, coming in at 2.1% in October versus a 0.8% contraction in the month prior.

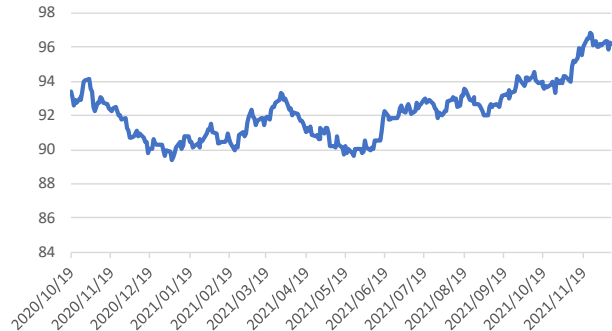
Financial Market commentary

- Given the importance of oil to the inflation conundrum and the fact that we have the all important US CPI number do for release today we need to take a look at developments in the energy markets.
- Oil's five-day rally came to an end yesterday, with Brent slipping back below \$75 per barrel as global markets turned risk-off through the afternoon amid rising fears over the economic impact of the new Omicron variant. Nevertheless, we are still set for the biggest weekly gain since August and the first in seven weeks. The commodity has staged an impressive turnaround after slipping into a technical bear market a little more than a week ago, helped by OPEC signalling some confidence in the market after they kept their pledge to increase production through January.
- There are, however, some risks building other than what the impact of Omicron will be. The physical market for crude in Asia is weakening, with buyers not asking for extra supplies for next month after Saudi Arabia increased their selling price to the region. Reports suggest that refiners' profits are barely positive at the moment for spot crude purchases that will arrive after the winter season. If this persists, it could accelerate the pace at which the market turns to oversupply from the current deficit, weighing on prices.
- All focus is with the US CPI reading later today. The market is gearing itself up for the highest US inflation reading in nearly 40 years and it is not surprising to see investors adopting a risk off approach at present. Should the CPI number beat market expectations to the upside, we will almost certainly see a knee-jerk reaction even though most of the negative narrative around the inflation story has been priced in to the markets.
- The dollar is the favoured currency at the moment as investors rotate to safe havens given the event risk associated with the data out of the US later today. This will result in emerging markets including the Pula trading defensively at the very least until the CPI print is known. Expect a measured start to the local markets.

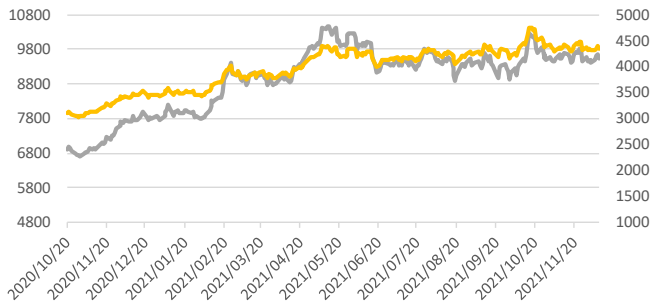
Botswana Yield Curve



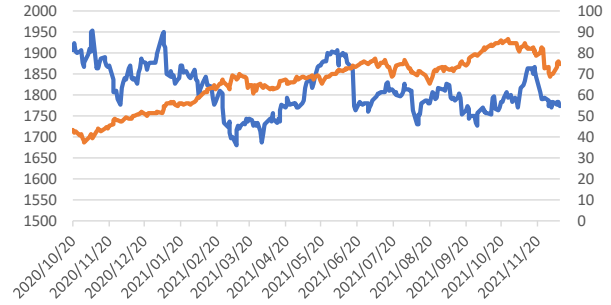
USD Index



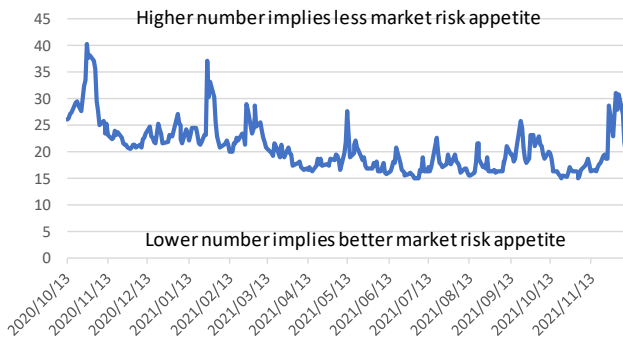
Base metals - Copper L_Hand axis LME Index
R_Hand axis



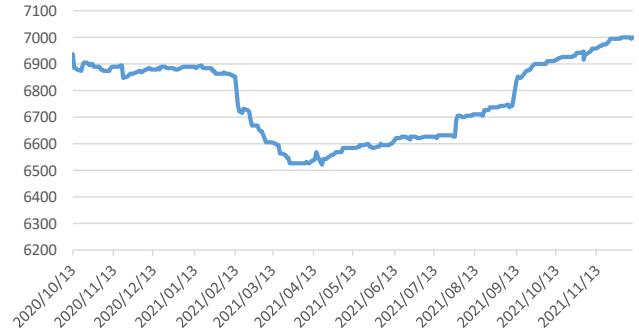
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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