

# Botswana Market Watch

3 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>Nothing on the cards</b>			
<b>13:30</b>	<b>US</b>	<b>Change in nonfarm payrolls</b>	Nov	500k	531k
<b>13:30</b>	<b>US</b>	Unemployment rate	Nov	4.50%	4.60%
<b>14:45</b>	<b>US</b>	Markit composite PMI	Nov F		56,50
<b>15:00</b>	<b>US</b>	<b>Durable goods orders m/m</b>	Oct F		-0.50%
<b>15:00</b>	<b>US</b>	<b>ISM non-manufacturing composite PMI</b>	Nov	65,00	66,70
<b>15:00</b>	<b>US</b>	<b>Factory orders</b>	Oct	0.50%	0.20%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>EZ PPI</b>	EZ producer prices surged more than expected in Oct by 5.4% m/m and 21.9% y/y. The rise in energy prices was the main driver of the surge	Some of this will spill over into CPI, which rose to 4.9% in Nov or the highest levels in 25 years	<b>4/5</b> (economy)	Although the ECB has stuck to its transitory narrative for inflation, this data makes life uncomfortable and raises the risk of a negative impact on growth as disposable income slides
<b>OPEC</b>	OPEC+ stuck to its plans to raise oil production slowly through regular increase intervals. It will boost production in Jan in line with previous months	This was surprising to those who thought OPEC might respond with reduced output due to Omicron	<b>3/5</b> (economy, markets)	The move by OPEC is prudent, as there are early signs that the discovery of the Omicron variant could, in fact, prove to be good news if it marks the beginning of the end of the pandemic
<b>US debt ceiling</b>	The Democrats controlled Senate on Thursday passed a bill to fund the government through to mid-Feb, placing this issue temporarily on to the back burner	The 69-28 vote leaves the current funding levels intact before funding was set to run out	<b>3/5</b> (politics, fiscal policy)	This will come as welcome relief and remove one possible risk event as we wind down the year. If anything, this will add support to risk markets at the margin and backstop asset prices

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Omicron - latest</b>	Anecdotally, the Omicron variant appears to elicit mild illness. A virulence study in South Africa will be completed by Tuesday	This could be great news and signal the beginning of the end of the pandemic	<b>5/5</b> (market)	This holds the potential to kickstart a very powerful risk rally as asset prices are unshackled from the grips of the pandemic and respond to stimulus
<b>US labour market</b>	Two sets of data released this week offered good news, with yesterday's weekly jobless claims signalling how layoffs fell to the lowest in over 28 years	The focus now turns to the official payrolls data today for corroborating evidence	<b>4/5</b> (economy, market)	A strong reading in today's data will be very good news for investors into asset markets and will strengthen the argument that the economy is on a strong recovery path.
<b>UK inflation</b>	A study by the BoE shows that companies are struggling to find good staff and that they expect to see higher levels of inflation through the year ahead	Inflation is expected to rise to 4.2% in a year, implying expectations are steadily rising	<b>4/5</b> (economy, monetary policy)	Markets have priced in a 60% chance of a rate hike this month, suggesting that investors anticipate the bias to favour tightening policy through 2022 as inflation risks demand some action

## Highlights news vendors

**CNBC** - [Omicron Covid variant likely circulating for longer — and more widely — than thought, experts say](#)

**ALL AFRICA** - ['Come Back Home' - Govt Urges Zimbabweans Based in South Africa](#)

**FT** - [US regulator sues to stop Nvidia's acquisition of Arm](#)

**SOUTH CHINA POST** - [Sweet words from China to US business fail to soothe Washington ire](#)

**REUTERS** - [Dollar has the interest rate edge to rule for now](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.3064	1.3179	1.3315	1.4140
BWPUSD	0.0819	0.0935	0.0835	0.0885
GBP/BWP	16.0855	16.1999	15.7375	15.2653
BWPEUR	0.0785	0.0791	0.0742	0.0776
JPY/BWP	0.0000	0.0000	9.4811	9.8901
USDZAR	15.3147	16.6200	15.6736	16.2605
EURUSD	1.0843	1.1748	1.1097	1.1494
GBPUSD	1.2755	1.3818	1.3053	1.3520

Interbank Spot Foreign Exchange

	Close		Change	
BWPUSD	0.0853	-0.0001	1m	-2.75925
BWPGBP	0.0641	-0.0002	3m	-7.9755
BWPEUR	0.0755	0.0001	6m	-17.65725
BWPZAR	1.3587	0.0028	12m	-40.3065

Forward Foreign Exchange

	BWPUSD		BWPZAR	
	Close	Change	Close	Change
SA 10y	9.67	-0.095		
US 10y	1.4443	0.0406		
German 10y	-0.373	-0.042		
Spread SA 5y vs Bots 5y bpts	210.5	-1		

	Close	Change
Dollar Index	96.176	0.02
EURUSD	1.1295	-0.0004
GBPUSD	1.3287	-0.0019
USDJPY	113.16	0.01
USDNGN	409.7	0
USDZAR	15.9632	0.0345

Local Fixed Income

Yield curve	Close	Change
6m	1.395	-0.002
3y	4.39	-0.16
5y	5.89	-0.05
20y	8.45	0
22y	8.53	0

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Equities

	Close	Change
VIX	27.95	-3.17
Dow Jones	34639.79	-461.68
FTSE	7129.21	109.23
JSE All share	71020.76	723.06
Bots DCIBT	6997.75	4.12
Nigeria Index	42247.98	-784.89

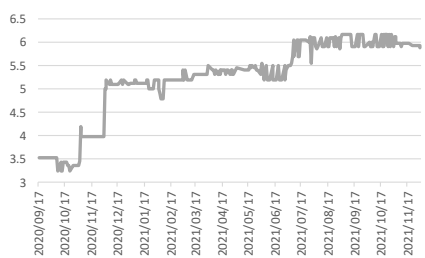
Commodities

	Close	Change
Gold	1768.6353	-14.0247
Brent Crude	69.67	0.8
3m Copper	9496	52
LME Index	4327.1	-14
1 carat index	6023	83

Spot BWP



BWP 5y local bond yield



BWP-ZAR



## Local and regional talking points

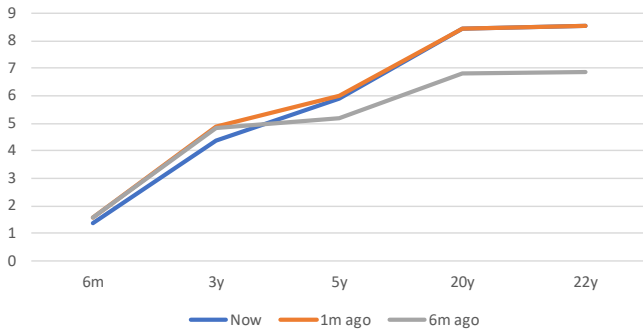
- The undoubted highlight of yesterday's trading session was the Bank of Botswana's decision on interest rates where the bank left rates on hold at 3.75%. The bank stated that overall, inflation risks are skewed to the upside. The risks include potentially higher commodity prices beyond current forecasts, the continued supply chain constraints and the reintroduction of travel restrictions and other measures. These would however be moderated by the possibility of weak internal demand and global economic activity as a result of global shutdowns and lower economic dynamism.
- The broader take home from the bank is that although there are inflationary pressures evident, these are not demand side driven as the economy is not operating at full capacity. Thus hiking now may just undermine what economic recovery has been achieved
- Africa has become a focal point at the moment following the discovery of the newly detected Omicron coronavirus variant, which many scientists have attributed to global vaccine inequality. In addition to concerns over vaccine inequality, a number of international agencies have raised questions about the ethicalness of some of the lending to the continent over the past decade, which has left a number of African countries in a position of fiscal distress.
- Participants attending the 2021 Africa Economic Conference, which kicked off in Cape Verde on Thursday, called for the renegotiation and even outright pardon of debts owed by African countries. African leaders, officials from the United Nations and the African Development Bank argued that further debt relief is required to help the continent recover from the devastating effects of the COVID-19 pandemic.

## Financial Market commentary

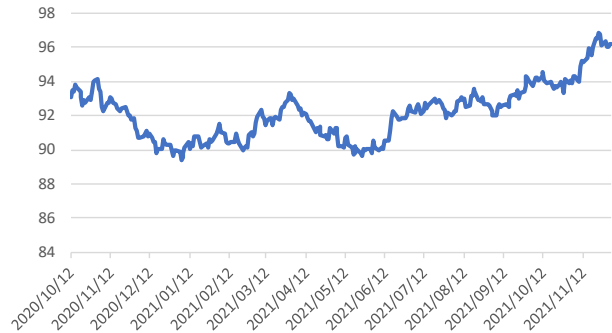
- It has been a turbulent few days of trade for global financial markets as COVID fears mount, the year-end approaches, and Fed speakers signal a faster pace of policy tightening. Volatility across global markets has risen sharply as the Omicron spreads across the globe. US stock counters were a sea of red on Thursday following the discovery of just a single case in the US.
- Meanwhile, bond and currency volatility has surged to the highest since last March and December, respectively. The spike in currency volatility in the African FX basket has also been apparent over the past month, with realised volatility in the South African Rand, Ghanaian Cedi and the Nigerian Naira rising notably. For context, 30-day historical volatility in the South African Rand is now trading above 15%.
- The local FX markets has seen the BWP-USD pivot around the 0.0850 mark however given its managed status has seen less volatility than other African FX currencies. We hold the view that the currency will continue to trade around the 0.0850 in the interbank market as we head deeper into December before the Christmas lull effectively drains liquidity almost completely.
- Moving over to energy, OPEC+ yesterday decided to persist with its 400k barrels a day increase in output through January, a surprise decision given how prices have slumped recently. The initial market reaction saw the likes of the Brent front-month contract touch lows of \$65.72 per barrel, but OPEC's comment that it would be flexible with this depending on market conditions drove a rebound that saw Brent end yesterday relatively flat at just below \$70 per barrel. This rebound has continued this morning, with the benchmark contract now back above that handle.
- The decision to be flexible will buy the group of oil-producing nations more time to assess the demand outlook, while not risking the ire of the US who has been calling for greater supply to bring prices down. It also suggests that traders may take a break from the panic selling seen recently as the outlook going forward presented by OPEC's technical committee is not looking as bleak as many would

have expected since the discovery of the Omicron COVID variant

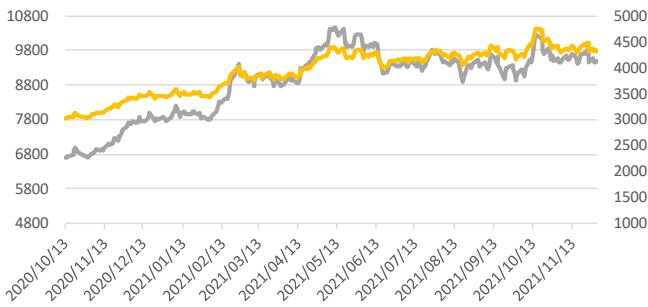
### Botswana Yield Curve



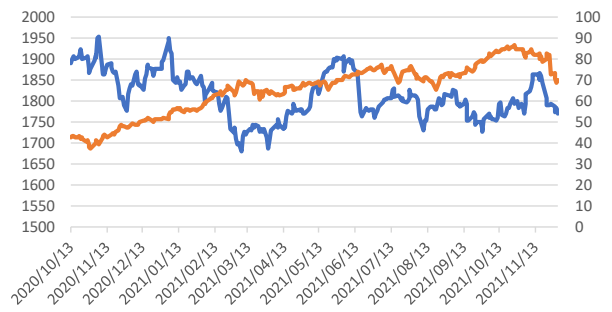
### USD Index



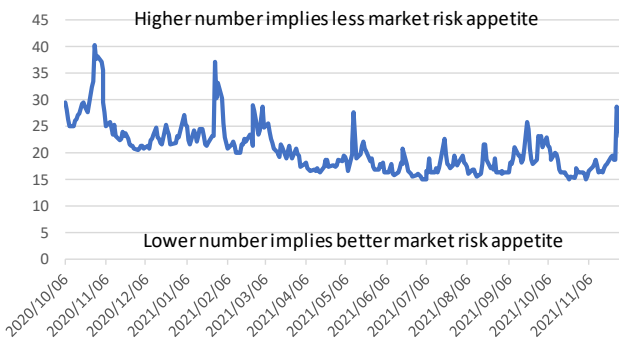
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



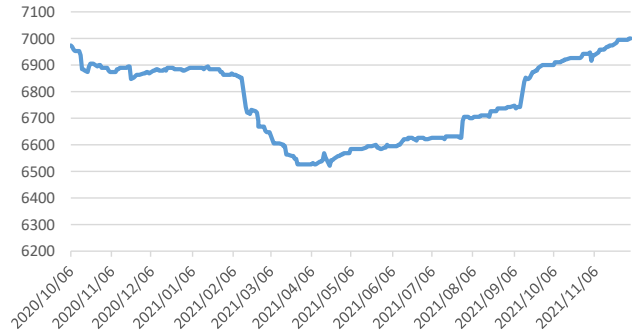
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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