

Botswana Market Watch

13 December 2021

GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
O/N	JN	Machine orders y/y	Oct	4.20%	12.50%
00:01	GB	Rightmove house prices y/y	Dec		6.30%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Covid-19 (Omicron)	The WHO confirmed Omicron's high transmissibility, the UK has raised its restrictions levels, and the US has described Omicron as 4 times more infectious	Far from recognising the mild symptoms and illness, countries look set to impose tighter restrictions	4/5 (economy)	Omicron's spread will likely see a greater degree of restrictions imposed, and that will detract from global growth at the margin as work from home and other limitations are imposed
G7 warning to Russia	The G7 countries condemned Russian military build-up near Ukraine and warned of severe costs and massive consequences if Russia attacks Ukraine	Geopolitical tensions remain high despite Biden's diplomatic efforts to keep investors on alert	4/5 (economy)	Russia, for its part, has denied any plans to invade Ukraine and has characterised the response as Russophobia. Instead, Russia believes the build-up of NATO troops threatens Russia
UK economic activity	GDP through October barely grew by just 0.1% vs the 0.6% growth in Sep. Supply chain disruptions, staff shortages, power and mining constraints all weighed	The recovery path for the economy will be an uneven one that will challenge policymaking	3/5 (economy)	Most economies are struggling to build up stronger momentum, and the latest Omicron spread will only delay the full resumption of economic activity for a while longer

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US Debt ceiling	US Treasury Secretary Yellen urged Congress to raise the debt ceiling by Wednesday this week, and that looks on track to happen	The Senate passed the bill last week, allowing Biden to now sign it off this week	3/5 (fiscal policy)	The bill allows the Democrats to raise the debt ceiling with a simple majority which will keep the government funded through to Feb next year
FOMC	With inflation rising to very buoyant levels as seen last week against the backdrop of a strong economy, the Fed is expected to turn more hawkish in its guidance	Investors expect the Fed to accelerate its taper and the dot plot to show more hikes next year	4/5 (economy, monetary policy)	It will likely be an FOMC decision that will seek to tighten monetary policy a little sooner than anticipated. At the margin, this should be supportive of the USD vs major trading partners
Bank of Canada mandate	The BoC, together with the finance ministry, will commit to a monetary policy framework later today, where the inflation target of 2% will likely be left unchanged	This should prove to be of mild interest, although some comments may be made on inflation	2/5 (monetary policy, markets, economy)	BoC monetary policy will likely persist in much in the same vein, and the market is unlikely to respond much to this news if policy is left unchanged. Any comments on inflation will be of interest

Highlights news vendors

CNBC - [Asia-Pacific markets trade higher across the board as investors focus on central bank meetings](#)

ALL AFRICA - [Kenya Marks Jamhuri Day Celebrations in Colourful Ceremony](#)

FT - [Ukraine blames Germany for 'blocking' Nato weapons supply](#)

SOUTH CHINA POST - [Coal central to China's zero carbon goals, top US envoy says](#)

REUTERS - [U.S. inflation sizzles as consumer prices post biggest annual gain since 1982](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2986	1.3086	1.3236	1.4040
BWPUSD	0.0814	0.0935	0.0830	0.0880
GBPGBP	16.1394	16.2549	15.7903	15.3171
BWPEUR	0.0781	0.0786	0.0738	0.0771
JPYBWP	0.0000	0.0000	9.4615	9.8698
USDZAR	15.3141	16.6003	15.6730	16.2411
EURUSD	1.0846	1.1751	1.1100	1.1497
GBPUSD	1.2723	1.3784	1.3021	1.3486

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0848	0.0003	1m	-2.73975	-7.723661
BWPGBP	0.0639	0	3m	-7.80975	-18.77987
BWPEUR	0.0749	0.0001	6m	-17.44275	-46.33025
BWPZAR	1.3546	0.0159	12m	-39.741	-153.6766

Forward Foreign Exchange

	Close	Change
Dollar Index	96.181	0.084
EURUSD	1.1297	-0.0014
GBPUSD	1.3253	-0.0016
USDJPY	113.55	0.17
USDNGN	409.72	0
USDZAR	15.9523	-0.0218

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.398	-0.007	SA 10y	9.49	0.005
3y	4.83	0.58	US 10y	1.482	-0.0153
5y	5.89	0	German 10y	-0.35	0.001
20y	8.46	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		198.5	2.5

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	18.69	-2.89	Gold	1782.51	8.05
Dow Jones	35970.99	-0.06	Brent Crude	75.15	0.73
FTSE	7291.78	-15.79	3m Copper	9506.5	-28
JSE All share	71686.33	-196.24	LME Index	4336.3	-15.1
Bots DCIBT	7011.24	4.88	1 carat index	5836	0
Nigeria Index	41882.97	-749.94			

Commodities

Local and regional talking points

- The Bank of Botswana has sounded the alarm stating that the bank is not in the same position to underpin the economy as it was March last year as the economic threat of the Omicron COVID-19 variant grows. Last week, BoB governor, Moses Pelaelo told BusinessWeek the following - "When COVID-19 first indicated a contraction of economic activity, there was a need to respond and when you looked at the fiscal positions like debt levels and monetary policy, there was legroom for policy action and you saw those actions," he said, responding to questions in a briefing. "What happened in the 19 months since then has reduced that policy space significantly both in terms of the public finance position given where the deficits are today and also in terms of monetary policy. "One complicating story is the short-term developments in inflation even though they are supply-side driven, but there are complications in where things are today."

- Emerging and frontier markets of which Botswana is one do not have the exorbitant privilege of being able to "print money" as do the economic powerhouses of the United States, Japan and the EU. This leaves them at a disadvantage and vulnerable should the economic shocks continue to resonate. Local policymakers will be keeping a close eye on developments with the final aim of diversifying the local economy to create fiscal backstops and greater economic resilience.

- Regionally, South African President Cyril Ramaphosa has contracted Covid-19 and is being treated by the military medical team for mild symptoms. Deputy President Mabuza will take the helm while Ramaphosa is recovering. It is unclear whether Ramaphosa has contracted Omicron but appears to have contracted it domestically.

Financial Market commentary

- Event risk in the US last week passed with some initial knee-jerk reactions quickly washing out of the market to leave the pula stronger on the day. The local unit closed the session just below the 0.0850 mark on Friday and this morning's open should be a measured one with investors gearing up for this week's CPI release.

- The Bank of Botswana has resisted pressures to hike rates in order to stem the inflation pressures stated that the pressure is not demand driven thus raising rates will have limited impact. They expect inflation to return to their 3-6% target band in the second half of 2022.

- Energy prices remain a major contributor to the inflation conundrum and thus keeping an eye on oil is vital.

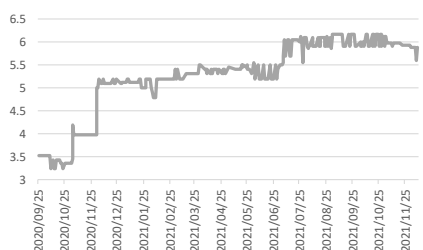
- The oil markets are bid this morning following their first weekly gain since October as demand has so far been fairly resilient to the economic impact of the new Omicron variant and the travel restrictions and other measures to contain its spread. Furthermore, China has shifted back towards an expansionary policy mindset, with monetary easing last week and expectations of more fiscal support to come from early next year. A better outlook for growth from the world's largest oil consumer will continue to improve sentiment in the market, and provide room for crude to continue its rebound. At the time of writing, the front-month Brent contract has gained 1.25% today so far, trading just above \$76 per barrel.

- Moving over to base metals, copper finished the Friday session in the red shedding 0.3% to close at \$9506.50/tonne, these losses have been reversed this morning as investors price for additional stimulus out China which is expected to materialise early in 2022. Flows have been on the light side with investors preferring the comfort of the fence ahead of all the central bank activity this week. We are also moving deeper into December where the end of year holiday's traditionally sap liquidity.

Spot BWP



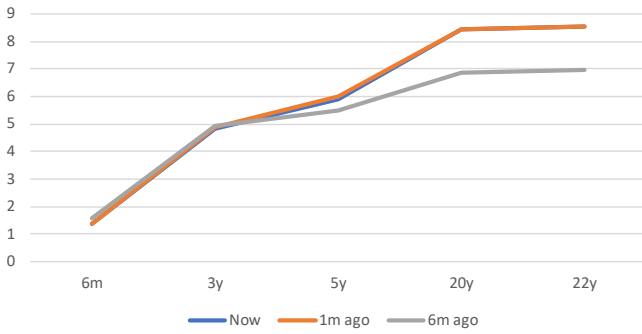
BWP 5y local bond yield



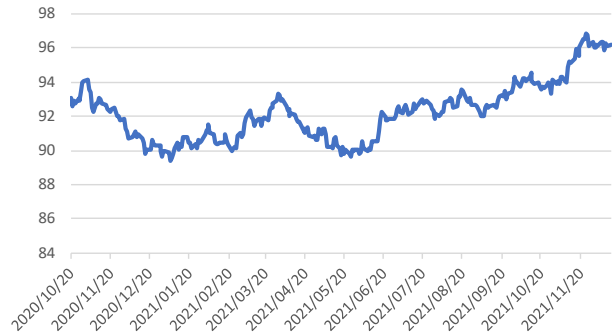
BWP-ZAR



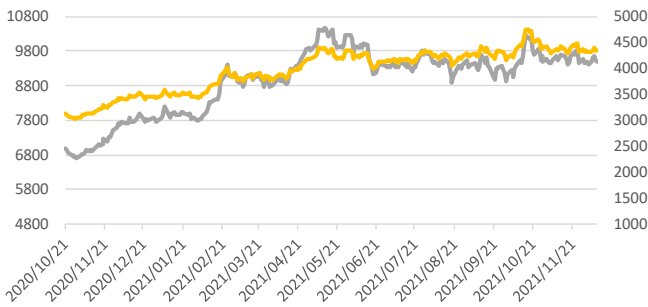
Botswana Yield Curve



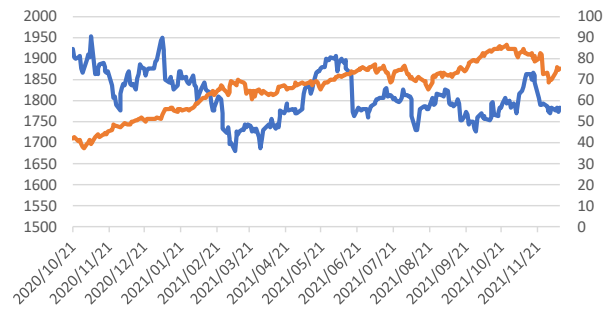
USD Index



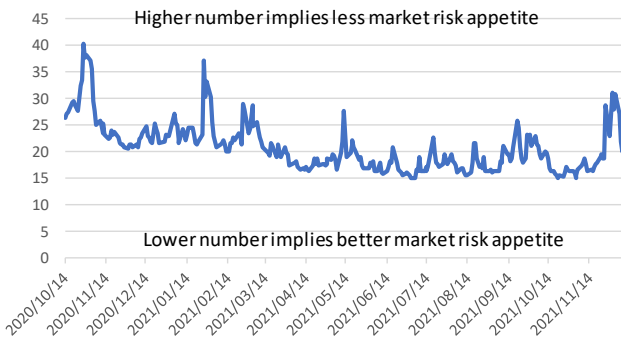
Base metals - Copper L_Hand axis LME Index R_Hand axis



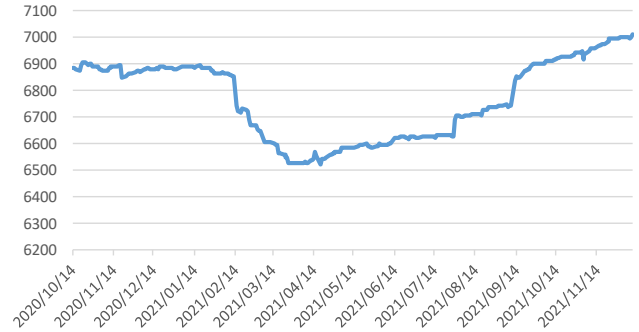
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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