

# Botswana Market Watch

## 21 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
		<b>GDP</b>			
<b>09:00</b>	<b>BW</b>	<b>Botswana to place BWP5.6bn of 7-day certificates</b>	<b>3Q</b>		<b>36.0%</b>
<b>07:00</b>	<b>GE</b>	GfK consumer confidence	Jan	-2.7	-1.6
<b>07:00</b>	<b>GB</b>	Public sector net borrowing	Nov	15.32bn	18bn
<b>13:30</b>	<b>US</b>	Current account balance	3Q	\$-206bn	\$-190.3bn
<b>15:00</b>	<b>EZ</b>	<b>Consumer confidence</b>	<b>Dec A</b>	<b>-8.1%</b>	<b>-6.8%</b>

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Omicron latest</b>	The Netherlands reacted strongly by implementing a one-month lockdown, Australia has ruled out lockdowns, while New Zealand has delayed border opening	Although rapidly spreading, healthcare systems seem to be coping with the less severe variant	<b>3/5</b> (economy)	The surge will likely blow itself out quickly due to its transmissibility but a lower degree of disease. It is unlikely to be as economically disruptive as previous variants were.
<b>US spending plans</b>	Joe Manchin has come in for some sharp criticism for halting the Biden spending bill in its tracks, but he stands firm that he will not be able to vote for it	Negotiations will likely resume in the New Year, but the timeline for this will is now unclear	<b>3/5</b> (economy, fiscal policy)	Economic growth forecasts will need to be tweaked lower to adjust for less fiscal stimulus. Manchin has self-styled himself as the element of fiscal prudence within the Democrat party
<b>German tax revenues</b>	Impressively, Germany's tax revenues surged in November, gaining 15.4% y/y thanks to its recovery from the pandemic earlier this year	The Covid fourth wave will take the shine off this data but still highlight its resilience	<b>3/5</b> (fiscal policy, economy)	The German economy will stage a solid recovery, and it is one of the few countries whose fiscal position remains robust and sustainable, courtesy of many years of fiscal conservatism

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>UK Omicron hit</b>	Weekend shopper numbers have plunged, with London footfall reportedly dropping 8.5% due to Omicron. The stats are now expected to get worse	Self-imposed restrictions will impact retail and hospitality hard through Dec	<b>4/5</b> (economy, politics)	At the margin, this is an impact that will become more evident across many countries in the world. Government response to the Omicron variant will detract from economic growth
<b>EZ inflation</b>	Rising EZ inflation will not be as temporary as first anticipated, according to ECB Vice President Luis de Guindos	The ECB will likely start planning around inflation becoming more permanent	<b>4/5</b> (economy)	Although the ECB is known for erring on the side of more, rather than less stimulus, stubbornly high inflation will force the ECB to turn more conservative
<b>US housing</b>	Forecasts from Fannie Mae predict that home sales will rise some 7.1% in 2021, but that growth will moderate in the two years that follow	Higher rates and higher prices will likely cool the demand within this sector	<b>3/5</b> (economy, monetary policy)	The expectations and assumptions used in the forecasts are that US rates will rise through the next two years as the economy stages a full-blown recovery and monetary policy normalises

### Highlights news vendors

**CNBC** - [Japan's Nikkei 225 jumps 2% as investors assess omicron risks; semiconductor stocks in Asia rise](#)

**ALL AFRICA** - [Tigrayan Fighters Announce They Are Withdrawing From Rest of Ethiopia](#)

**FT** - [Omicron accounts for three-quarters of US Covid cases](#)

**SOUTH CHINA POST** - [Crack downs and new laws see fewer apps for Chinese smartphone users](#)

**REUTERS** - [With Biden spending plan blocked, economists lower 2022 growth forecasts](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2816	1.3008	1.3063	1.3957
BWPUSD	0.0811	0.0935	0.0827	0.0883
GBPGBP	16.0320	16.2609	15.6852	15.3228
BWPEUR	0.0779	0.0790	0.0736	0.0775
JPYBWP	0.0000	0.0000	9.4320	9.9105
USDZAR	15.1668	16.4434	15.5223	16.0877
EURUSD	1.0828	1.1734	1.1082	1.1480
GBPUSD	1.2683	1.3740	1.2980	1.3443

Interbank Spot Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.83725
BWPGBP	0.064	0	3m	-7.8195
BWPEUR	0.0749	0.0000	6m	-17.50125
BWPZAR	1.3345	-0.012	12m	-39.42413

Forward Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
Dollar Index	96.482	-0.069		
EURUSD	1.1279	0.0004		
GBPUSD	1.321	0.0003		
USDJPY	113.63	0.05		
USDNGN	409.91	0		
USDZAR	15.7981	0.0415		

Local Fixed income

	Yield curve	Close	Change	International Fixed Income	Close	Change
6m	1.6	0.001		SA 10y	9.22	-0.085
3y	4.25	-0.58		US 10y	1.4276	0.0204
5y	5.89	0		German 10y	-0.366	0.009
20y	8.46	0		Spread SA 5y vs Bots 5y bpts	170.5	-8
22y	8.53	0				

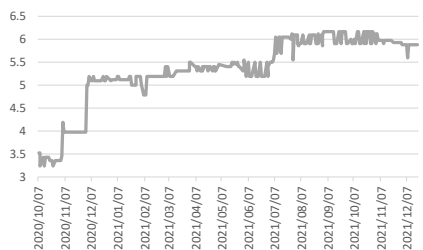
Equities

	Close	Change	Commodities	Close	Change
VIX	22.87	1.3	Gold	1789.318	-8.364
Dow Jones	34932.16	-532.2	Brent Crude	71.52	-2
FTSE	7198.03	9.31	3m Copper	9446.5	9
JSE All share	70087.63	-264.04	LME Index	4336	-30.3
Bots DCIBT	7005.48	-8.55	1 carat index	6232	664
Nigeria Index	42394.71	83.08			

Spot BWP



BWP 5y local bond yield



BWP-ZAR



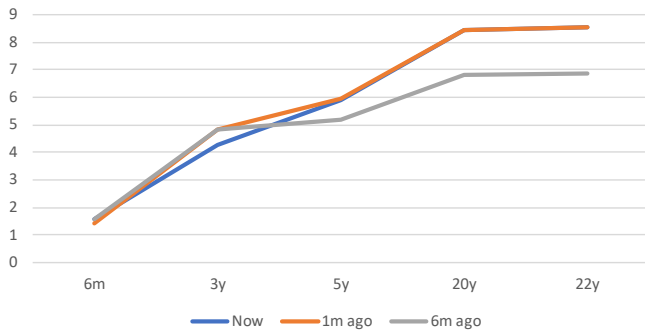
## Local and regional talking points

- As with the rest of the world, the Omicron variant of the COVID-19 virus is headlining across the news vendors. The government has announced that adults will be required to produce proof of being vaccinated to participate in gathers larger than 100 people. The government describes mass events as political meetings, recreational and leisure activities as well as places where alcohol is served, sold or consumed.
- In other local news, MMEGI reported the following - *Local companies are hopeful of economic recovery in 2022 but are cautious that the risk of the pandemic still exists. Following disruptions in the economy due to the COVID-19 pandemic, many companies across sectors are looking forward to making their balance sheet stronger in 2022. For Small, Micro and Medium Enterprises (SMME), who have traditionally struggled to survive in a hostile economic environment, COVID-19 was a body blow and are hopeful that 2022 will be the year of redemption for them. Since the outbreak, most SMMEs have been operating under uncertainty with some forced to lay off their employees and close down, as they could not afford to pay salaries anymore. Many faced severe losses in revenues and a good number are headed for collapse.*

## Financial Market commentary

- Omicron is spreading rapidly through both vaccinated and unvaccinated people. Those who had caught Covid before and recovered, and those that haven't. It is causing anxiety in Europe, and the Netherlands have gone into full lockdown for a month. Other countries are considering the same, with the Omicron variant rapidly becoming the dominant variant ripping through the global population. As a result, stock markets have corrected lower, and the VIX is trading at more elevated levels.
- But for all the rise in risk aversion, the USD has not surged significantly stronger, and the VIX is elevated but not surging. In turn, emerging markets have not sold off and have even staged a recovery in many instances. At face value, it seems counter-intuitive. However, closer inspection reveals that countries adopting a more conservative monetary policy approach are also those whose currencies have performed a little better.
- As we enter the silly season where thinner liquidity conditions will dominate, one needs to be very careful in position-taking. Thinner liquidity can exaggerate market reactions that might ordinarily be innocuous. Unless there is a big event, most investors will not want to participate in pushing through any significant orders, and the safest place to be will be the sidelines. Omicron may appear to be a market driver and has captured the headlines. But, market reaction has been limited, partly because it has been known for a few weeks now and partly because it is neither the first mutation nor the first wave. Furthermore, reports from South Africa and even the WHO show that this variant causes much milder disease.
- So, as we complete the final full trading week of the year, the turbulent crosscurrents in the sea of uncertainty appear to be cancelling themselves out and leaving investors a little uncertain on how best to proceed. Letting the dust settle and waiting for more detail concerning Omicron and what actions governments might take appears to be the safest thing to do. It also implies the potential for a more consolidative end to the year for the pula.
- Moving over to the energy markets, Oil prices are recovering this morning following a broader market sell-off yesterday that saw Brent dip below \$70 per barrel briefly during intraday trade. The front-month Brent contract has climbed back above \$72 per barrel as a result after losing almost 5% over the last two trading sessions amid fears over the possible economic impact of more restrictions aimed at curbing the spread of Omicron. The news that Senator Manchin rejected President Biden's spending package in the US added to the pressure, but comments that the door has been left open to revive the talks on the plan has helped the rebound this morning.

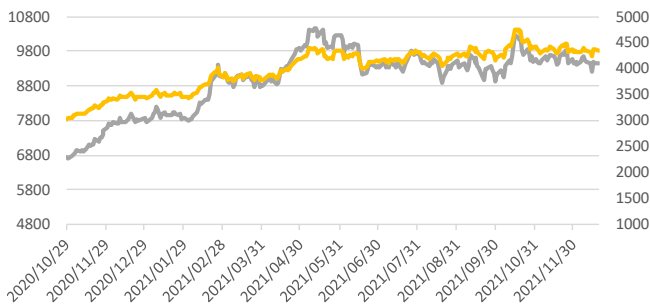
### Botswana Yield Curve



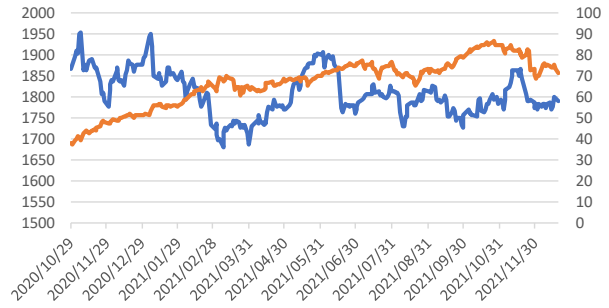
### USD Index



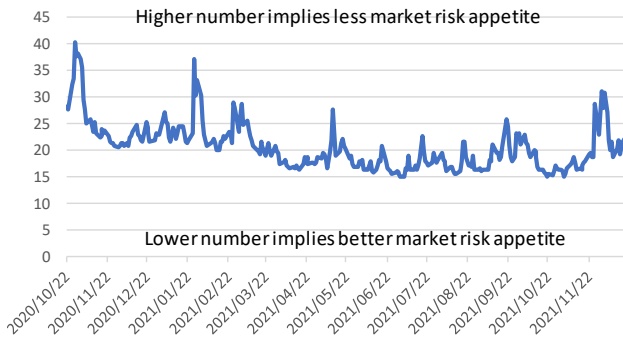
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



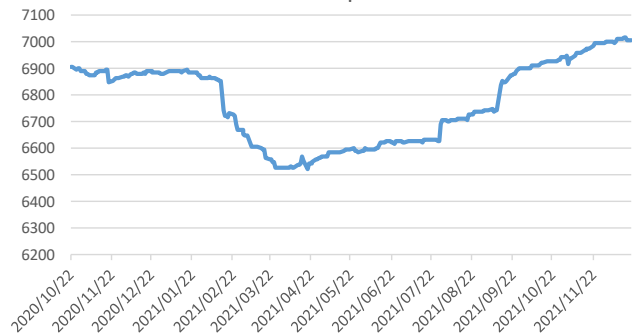
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

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

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