

Botswana Market Watch

8 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
12:00	US	MBA mortgage applications	Dec 3		-7.20%
15:00	CA	Canada central bank rate decision	Dec 8	0,25%	0,25%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Covid-19 (Omicron)	Although it has not been peer-reviewed and the sample is still small, analysis done in South Africa reveals that the Omicron variant only leads to mild illness	The studies will be ongoing, and more will be done abroad to corroborate these findings	4/5 (economy)	It appears to be the case that the Omicron variant is something the population can more easily live with, which could render it endemic to the global population
Chinese property	China's Evergrande shares hit an all-time low on Wed after the company missed another debt payment deadline, although there are talks of a managed default	Would signal the biggest debt default in China's history and speaks to China's over-indebtedness	4/5 (economy, market)	Making matters worse, trading in shares of Kaisa Group Holdings was suspended on Wed, on expectations that it would miss a \$400mn debt repayment on Tuesday next week
US debt ceiling	The House of Representatives approved on Tue a measure that would allow Congress to fast-track legislation allowing the raising of the debt ceiling	Measures are being taken to reduce the potential risk of default and volatility in the markets	4/5 (economy)	This issue remains highly politicised amid all the heavy spending programmes the Democrats are looking to implement. Nonetheless, progress is being made to lift the debt ceiling

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Omicron - latest	While we still await an official response from SA scientists, early indications are that Omicron symptoms are mild. Pfizer has confirmed lower vaccine efficacy	High levels of infection with low virulence could mean the beginning of the end of the pandemic	5/5 (economy, 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
Russia geopolitics	President Biden warned Russian President Putin on Tue that heavy sanctions would be imposed on Russia and allies would step forward if Russia decided to attack Ukraine	No breakthroughs were achieved, but both sides committed to continue engaging in a bid to defuse the situation	3/5 (geopolitics)	In its defence, Russia has indicated that it is interested in obtaining reliable, legally fixed guarantees that rule out NATO expansion eastward and the deployment of offensive strike weapons systems adjacent to Russia
BoE outlook	Next week sees the BoE meet on the 16 th . and given the rise of the Omicron variant, it seems likely that the BoE could hold off on a rate hike again	While the risks to the new variant are unknown, the BoE will proceed with caution and may hold off	3/5 (economy, monetary policy, markets)	Until a clear picture of the threats posed by Omicron are established, the BoE may well adopt a more conservative stance and hold off on any tightening until early next year

Highlights news vendors

- CNBC** - [Chinese developer Kaisa halts trading in Hong Kong again as real estate concerns resurface](#)
- ALL AFRICA** - [Tourism Bodies Welcome Removal from France's 'Scarlet' List](#)
- FT** - [China to tighten rules for tech companies seeking foreign funding](#)
- SOUTH CHINA POST** - [A global pledge to 'not disrupt international traffic' in a pandemic lies broken](#)
- REUTERS** - [Japan's Q3 GDP revised down to 3.6% annualised contraction](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2839	1.2988	1.3086	1.3935
BWPUSD	0.0811	0.0935	0.0827	0.0880
GBPGBP	16.1456	16.3187	15.7963	15.3773
BWPEUR	0.0778	0.0786	0.0735	0.0771
JPYBWP	0.0000	0.0000	9.4222	9.8596
USDZAR	15.1936	16.4754	15.5497	16.1189
EURUSD	1.0837	1.1745	1.1091	1.1491
GBPUSD	1.2728	1.3789	1.3026	1.3491

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.8275	-7.912084
BWPGBP	0.0637	-1E-04	3m	-7.79025	-17.54244
BWPEUR	0.0748	-0.0002	6m	-17.42325	-44.61202
BWPZAR	1.3377	-0.0193	12m	-39.69225	-150.1889

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.8275	-7.912084
BWPGBP	0.0637	-1E-04	3m	-7.79025	-17.54244
BWPEUR	0.0748	-0.0002	6m	-17.42325	-44.61202
BWPZAR	1.3377	-0.0193	12m	-39.69225	-150.1889

	Close	Change
Dollar Index	96.154	-0.215
EURUSD	1.1291	0.0028
GBPUSD	1.3258	0.0016
USDJPY	113.49	-0.08
USDNGN	409.74	0
USDZAR	15.8308	-0.0088

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.396	-0.002621	SA 10y	9.475	0
3y	4.83	0.44	US 10y	1.4819	0.0494
5y	5.89	0	German 10y	-0.375	0.012
20y	8.45	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		200	-0.5

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	21.89	-5.29	Gold	1784.042	5.9342
Dow Jones	35719.43	646.95	Brent Crude	75.44	2.36
FTSE	7339.9	109.96	3m Copper	9595	90
JSE All share	72939.25	209.03	LME Index	4357.4	42.8
Bots DCIBT	6997.25	0	1 carat index	6234	-21
Nigeria Index	42018.92	-159.31			

Commodities

Local and regional talking points

- The news flow locally is on the thin side however much of what is being discussed in the media and around corporate board room tables is the impact that Omicron on the domestic economy. The World Health Organisation has lambasted the travel bans - "Our current system disincentivises countries from alerting others to threats that will inevitably land on their shores," WHO chief Tedros Adhanom Ghebreyesus said, calling for reforms. The WHO praised Botswana and South Africa for detecting and reporting the new variant but this will be cold comfort to many tour operators in the region who have seen blanket cancellations as a result of the travel bans.

- Regionally, SA's parliament voted against the land expropriation without compensation bill. For now, SA's property rights still stand for something, which is a development that global investors will cheer.

- Looking at the day ahead, it is quieter with no data due for release locally and only really the Reserve Bank of Canada's decision on rates later in the day from an international perspective. Geopolitics is however front and centre. US President Joe Biden has warned that not only will the US implement sanctions on Russia should it invade Ukraine, it will in conjunction with its European allies provide additional defensive capabilities to Ukraine Reuters reported - The president "made clear that the U.S. and our Allies would respond with strong economic and other measures in the event of military escalation," the White House said in a statement.

Financial Market commentary

- Overnight, US stock markets have rallied to fresh record levels, overall levels of risk appetite have improved, and data from SA scientists have confirmed what many in the market already suspected. The Omicron variant is highly transmissible but far less dangerous. It may escape immunity and vaccines, but its symptoms are mild. This is extremely good news if one considers that the virus has mutated in a way that no longer holds as much potential to kill the host and could now become endemic to the global population in much the same way as flu has.

- Commodity prices rallied strongly on news that the Omicron variant is unlikely to trigger any more restrictions and shutdowns. Vaccinations still offer some protection against illness, even though they are ineffective at preventing transmission. What started out as a variant of grave concern has rapidly turned into some of the year's best news.

- Keeping with commodities, we draw specific attention to the energy markets this morning. Oil kept up its rally yesterday, posting another gain of over 3% as it continued to recover from the slump driven by the initial Omicron concerns. This morning, however, we have both the Brent and WTI front-month benchmarks trading relatively flat, with investors now turning their attention back towards US stockpiles following yesterday's API report. The report showed that inventories at the key storage hub at Cushing rose by 2.4mn barrels last week. If this is confirmed by the official data today, it would be the fourth straight gain and the largest since February.

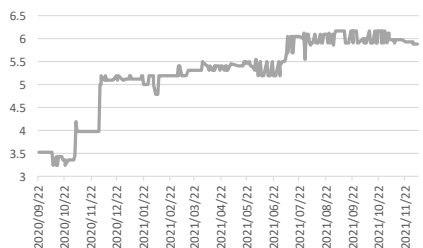
- Emerging market currencies, especially those exposed to commodity prices, now find themselves in the sweet spot to take advantage of any rotation away from the USD, whose safe-haven status is no longer sought after. This will underpin the Pula as we enter the mid-week trading session and we expect the pivot to remain the 0.0850 mark in the interbank market.

- Moving over to the ZAR, the jump in commodity prices will need to be weighed up against the surge in the oil price to determine whether terms of trade have improved, but on aggregate, it is hard to see the market interpreting the overnight news bearishly. On the contrary, the USD-ZAR will now target levels closer to 15.73, which, if broken, could start a much larger recovery back towards the 15.0000 handle with the initial 38.2% retrace from the May lows targeting 15.2100.

Spot BWP



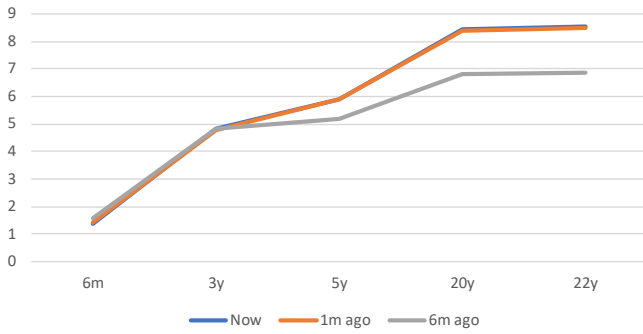
BWP 5y local bond yield



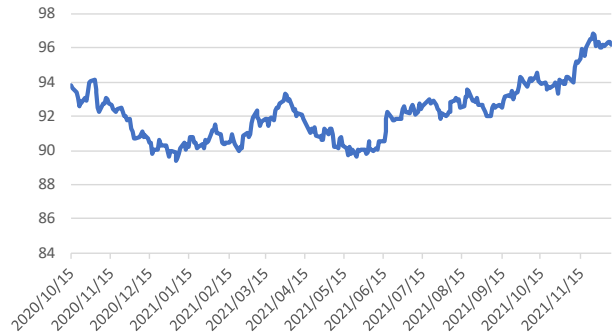
BWP-ZAR



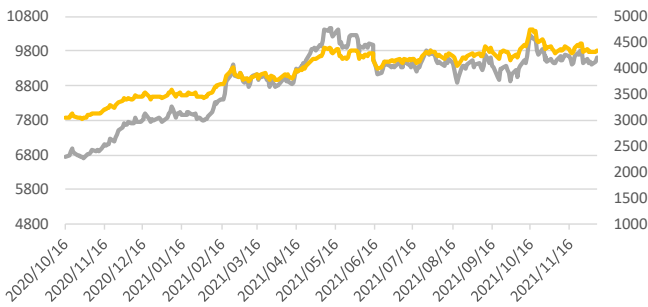
Botswana Yield Curve



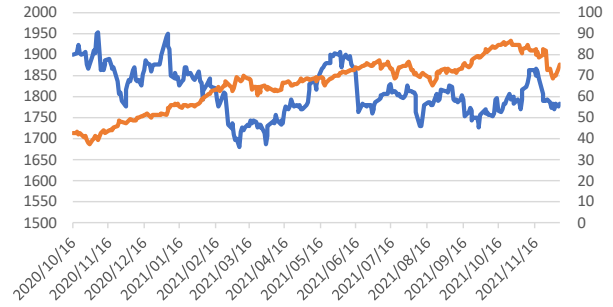
USD Index



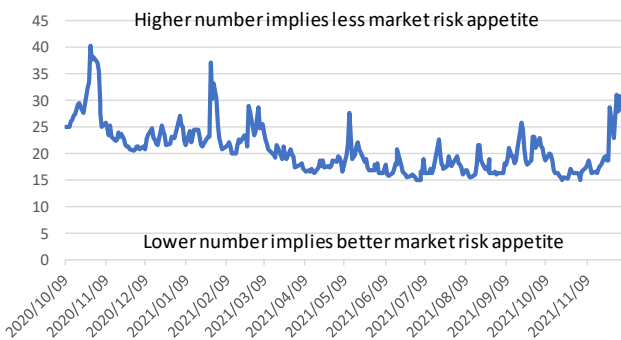
Base metals - Copper L_Hand axis LME Index R_Hand axis



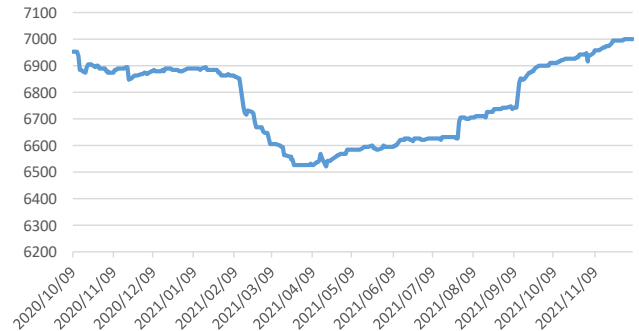
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

Mogamisi Nkate
Phillip Masalila
Kefentse Kebaetse
Mompoloki Keseabetswe
Amogelang Themba
Tshwanelo Bogale
Pearl David

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.