

Botswana Market Watch

20 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
15:00	BW US	GDP Leading Indicators	3Q Nov	0.80%	36.0% 0.90%

Factors Overnight	What happened?	Relevance	Importance	Analysis
PBoC rate decision	China's central bank opted to cut its 1yr benchmark rate by 5bp. It is the first cut since April of 2020, although it left the 5yr benchmark rate unchanged	Highlights the fragility of the growth environment at the moment and that it needs assistance	3/5 (economy, monetary policy)	In such a highly indebted country facing challenges with its construction industry, this shows that the central bank is concerned about the weakness in demand and is supporting at the margin
US monetary policy	On Friday, Fed Governor Chris Weller indicated that a rate hike would likely be warranted shortly after the bank ends its bond purchases in March	As a result, the USD is looking to break out of a bull flag to retest highs seen in June 2020	4/5 (economy, monetary policy)	That would catalyse further moves against emerging markets, but the signals are tentative, the volumes are thin, and the whipsaw action might make clear-cut decisions challenging
Stock market correction	Stock markets corrected lower on Friday on the growing expectation that the Fed could hike very shortly after the taper has completed	Fed Governor Chris Weller made the statements on Friday, and this impacted negatively on stocks	3/5 (monetary policy, economy)	Weaker stock markets will raise questions around emerging markets that are heading into seasonally thin market conditions through the festive season. Volatility could follow

Factors on the Radar	What happened?	Relevance	Importance	Analysis
London restrictions	London Mayor Sadiq Khan has been quoted as saying that the NHS might be on the verge of collapse given the huge surge in infections	Khan declared a "major incident" on Saturday to help hospitals cope with an influx of cases	4/5 (economy, politics)	Aggressive testing has resulted in a huge number of infections reported, and despite the high prevalence of vaccinations, steps are being taken to assist the NHS cope
Covid - Omicron	The Netherlands went into lockdown on Sunday, and the prospect of more Covid-19 restrictions being imposed due to the Omicron variant looms	This follows Britain's response, with the US now planning similar restrictions to protect healthcare	4/5 (economy)	The Omicron variant is very transmissible, and although South African data shows much lower mortality rates, countries are taking no chances. More restrictions = more volatility
ECB policy	ECB policymaker Holzmann indicated on Saturday that the ECB would be ready to take action if inflation does not drop back as anticipated	Although inflation is not the pressing problem it is in the US, the ECB is still prepared to act	3/5 (economy, monetary policy)	Central banks globally are fighting for their credibility. Inflation has been running too hot for too long, with central banks prioritising growth. They may be forced to change their policy stance

Highlights news vendors

CNBC - [China's central bank cuts a key rate for the first time since the pandemic](#)

ALL AFRICA - [Covid-19 Infections Surge Across Continent](#)

FT - [European countries impose travel curbs to slow Omicron's spread](#)

SOUTH CHINA POST - [Beijing issues white paper on Hong Kong's 'democratic development'](#)

REUTERS - [Dollar shines, euro droops as Omicron spreads while Fed hawks circle](#)

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.2930	1.3107	1.3179	1.4063
BWPUSD	0.0811	0.0935	0.0827	0.0882
GBPWP	16.0678	16.2794	15.7202	15.3402
BWPEUR	0.0781	0.0791	0.0738	0.0776
JPYBWP	0.0000	0.0000	9.4222	9.8901
USDZAR	15.3018	16.5872	15.6605	16.2283
EURUSD	1.0796	1.1697	1.1049	1.1444
GBPUSD	1.2696	1.3756	1.2994	1.3458

Interbank Spot Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0845		0	
BWPGBP	0.0639		0.0001	
BWPEUR	0.0751		-0.0001	
BWPZAR	1.3469		-0.0026	

Forward Foreign Exchange

	Close		Change	
	1m	3m	6m	12m
BWPUSD	-2.83725	-7.277094		
BWPGBP	-7.8	-20.78986		
BWPEUR	-17.46225	-49.11261		
BWPZAR	-40.0335	-159.2947		

Dollar Index

	Close	Change
EURUSD	1.1246	0.0007
GBPUSD	1.3226	-0.0016
USDJPY	113.5	-0.17
USDNGN	409.91	0
USDZAR	15.9394	0.0654

Local Fixed Income

	Yield curve	Close	Change
6m	1.599	0	
3y	4.83	0	
5y	5.89	0	
20y	8.46	0	
22y	8.53	0	

International Fixed Income

	Close	Change
SA 10y	9.305	-0.145
US 10y	1.4072	-0.051
German 10y	-0.375	-0.013
Spread SA 5y vs Bots 5y bpts	178.5	-14

Equities

	Close	Change
VIX	21.57	1
Dow Jones	35365.44	-29.79
FTSE	7269.92	89.86
JSE All share	71203.13	0
Bots DCIBT	7006.54	0
Nigeria Index	42353.31	-87.13

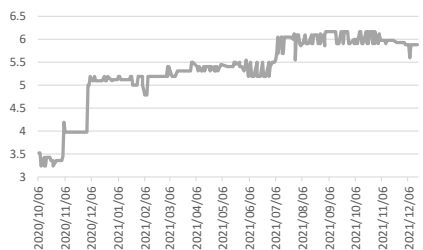
Commodities

	Close	Change
Gold	1797.682	-1.3452
Brent Crude	73.52	-1.5
3m Copper	9437.5	-70
LME Index	4366.3	-0.7
1 carat index	5568	-30

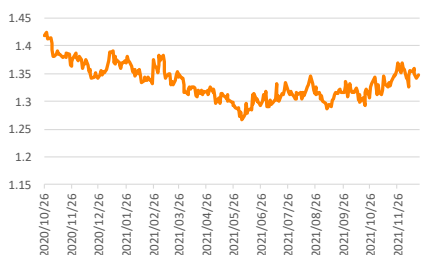
Spot BWP



BWP 5y local bond yield



BWP-ZAR



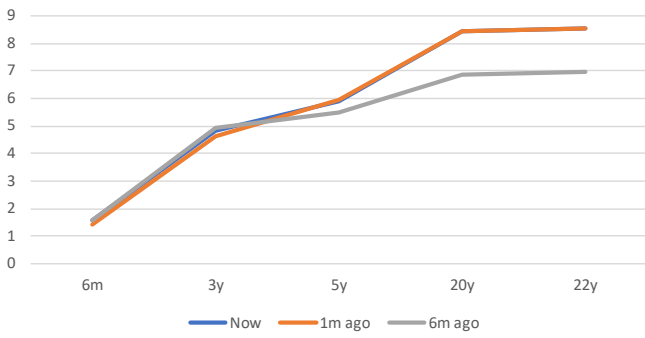
Local and regional talking points

- Bloomberg had Statistics Botswana scheduled to release the Q3 2021 Gross Domestic Product figures Friday but this has been revised to anywhere between now and the 28th December. We thus republish Fridays commentary for the reader today. Recall that the Q2 figures came in strongly at 36% year on year which was indicative of the strong recovery made post the hard lockdowns experienced in March-June 2020 which was the start of the COVID-19 pandemic.
- The expectation is that this print shows an equally meaningful economic recovery with base effects playing a strong role in the number. Policymakers are currently focusing heavily on rebuilding the economy which suffered a tremendous blow as a result of COVID-19.
- On the news front De Beers and the Botswana Government have agreed to a further six month extension to the existing sales agreement due to the impact of COVID-19 on the ability for both sides to engage in negotiating a new contract. A new contract is crucial for both parties as another 10 year contract would provide De Beers with a long period of revenue certainty while it would equally provide the government with fiscal stability due to De Beers distribution capabilities. Botswana currently gets around 30% of its revenue and 70% of its foreign exchange earnings from diamonds.

Financial Market commentary

- On Friday, Fed Governor Chris Weller indicated that a rate hike would likely be warranted shortly after the bank ends its bond purchases in March. As a result, the USD is looking to break out of a bull flag formation to retest highs last seen in June 2020. That would catalyse further moves against emerging markets, but the signals are tentative, the volumes are thin, and the whipsaw action might make clear-cut decisions challenging through the remaining two weeks of the year.
- Although the bias for the USD is now to the topside, confirmation will only be given on a break above the prior high levels around 96.94 on the trade-weighted USD index.
- Domestically news flow tends to slow dramatically through these next two weeks. We expect the BWP to straddle the 0.0850 mark in the interbank market, corporate flow and interest to trade will be tempered as the holiday season lull ramps up from this week.
- If there is any direction to speak of, it will likely be driven by the USD, which means that factors affecting the US economy have suddenly become important.
- The oil markets posted a weekly drop last week and have extended their declines this morning. Brent declined by over 2.15% last week and has currently fallen below the \$72 per barrel handle when looking at the front-month benchmark contract. Headwinds facing the market include rising COVID-19 cases across the US and Europe, prompting fears that more restrictions and tighter mobility curbs will be implemented once again. Furthermore, central banks are tightening monetary policy, which will crimp growth going forward, while in the US, there has been a setback for President Biden's economic stimulus package, as it was rejected by Senator Manchin.
- Moving over to base metals, Low inventory levels have cushioned the blow for copper as investors shed risk as the Omicron virus weighs on global sentiment. The benchmark 3m LME copper contract is down just short of 0.5% at \$9392.00/oz as we head into the start of the EU session and the risk is tilted to the downside in the near term.
- LME copper inventory levels have eased with the on-warrant LME registered stocks falling to 80500/tonnes, this has pushed the cash premium of copper over its three month measure to \$30/tonne which is the highest level in two weeks.

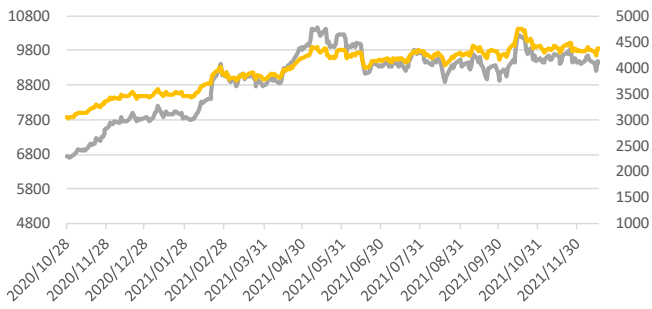
Botswana Yield Curve



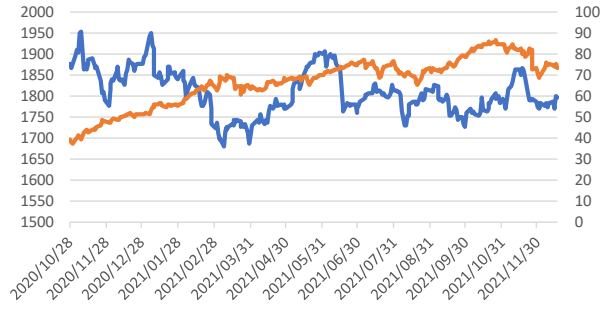
USD Index



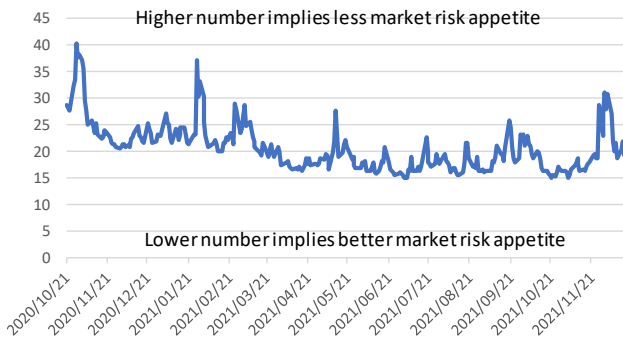
Base metals - Copper L_Hand axis LME Index R_Hand axis



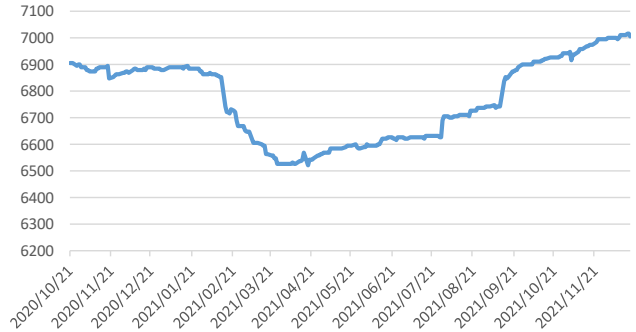
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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