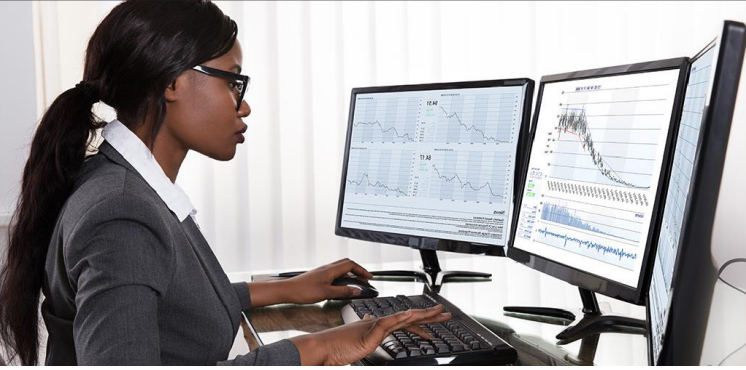


# Botswana Market Watch

## 23 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>Nothing on the cards</b>			
13:30	US	Durable goods orders m/m	Nov P	2.00%	-0.40%
13:30	US	Initial jobless claims	Dec 18	205k	206k
13:30	US	PCE core y/y	Nov	4.50%	4.10%
15:00	US	Michigan consumer confidence	Dec F	70.4	70.4
15:00	US	New home sales	Nov	770k	745k

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Omicron less severe</b>	Studies both in South Africa and the UK show that Omicron is far milder than previous variants and that overall hospitalisation is far lower	There is less need for aggressive lockdowns and heavy restrictions to further damage fragile economies	<b>4/5</b> (economy)	As this data becomes clearer, there is a high probability that countries that have imposed heavy restrictions will consider reversing them and ending what might be the final set of restrictions
<b>US data</b>	Both the final reading of GDP and the consumer data both beat expectations to the upside and that overall hospitalisation is far lower	Offers further perspective on why the Fed is justified in tapering and looking to normalise policy	<b>4/5</b> (economy, monetary policy)	Beyond just the GDP and consumer confidence data, the housing data also improved further, albeit below expectations. The US economy will be able to withstand any tightening
<b>UK business activity</b>	According to the CBI, UK businesses are reporting some of the weakest growth since the lockdown. The CBI monthly growth indicator fell to +21 from a previous reading of +32	Omicron is but one factor. Labour market and materials shortages, and rising costs have weighed heavily on activity	<b>4/5</b> (economy)	Fortunately, PM Johnson has ruled out any further restrictions over the Christmas festive season and given the less severe Omicron variant, may well refrain from further restrictions altogether, even in the New Year

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>China's Evergrande</b>	Troubled construction giant Evergrande has indicated that it will actively engage with creditors to restructure its debt obligations following more misses payments	It is a constructive stance that will help reduce overall levels of risk aversion and avert a broader crisis	<b>4/5</b> (economy)	The restructure will likely be aimed at buying the company more time in order to sell assets and raise the necessary capital needed to repay creditors and rightsize its debt obligations
<b>ECB rate hike</b>	ECB Governing Council member Robert Holzmann said yesterday he anticipates bond purchases to end within the next two quarters and for the ECB to even consider hiking before the end of next year	Although this may not be a widely held view within the ECB, it is an indication that such monetary policy will be entertained	<b>4/5</b> (economy)	When even an ultra-supportive central bank starts to turn more conservative in its behaviour, one gets the sense that 2022 will turn into the year of global monetary tightening that will have far-reaching consequences for asset prices
<b>Shortened Christmas week</b>	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	<b>2/5</b> (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** - [Major Chinese city locks down to control Covid outbreak](#)

**ALL AFRICA** - [Thousands of Congolese Refugees in Zambia Opting to Go Home](#)

**FT** - [Draghi says Europe lacks means to deter Russia over Ukraine](#)

**SOUTH CHINA POST** - [Chinese firms 'deeply worried' as wave of nationalist antagonism rises](#)

**REUTERS** - [Global Markets in 2021: Recoveries, reflation and](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2746	1.2914	1.2992	1.3856
BWPUSD	0.0811	0.0935	0.0827	0.0881
GBPGBP	16.2362	16.4308	15.8849	15.4828
BWPEUR	0.0775	0.0784	0.0732	0.0769
JPYBWP	0.0000	0.0000	9.4713	9.9308
USDZAR	15.0840	16.3622	15.4375	16.0082
EURUSD	1.0884	1.1795	1.1139	1.1539
GBPUSD	1.2814	1.3884	1.3114	1.3584

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.73975	-8.163996
BWPGBP	0.0633	0	3m	-7.77075	-22.32167
BWPEUR	0.0745	-0.0001	6m	-18.213	-51.22618
BWPZAR	1.3274	-0.004	12m	-39.28763	-163.5389

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
Dollar Index	96.044	-0.032			
EURUSD	1.1338	0.0014			
GBPUSD	1.3348	0			
USDJPY	114.12	0.01			
USDNGN	410.92	0			
USDZAR	15.7113	0.0243			

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.599	-0.001	SA 10y	9.385	0.06
3y	4.83	0.58	US 10y	1.4532	-0.0136
5y	5.89	0	German 10y	-0.293	0.01
20y	8.46	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		185.5	8.5

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	18.63	-2.38	Gold	1803.3954	15.035
Dow Jones	35753.89	560.54	Brent Crude	75.29	1.31
FTSE	7341.66	99.38	3m Copper	9607	73
JSE All share	71359.04	1031.73	LME Index	4469.4	63.8
Bots DCIBT	7003.55	-1.93	1 carat index	6203	0
Nigeria Index	42244.22	-6.14			

Commodities

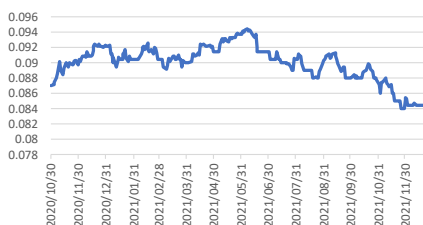
## Local and regional talking points

- The undoubted highlight of yesterday's trading session was the release of the Q3 2021 GDP number. Real GDP posted an increase of 8.4% during the period under review which compares favourably to the contraction of 4.5% experienced in same period in 2020. The quarter on quarter reading also showed good growth with an increase of 3.4% noted. Contributions by the non-mining sector to GDP were driven by Public Administration and Defence which came in at 18.6% while the mining sector made a significant increase to the overall number. The real value added of Mining and Quarrying increased by 29.8% which was driven largely by the Diamond real value added which came in at 31.0%
- Given the significance of mining to both the current and future economic well-being of Botswana its worth taking a broader look at developments in 2021. Base metals have recovered strongly off the COVID-19 pandemic lows albeit that they are not at the 2021 highs with copper marking time around the \$9500.00/tonne while the likes of Zinc are changing hands just north of \$3500.00/tonne. There have been a number of reasons for the recovery, from supply issues, to strong recovery in demand from China, to legislative tailwinds for those metals associated with the decarbonisation of the world. Developed markets have enacted legislation which is pushing the agenda of green energy to power everything from homes to cars. Africa is awash with these minerals which are needed to drive forward both the infrastructure projects planned in the developed world as well as the long-term changes afoot in how we derive our energy needs.

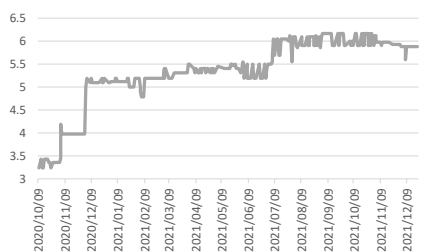
## Financial Market commentary

- Prevailing logic suggests that the USD should appreciate further in the coming months due to the divergence in monetary policy that exists between the US and its major trading partners, yet yesterday, the exact opposite happened. Furthermore, it happened despite the US's GDP data and consumer confidence data beating expectations to the upside. If the logic held, such data outcomes should support, not detract from the USD's performance. Once again, the reasons as to why relate more to what has been priced in as opposed to the data taken at face value.
- The Fed's outlook on monetary policy is well known by now. Furthermore, due to the dot plots of individual member expectations and the number of Fed speakers that take to the podium or hold interviews, the trajectory of tapering and interest rates has been well telegraphed. It is, therefore, logical to believe that the market is now fully priced. If there is a risk, it may be that the UK and Europe unwind their restrictions faster than anticipated now that there is clear data to show that the Omicron variant is far less severe than previous variants.
- Stock markets have rallied once again, and overall risk appetite is improving. The desire to expose portfolios to safe-haven destinations has dropped significantly and as a result, so too has the trade-weighted USD. It backed away from yesterday's highs just as it showed signs of gaining momentum and triggered a solid recovery across many emerging market currencies, including the ZAR. The USD-ZAR is now on the verge of testing and potentially breaking through key support at 15.6600, which would set a stronger ZAR recovery under way if penetrated. This would undoubtedly create an environment which would allow the BWP-USD to move clear of the 0.0850 level in due course
- The latest studies on the Omicron variant show that it is far less severe, with a study out of SA confirming that it could be as much as 70-80% less severe. A similar study in the UK has come up with slightly less impressive results but still confirms that although highly infectious, that it is far less severe than previous strains. The need to lockdown and impose severe restrictions now looks like a clear overreaction of governments, and they may well reverse their decisions.

Spot BWP



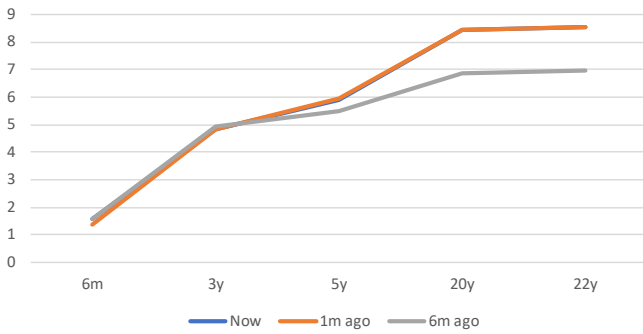
BWP 5y local bond yield



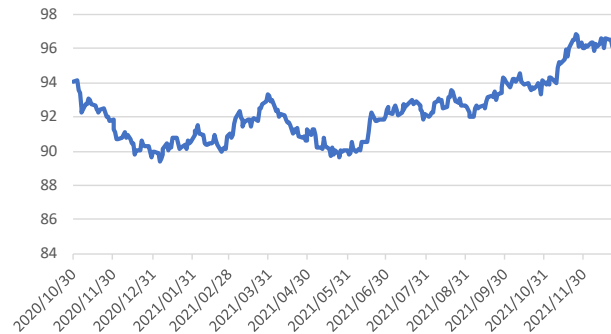
BWP-ZAR



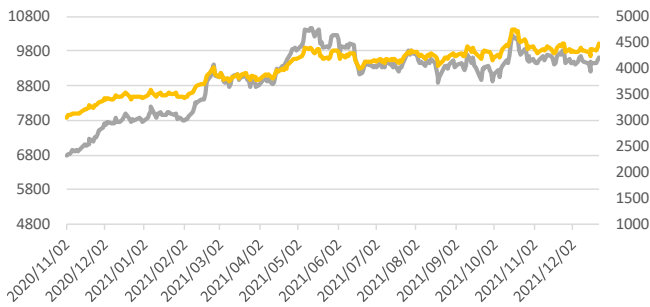
### Botswana Yield Curve



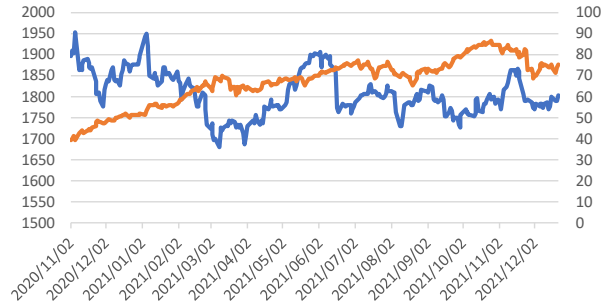
### USD Index



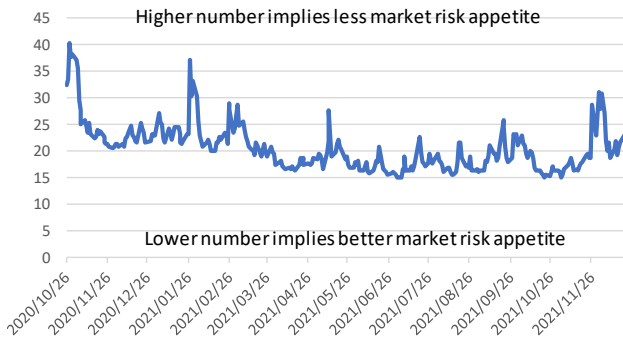
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



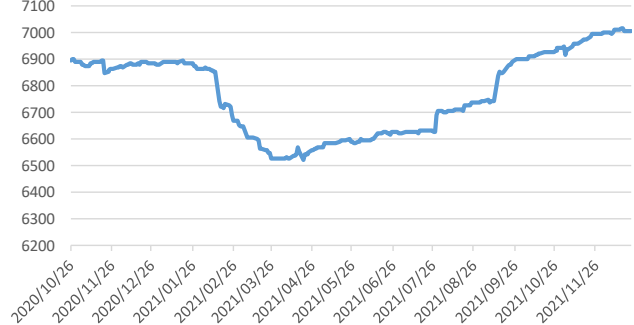
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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