

Botswana Market Watch 7 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	Botswana to sell BWP5.5bn 7-Dya Certificates			8.8%
07:00	GE	Industrial production wda y/y	Oct	-2.40%	-1.00%
10:00	EZ	GDP sa y/y	3Q F	3.70%	3.70%
10:00	EZ	ZEW economic sentiment	Dec		25,90
10:00	GE	ZEW economic sentiment	Dec	26,10	31,70
13:30	US	Trade balance	Oct	-\$66,80bn	-\$80,90bn
20:00	US	Consumer credit	Oct	\$25,00bn	\$29,91bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Covid-19 (Omicron)	So far, data produced out of SA is encouraging in that the surge in infections has not resulted in a commensurate surge in hospitalisations	It implies that the Omicron variant is something to cheer, not fear and could trigger a risk rally	4/5 (economy)	Risk assets stand the greatest opportunity to enjoy a risk rally into the end of the year if it turns out that the Omicron variant could spell the beginning of the end of the pandemic
Oil prices	Oil prices recovered strongly at the start of the week thanks to hopes and expectations that the new Omicron variant may usher in the beginning of the end of the pandemic	Oil prices will recover and boost inflation prospects but will be offset by improved EM currency performances	3/5 (economy, market)	The rise in oil price may also raise some questions about the valuation of the USD and whether it has appreciated too much given the backdrop of improved news on the Omicron variant and the possible resumption of risk appetite
RBA	Australia's central bank has held rates unchanged, saying that it is prepared to be patient on policy and committed to holding highly supportive monetary conditions	Nothing surprising in this, and the market would have been surprised if they had moved rates	2/5 (economy)	The RBA suggested that the economy was building momentum with both consumption and investment steadily recovering, resulting in an improvement in the labour market

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Omicron - latest	From today, SA scientists will release some of their early findings on Omicron and the virulence of the variant. There are hopes it is mild	High levels of infection with low virulence could mean the beginning of the end of the pandemic	5/5 (market)	Travel bans may well be reversed, pandemic restrictions eased, and economies allowed to enjoy a more festive end of the year, allowing for a strong recovery in risk appetite
EZ economy	The Eurogroup of finance ministers met yesterday morning and have indicated that not only is the economy recovering faster from the recession but that they will remain supportive of growth	The high level of uncertainty is keeping finance ministers more inclined to support the economy than not	3/5 (economy)	The economic recovery in the EZ is expected to build. The ECB remains supportive, fiscal policy will assist at the margin, and regardless of the Omicron variant, the Eurogroup of finance ministers sounded optimistic
UK inflation	BoE Deputy Governor Broadbent indicated on Mon that inflation may "comfortably exceed" 5% in April and that a tight labour market would contribute	The BoE will be under increasing pressure to respond to an inflation picture which will deteriorate	3/5 (economy, markets)	Broadbent did stick to the view that the inflation episode would gradually fade and reverse before a BoE rate hike would have a chance to exert any pressure on prices

Highlights news vendors

CNBC - [Hong Kong, Japan stocks jump 2% as Wall Street rallies on omicron optimism; Alibaba surges 10%](#)

ALL AFRICA - [Covid-19 Brings 10 Challenges That Hinders Africa's Path to Recovery](#)

FT - [Omicron adds to doubts over ECB's commitment to further stimulus](#)

SOUTH CHINA POST - [EU to unveil 'last resort' trade weapon to curb economic bullying by China, others](#)

REUTERS - [Bitcoin back over \\$50,000, as market calms after weekend turmoil](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2895	1.3089	1.3143	1.4043
BWPUSD	0.0811	0.0935	0.0827	0.0882
GBPGBP	16.1371	16.3483	15.7879	15.4051
BWPEUR	0.0778	0.0788	0.0735	0.0773
JPYBWP	0.0000	0.0000	9.4222	9.8901
USDZAR	15.2604	16.5641	15.6180	16.2057
EURUSD	1.0837	1.1745	1.1091	1.1491
GBPUSD	1.2751	1.3814	1.3050	1.3515

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.812875	-7.912084
BWPGBP	0.0636	-0.0001	3m	-7.82925	-17.29669
BWPEUR	0.0748	-0.0001	6m	-18.43725	-44.27028
BWPZAR	1.3437	-0.015	12m	-40.04325	-149.4936

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.812875	-7.912084
BWPGBP	0.0636	-0.0001	3m	-7.82925	-17.29669
BWPEUR	0.0748	-0.0001	6m	-18.43725	-44.27028
BWPZAR	1.3437	-0.015	12m	-40.04325	-149.4936

Dollar Index

	Close	Change
Dollar Index	96.225	-0.103
EURUSD	1.1289	0.0004
GBPUSD	1.3281	0.0017
USDJPY	113.53	0.07
USDNGN	409.74	0
USDZAR	15.9028	0.0207

Local Fixed Income

Yield curve	Close	Change
6m	1.398621	-0.002379
3y	4.39	-0.44
5y	5.89	0
20y	8.45	0
22y	8.53	0

International Fixed Income

	Close	Change
SA 10y	9.475	-0.125
US 10y	1.4325	0.0761
German 10y	-0.387	-0.009
Spread SA 5y vs Bots 5y bpts	200.5	-6

Equities

	Close	Change
VIX	27.18	-3.49
Dow Jones	35227.03	-59.71
FTSE	7232.28	-6.89
JSE All share	71016.63	-213.16
Bots DCIBT	6997.75	0
Nigeria Index	42008.6	-80.07

Commodities

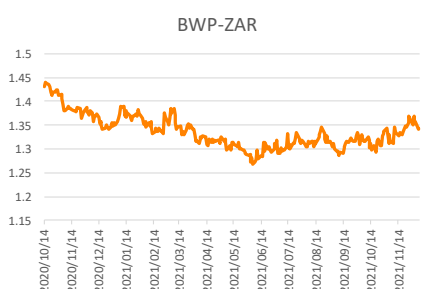
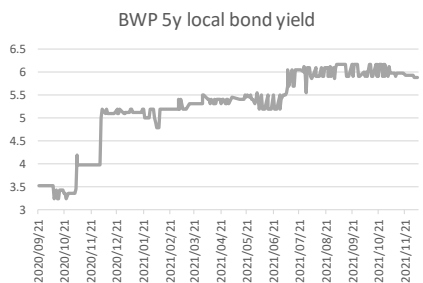
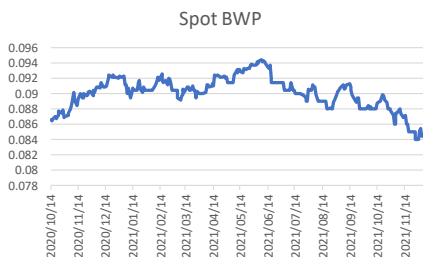
	Close	Change
Gold	1778.1078	-5.6283
Brent Crude	73.08	3.2
3m Copper	9505	87
LME Index	4314.6	-0.3
1 carat index	6255	232

Local and regional talking points

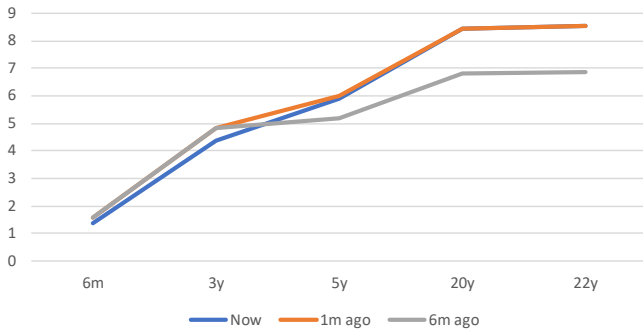
- The Botswana Public Officers Pension Fund has provided Tlou Energy with a BWP50m convertible loan note and agreed terms of an equity investment in the company which is another sign of a fast developing financial market sector. The loan will be used by Tlou Energy to fund the construction transmission line infrastructure to connect the Lesedi project to the Botswana Power Corporation power grid.
- In other news, MMEGI reported the following - *Botswana Unified Revenue Services (BURS) has decried low uptake of the Tax Amnesty Scheme as less than 10% of the taxpayers with outstanding liabilities have come forward to take advantage of the scheme. Tax Amnesty Scheme seeks to ease the burden on taxpayers with outstanding tax liabilities by granting them an opportunity to clear the total principal tax owed in exchange for a write-off of interest and penalties charged during tax periods prior to July 1, 2021.*
- Regionally, today will see the latest South African GDP stats for Q3 released. The data will likely show that the economy expanded by between 3.5-4.0% y/y. This is a poor performance, negatively affected by the riots mid-year, the resumption of load shedding, high oil prices and ongoing restrictions due to the pandemic. In q/q terms, the economy likely contracted by roughly 1.2% to offer context as to the persistent rise in the unemployment rate.
- Although the data is unlikely to boost sentiment towards SA much, investors are reminded of two things. Firstly, the data is very historical. SA is mid-way through the final month of Q4, so the data is well and truly dealt with. Secondly, that weakness in GDP tends to support rather than detract from the ZAR's performance. A weak economy tends to be associated with lower levels of consumption and investment. Both detract from the strength of the imported component of the trade balance, which again offers insight into why SA's trade and current accounts have remained in such strong surplus positions through Q3 and into Q4.

Financial Market commentary

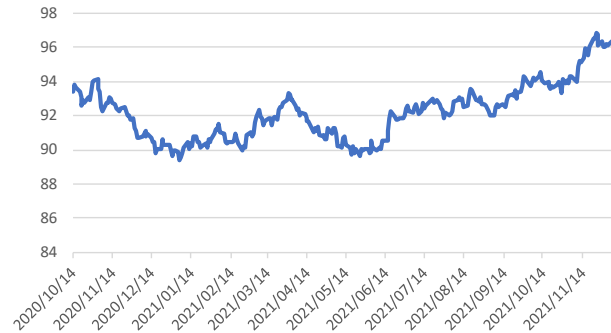
- As the risk premium provided by the Omicron virus fades, gold investors have chosen to focus on an uptick in geopolitical tensions ahead of the release of the key US inflation data later this week which will undoubtedly cause the debate surrounding the Fed taper to re-emerge. On the geopolitical front, Bloomberg reported - the U.S. and European allies are weighing sanctions targeting Russia's biggest banks and the country's ability to convert rubles for dollars and other foreign currencies should President Vladimir Putin invade Ukraine, according to people familiar with the matter.
- Oil continues to rebound from last week's plunge, with prices rallying yesterday to take the front-month Brent contract back above \$73 per barrel after touching lows of nearly \$65 per barrel at the worst of its decline. This comes as the market is tempering its concerns over the economic impact of the Omicron variant of COVID-19, as rising infection rates have not led to increased hospitalisations. Despite this, travel restrictions are still in place in many countries, which will crimp fuel demand as we head into a busy travel season as the holidays approach.
- Moving over to the FX markets, investors are starting to question the sustainability of the current strength in the USD. It has appreciated considerably in a fairly short space of time but has recently shown reluctance to rally much further. The weekly chart shows the USD to be overbought, and fundamentally, there are good reasons to argue for a USD correction. One of the main reasons will be the studies conducted on the Omicron variant that might very well prove far less virulent than previous variants and require minimal hospitalisation. Such news would help bolster risk appetite and assist risk markets in staging a material recovery in the final weeks of the year. A bout of profit-taking on the USD is long overdue given how much has been priced in and this is likely to support the BWP at the margin.



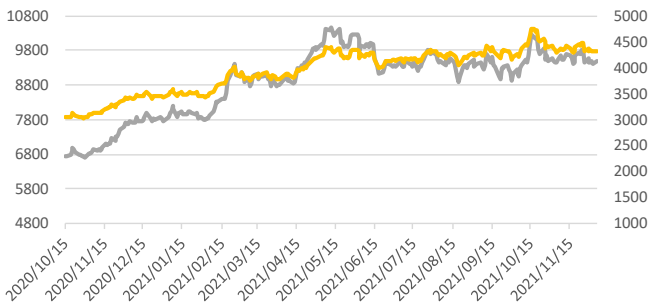
Botswana Yield Curve



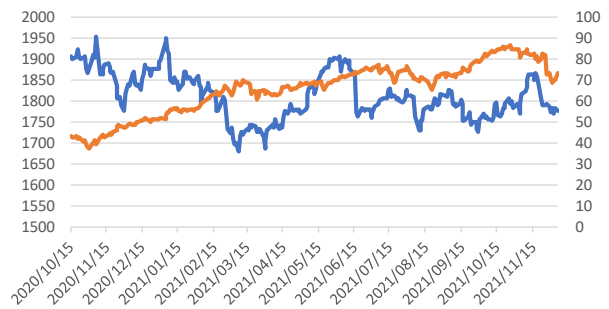
USD Index



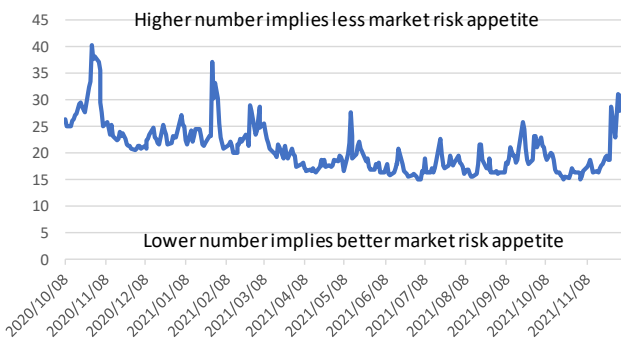
Base metals - Copper L_Hand axis LME Index
R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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