

Botswana Market Watch

14 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	Botswana to sell BWP5.6bn of 7-day certificates			
09:00	BW	CPI y/y	Nov		8.8%
07:00	GB	ILO unemployment rate (3mths)	Oct	4.20%	4.30%
10:00	EZ	Industrial production (wda) y/y	Oct	3.40%	5.20%
13:30	US	PPI final demand y/y	Nov	9.20%	8.60%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Covid-19 (Omicron)	Britain reported its first Omicron death, is pushing for a huge vaccination drive amid a surge in infections, while China has reported its first cases of Omicron	Countries are still implementing tougher restrictions to slow the spread that will have consequences	4/5 (economy)	The global economy remains vulnerable to more restrictions when the economic recoveries remain relatively fragile. This is also influencing risk appetite and raising volatility in markets
Supply chain shortages	Supply chain disruptions are still a feature in major production hubs, and this was reflected in Toyota extending production stoppages	Parts are in short supply, and Toyota will not be alone. The effects of lockdowns still linger	4/5 (economy)	The global economic recovery has some way to go, and ultimate demand will not be fully satisfied until there is a complete resumption in logistical supply chains that feed so many industries
BoC mandate	The Bank of Canada, together with the finance ministry, opted to keep the 2% inflation target on hold and to add labour market factors to the Bank's mandate	The 1-3% inflation range remains intact with a 2% target. But labour market factors must be considered	3/5 (monetary policy, economy)	It implies that the central bank now has a more "sensitive" approach to policymaking which may result in greater leniency, much as it has done for the Federal Reserve

Factors on the Radar	What happened?	Relevance	Importance	Analysis
ECB decision time	The ECB has some tough decisions to make this week, and it will affect how the EUR-USD and bonds will trade	Key to the meeting will be what the ECB does with the PEPR and a taper	3/5 (monetary policy)	Although the ECB will be in no hurry to remove accommodation amid a slowdown, such stimulus cannot continue indefinitely
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
US spending bill	Democrat moderate Manchin was non-committal on Monday after discussions with President Biden about a \$1.75trln spending initiative	Manchin remains concerned about the size of the bill and how it will ultimately be financed	3/5 (fiscal policy, economy)	Manchin is singlehandedly restricting the bill and acting as a counterweight to the enormous appetite for spending that the Democrats want to deploy in extending the social safety net and green energy

Highlights news vendors

CNBC - [Here are the top U.S.-listed Chinese stocks by American ownership — Alibaba's not one of them](#)

ALL AFRICA - [Amidst Hardship, Nigeria's Finance Minister Hints At Additional Taxes in 2022](#)

FT - [White House scrambles to salvage \\$1.75tn spending bill by Christmas](#)

SOUTH CHINA POST - [Hong Kong tycoons buy in as virtual land sales become hot trend in tech world](#)

REUTERS - [Musk sells Tesla shares worth \\$906.5 million - filings](#)

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.3011	1.3159	1.3262	1.4118
BWPUSD	0.0811	0.0935	0.0827	0.0880
GBP/BWP	16.0676	16.2400	15.7200	15.3031
BWPEUR	0.0779	0.0788	0.0736	0.0773
JPY/BWP	0.0000	0.0000	9.4320	9.8698
USDZAR	15.3971	16.6918	15.7579	16.3307
EURUSD	1.0821	1.1726	1.1075	1.1472
GBPUSD	1.2666	1.3723	1.2963	1.3426

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0845	0
BWPGBP	0.064	0.0001
BWPEUR	0.0749	0.0000
BWPZAR	1.355	0.0098
Dollar Index	96.444	0.127
EURUSD	1.1273	-0.001
GBPUSD	1.3192	-0.0024
USD/JPY	113.59	0.03
USD/NGN	409.95	0
USDZAR	16.0299	0.0084

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.73	-7.540835
3m	-7.79025	-19.0291
6m	-17.394	-46.67582
12m	-39.6435	-154.3764

Local Fixed Income

Yield curve	Close	Change
6m	1.395	-0.003
3y	4.25	-0.58
5y	5.89	0
20y	8.46	0
22y	8.53	0

International Fixed Income

	Close	Change
SA 10y	9.48	-0.01
US 10y	1.4139	-0.0681
German 10y	-0.38	-0.03
Spread SA 5y vs Bots 5y bpts	196.5	-2

Equities

	Close	Change
VIX	20.31	1.62
Dow Jones	35650.95	216.3
FTSE	7231.44	-29.48
JSE All share	71429.88	-521.31
Bots DCIBT	7011.24	13.99
Nigeria Index	42411.12	197.75

Commodities

	Close	Change
Gold	1786.9432	4.4332
Brent Crude	74.39	-0.76
3m Copper	9447.5	-59
LME Index	4331.2	-5.1
1 carat index	5911	75

Local and regional talking points

- Bloomberg has today pencilled in for the release of the November CPI reading. The October reading came in at 8.8% and we expect the pressures to remain firmly anchored to the topside given the weakness in the local currency and the fact that energy prices remained elevated. We reiterate that the Bank of Botswana does see the inflation rate returning to the 3-6% target band in the second half of 2022 and remains of the opinion that inflation is transitory and not demand side driven, thus an increase in rates will hurt the domestic recovery which has shown no signs of overheating at yet.
- The government has auctioned off licenses for the hunting of 83 elephants and this is likely to draw further condemnation from international conservationists. This is the second auction since the country unbanned elephant hunting in 2019. "Yes, it is true that we will hold another auction for hunting and the package includes different species, among them elephants," said director of wildlife and national parks, Duncan Senyatso. He said no export of live elephants would be allowed, as only international and local hunters would be allowed to hunt and kill elephants.
- Botswana is in need of tourism hard currency following the protracted travel bans which have seen the local tourism industry decimated.
- One bit of good news in the press this morning are indications that the UK may look to remove SA off its red list as the worldwide spread of Omicron means that these bans are pointless. The travel bans could be scrapped as early as this week and replaced with requirements to be double vaccinated with a negative PCR test. It is unclear whether it also comes attached to a quarantine stay, but it is encouraging that these foreign countries are coming to their senses. No word on Botswana but we cannot see one being scrapped and not the other.

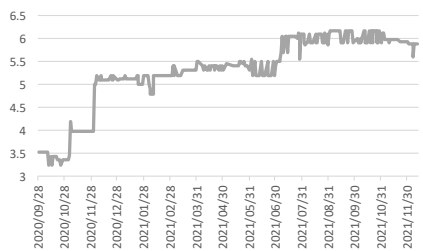
Financial Market commentary

- Ahead of the FOMC decision and statement tomorrow, the market is trading with some apprehension. On the one hand, investors are pricing in a Fed that will want to respond to the highest inflation numbers in forty years, a labour market that is tightening rapidly and a strong economic recovery. On the other, the threat of Omicron will have people concerned that the global economy could be in for another bumpy patch where growth is negatively affected. On aggregate, investors are trading as though the Fed will look straight through the fourth wave and focus on the economic data that remains strong and the inflation episode that is a threat
- Equity markets this morning have corrected lower, and the VIX (fear factor index) has risen off yesterday's lows. Emerging market currencies are reflecting some vulnerability to depreciation, and the ZAR this morning is no different as it trades on the defensive. It is telling that the ZAR has been unable to sustain any recovery for the second day in succession. It is trading like a currency waiting for some bad news to trade on and shows the potential to depreciate further, especially if the Fed persists with a more hawkish tone and offers the USD further support.
- The local unit remains anchored just below the 0.0850 mark and has traded in a defensive manner, much in line with the way the ZAR has been trading. We certainly expect a measured start to the session today. Investors are reminded that we have the 7-day certificate auction to contend with, as well as the CPI reading which we have covered in the points above.
- Oil markets declined yesterday and are extending that drop this morning as uncertainty surrounding the Omicron variant of the virus is more than offsetting positive demand forecasts presented by OPEC yesterday. The front-month Brent contract slipped by more than 1% yesterday and has slid back down to just over \$74 per barrel as a result, bringing the 200DMA at \$73.20 into view. This drop in prices has also seen the futures curve shift closer towards a bearish contango structure, with the prompt spread currently a mere 12cents in backwardation, well down from levels over \$1.30 seen this time last month.

Spot BWP



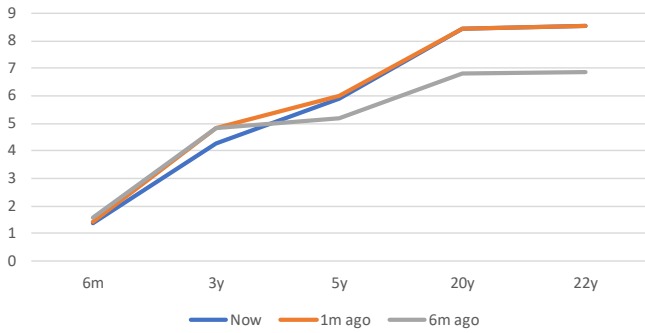
BWP 5y local bond yield



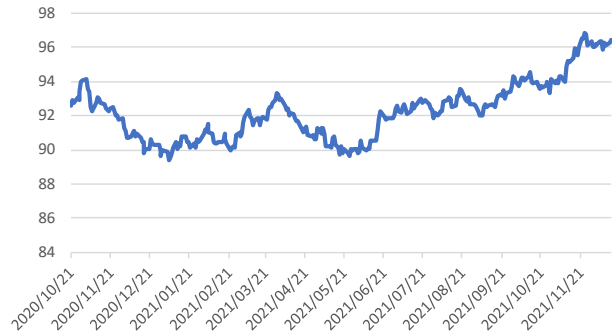
BWP-ZAR



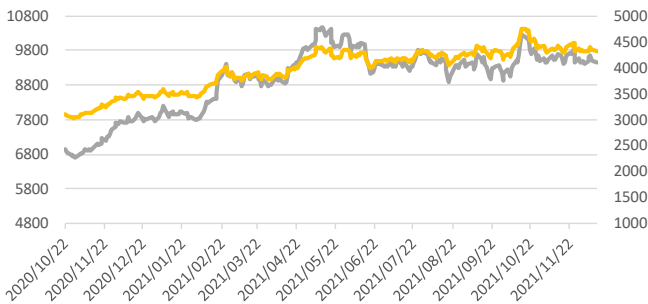
Botswana Yield Curve



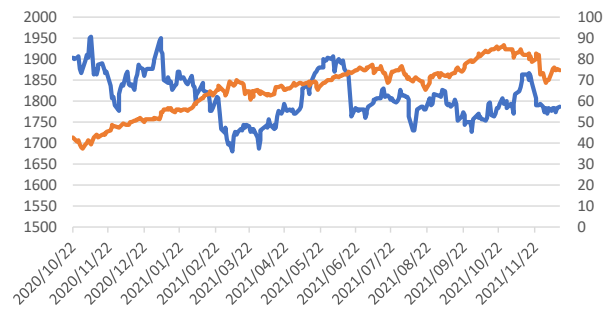
USD Index



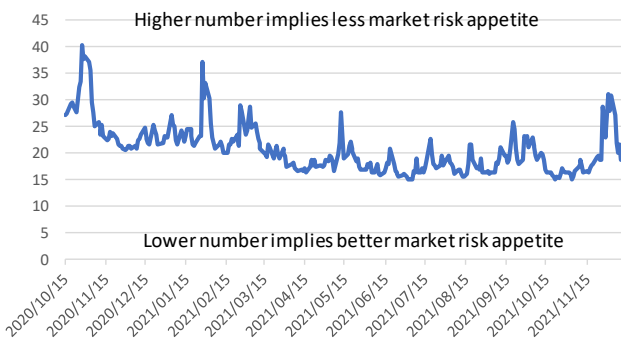
Base metals - Copper L_Hand axis LME Index R_Hand axis



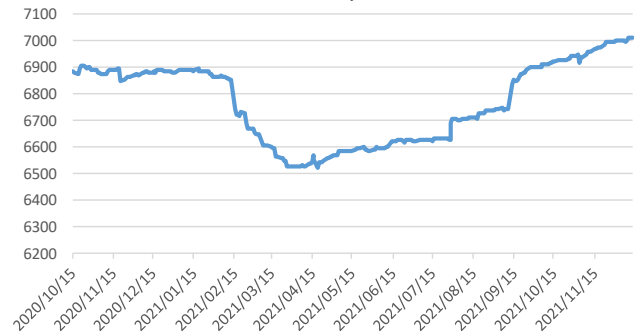
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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