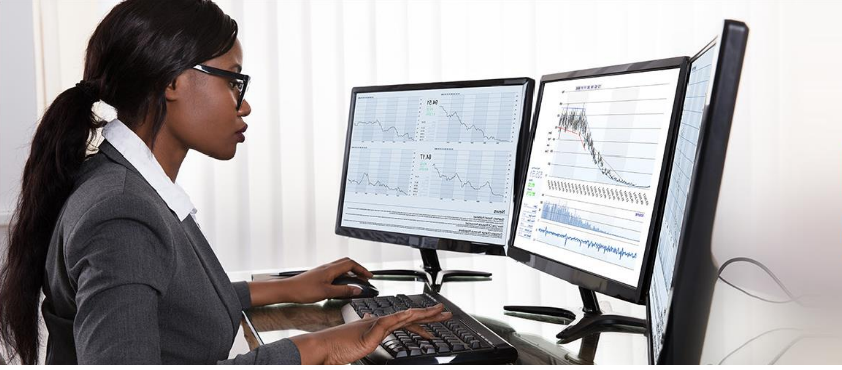


Botswana Market Watch

22 December 2021

GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	GDP	3Q		36.0%
12:00	US	MBA mortgage applications	Dec 17		-4.00%
13:30	US	Chicago Fed activity index	Nov	0.4	0.76
13:30	US	GDP q/q annualised	3Q T	2.10%	2.10%
13:30	US	Personal consumption	3Q T	1.70%	1.70%
15:00	US	Consumer confidence	Dec	111	109.5
15:00	US	Existing home sales	Nov	6.53mn	6.34mn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Omicron latest	Realising the impact that greater restrictions will have on the economy, the UK has offered £1.0bn to companies hardest hit by Omicron	Other governments will likely follow suit, which will have implications for fiscal policies	4/5 (economy)	As governments persist in reacting very strongly to new variants or new waves of infections, they will need to assist the industries most affected by their decisions. Global debt levels set to rise
German GfK consumer morale	The GfK consumer morale index fell to its lowest levels since June on the back of Omicron and the government's response. DIW now expects a contraction in Q4	Restrictions on economic activity will take a heavy toll, especially on poor countries	4/5 (economy, fiscal policy)	Beyond just the immediate impact of Omicron, the outlooks for early 2022 are now far less certain, as it is unclear just how far politicians will respond in their efforts to contain the virus
US current account	The US current account deficit surged to a 15yr high in Q3 amid the record increase in imports as companies responded to replenish inventories	It is a function of a strong domestic credit cycle that has boosted domestic demand	4/5 (monetary policy, economy)	This offers a strong argument for why US monetary policy could normalise and why it is justified that some investors have held a bearish view on the USD given the backdrop of rising inflation
Factors on the Radar	**What happened?**	**Relevance**	**Importance**	**Analysis**
Japanese outlook	Japan has raised its overall outlook for the economy for the first time in 17 months. In the main, there was an upgrade to consumption and employment assessments	Easing Covid infections and an economy that is set to reopen fully has most companies and households upbeat	4/5 (economy)	There is a solid recovery that will be expected from Japan, not just because of statistical base factors or easing Covid restrictions, but also because the weakness of the JPY may provide some support to Japanese exports
US data deluge	Over the next two days, there will be a deluge of important data that will offer a fresh perspective on the US economy's outlook. Cautious trading will likely dominate	In the run-up to Christmas and a shortened week, the data will be of interest but may not induce trading	4/5 (economy)	Important data will influence expectations for the economy, but it is unlikely that investors will respond strongly until the New Year, with thin liquidity likely to dominate in the coming trading sessions
Shortened Christmas week	Many important trading jurisdictions will be closed on Friday or will experience an early close, marking a start to the festive season	Trading conditions will be thin, and any directional bias of substance will be lacking	2/5 (economy, markets)	Investors will likely wait until the New Year to take on any significant positions. The safest place to be through the remaining trading days of the year will be the sidelines.

Highlights news vendors

CNBC - Singapore to suspend new ticket sales for quarantine-free travel
ALL AFRICA - The Daunting Obstacles to Peace in Ethiopia
FT - US stock exchanges seek new listings as Chinese companies retreat
SOUTH CHINA POST - Xi moves to cement China-Germany ties in first phone call with Scholz
REUTERS - Dollar out of favour as Omicron leaves currency markets unseasonably volatile

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2879	1.3052	1.3128	1.4004
BWPUSD	0.0811	0.0935	0.0827	0.0882
GBPBWP	16.1006	16.3126	15.7522	15.3715
BWPEUR	0.0779	0.0789	0.0736	0.0774
JPYBWP	0.0000	0.0000	9.4713	9.9410
USDZAR	15.2416	16.5184	15.5989	16.1611
EURUSD	1.0821	1.1726	1.1075	1.1472
GBPUSD	1.2722	1.3784	1.3020	1.3486

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0845	0
BWPGBP	0.0638	1E-04
BWPEUR	0.075	0.0001
BWPZAR	1.3414	0
Dollar Index	96.546	0.055
EURUSD	1.1271	-0.0012
GBPUSD	1.3252	-0.0013
USDJPY	114.09	0.01
USDNGN	410.91	0
USDZAR	15.8729	0.0296

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.8275	-7.277094
3m	-7.77075	-21.29815
6m	-18.213	-49.81458
12m	-39.61425	-162.8297

Local Fixed income

Yield curve	Close	Change
6m	1.6	0
3y	4.25	0
5y	5.89	0
20y	8.46	0
22y	8.53	0

International Fixed Income

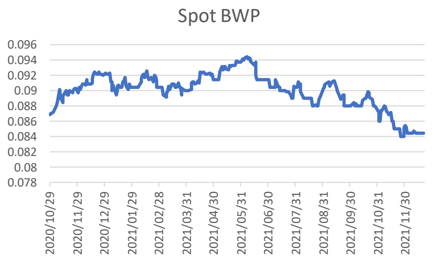
	Close	Change
SA 10y	9.325	0.105
US 10y	1.4668	0.0392
German 10y	-0.303	0.063
Spread SA 5y vs Bots 5y bpts		
	177	6.5

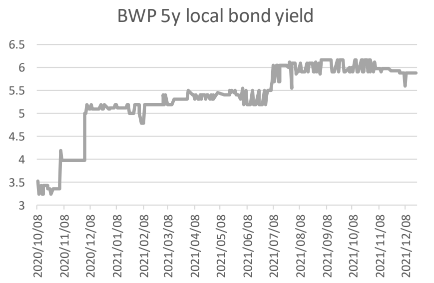
Equities

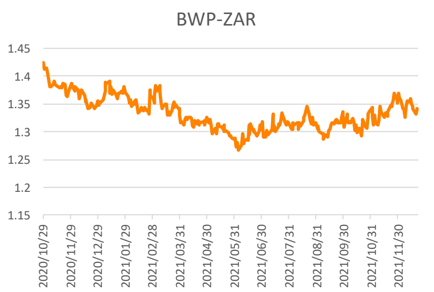
	Close	Change
VIX	21.01	-1.86
Dow Jones	35492.7	-433.28
FTSE	7297.41	-71.89
JSE All share	71119.36	-1115.5
Bots DCIBT	7003.55	-1.06
Nigeria Index	42388.57	41.4

Commodities

	Close	Change
Gold	1788.3604	-0.9576
Brent Crude	73.98	2.46
3m Copper	9534	87.5
LME Index	4405.6	69.6
1 carat index	6203	-29





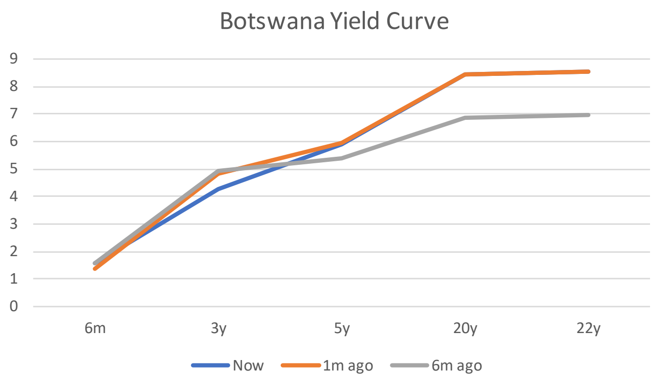


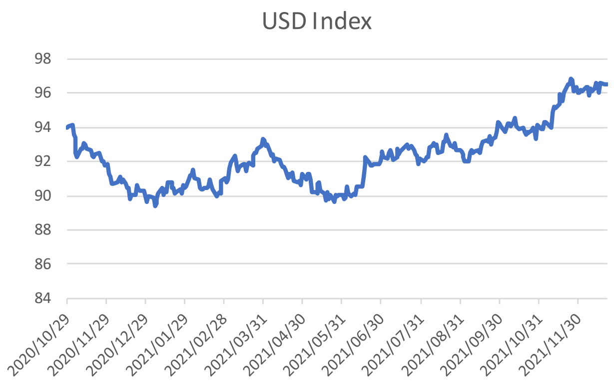
Local and regional talking points

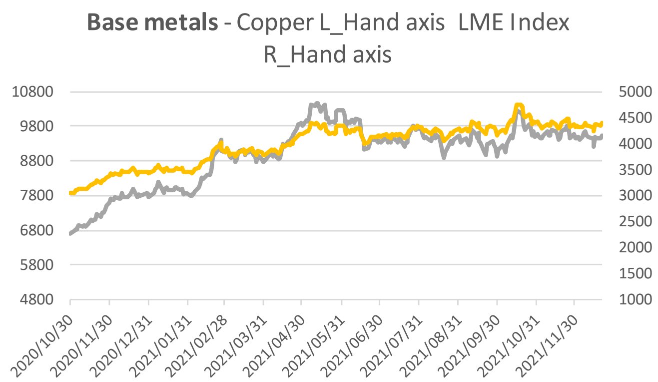
- One theme we would like to bring to the attention of local readers is the behaviour of the global bond markets.
- Bond yields across the globe are higher as we head into the final couple of trading sessions before the Christmas -New Year lull. The broader macro drivers include inflationary pressures, fragile fiscal metrix and central banks that are slowly removing themselves as buyers of bonds and quantitative easing programmes.
- These pressures have filtered through to frontier markets who by definition need to provide higher yields in order to compensate investors for the additional risks in holding these assets. Many African countries fit into the category of emerging and frontier markets so the pressures will be manifesting in some way across most of the region.
- The trend of bearish flattening in many countries is hard to buck at the moment given the fact that inflation remains intact as we exit 2021 driven by higher energy costs, higher food prices, and supply chain bottlenecks. We expect this trend to continue for much of the first quarter of 2022 as monetary policy is adjusted to take into account the new economic realities that we face and yields adjust accordingly.
- Local policymakers are well aware of these factors given that it has the potential to once again dictate how their debt issuance programme for 2022 unfolds. 2021 has been characterised by auctions that were less than stellar as investors and government did not have a meeting of minds as to where fair value was in many cases.

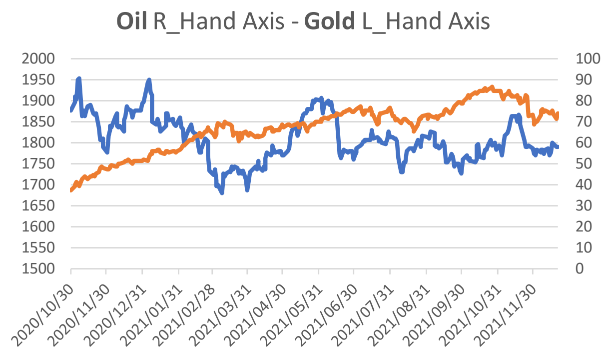
Financial Market commentary

- Yesterday, global stock markets were weaker. This morning they are stronger across the board. Central to why this whipsaw behaviour is unfolding is the assessment of the Omicron variant and the gradual realisation that it may not pose the threat that the ultra-conservative and pessimistic forecasting models had predicted. Scientists questioned by the BBC last night highlighted how the outcome was beginning to look more like it could beat even the best-case scenario, although to be fair, they still needed data which was still a week away.
- Nonetheless, it increasingly seems that countries implementing much harder lockdown restrictions may be overreacting with the sharp rise in infections not translating to an equal rise in hospitalisations. Fears that the healthcare systems would be overrun may not prove accurate because the Omicron variant does not generate severe illness. In many cases, people are not consulting doctors, let alone checking themselves into hospitals. Although South Africa's demographics are quite different to those of Europe, there is still some optimism that can be taken from its experience. The main take-home point is not to panic and not to turn unnecessarily restrictive when the Omicron wave could blow over just as quickly as it began.
- Therefore, it is fair that stock markets have not priced in a more bearish outcome. The data seen thus far does not warrant it. Cautious optimism seems more justified, and that means that through the remaining two weeks of the year, global financial markets need not experience a calamitous period of increased volatility. On the contrary, once the dust settles on the Omicron wave, investors may well revert to focusing on the lagged effects of the colossal amounts of stimulus applied in the previous 18 months and to position around a world with stronger GDP growth, higher commodity prices and inflation and rising interest rates. That is not all positive for sure, but it is more economic and less political and will allow for a more normal functioning of markets.
- The USD continues to consolidate ahead of the start of Christmas festivities, albeit at more buoyant levels. Directional momentum is not clear, and although it is tempting to trade off a long USD base, there could be some good news released on the ultimate impact of Omicron in the coming weeks, which will dial down overall levels of risk aversion. For now, position-taking is likely to be kept relatively contained, and the upcoming U.S. data will be looked at with interest rather than as market-moving events.


Botswana Yield Curve
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
98
96
94
92
90
88
86
84
2020/10/29
2020/11/29
2020/12/29
2021/01/29
2021/02/28
2021/03/31
2021/04/30
2021/05/31
2021/06/30
2021/07/31
2021/08/31
2021/09/30
2021/10/31
2021/11/30


Base metals - Copper L_Hand axis LME Index R_Hand axis
10800
9800
8800
7800
6800
5800
4800
5000
4500
4000
3500
3000
2500
2000
1500
1000
2020/10/30
2020/11/30
2020/12/31
2021/01/31
2021/02/28
2021/03/31
2021/04/30
2021/05/31
2021/06/30
2021/07/31
2021/08/31
2021/09/30
2021/10/31
2021/11/30


Oil R_Hand Axis - Gold L_Hand Axis
2000
1950
1900
1850
1800
1750
1700
1650
1600
1550
1500
100
90
80
70
60
50
40
30
20
10
0
2020/10/30
2020/11/30
2020/12/31
2021/01/31
2021/02/28
2021/03/31
2021/04/30
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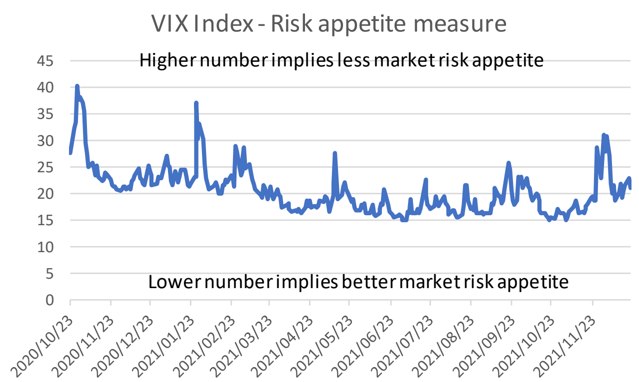
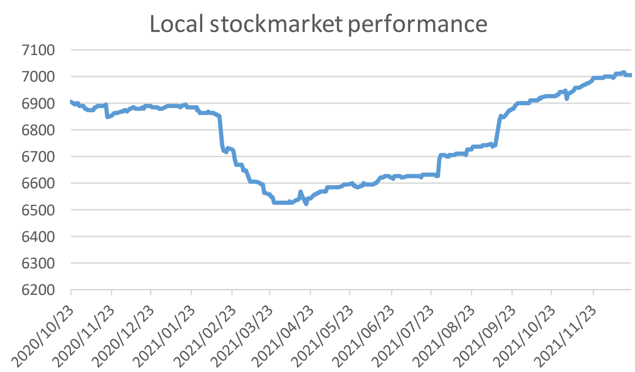
2021/10/31
2021/11/30


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
Lower number implies better market risk appetite
45
40
35
30
25
20
15
10
5
0
2020/10/23
2020/11/23
2020/12/23
2021/01/23
2021/02/23
2021/03/23
2021/04/23
2021/05/23
2021/06/23
2021/07/23
2021/08/23
2021/09/23
2021/10/23
2021/11/23


Local stockmarket performance
7100
7000
6900
6800
6700
6600
6500
6400
6300
6200
2020/10/23
2020/11/23
2020/12/23
2021/01/23
2021/02/23
2021/03/23
2021/04/23
2021/05/23
2021/06/23
2021/07/23
2021/08/23
2021/09/23
2021/10/23
2021/11/23

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