

# Botswana Market Watch

## 24 December 2021

GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	Botswana to sell BWP5bn 7-Day Certificates			
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	4/5 (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 to offer greater hope that the economy is on a firm recovery	Offers further perspective on why the Fed is justified in tapering and looking to normalise policy	4/5 (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	4/5 (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	4/5 (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	4/5 (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	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

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ALL AFRICA - [A Rare Chance for Peace in Ethiopia](#)

FT - [US and Russia to hold Ukraine talks in January, says Putin](#)

SOUTH CHINA POST - [Ultra-leftist voices make themselves heard in China, but at what cost?](#)

REUTERS - [Indonesian rupiah climbs, other Asian FX muted amid holiday lull](#)

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2842	1.2946	1.3089	1.3890
BWPUSD	0.0820	0.0935	0.0836	0.0886
GBPGBP	16.2083	16.3282	15.8576	15.3862
BWPEUR	0.0784	0.0789	0.0741	0.0774
JPYBWP	0.0000	0.0000	9.5892	10.0020
USDZAR	15.0378	16.3077	15.3903	15.9549
EURUSD	1.0875	1.1785	1.1130	1.1530
GBPUSD	1.2867	1.3944	1.3168	1.3643

### Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0854	0.0009	1m	-2.75925	-8.835251
BWPGBP	0.0637	0.0004	3m	-7.8195	-22.579
BWPEUR	0.0754	0.0008	6m	-17.36475	-51.58068
BWPZAR	1.337	0.0056	12m	-39.78	-164.2487

### Forward Foreign Exchange

	Close	Change
Dollar Index	0	-96.019
EURUSD	1.1329	1E-04
GBPUSD	1.3402	-0.0002
USDJPY	114.32	-0.05
USDNGN	410.93	0
USDZAR	15.6529	-0.0024

### Local Fixed Income

Yield curve	Close	Change
6m	1.6	0.001
3y	4.83	0
5y	5.89	0
20y	8.46	0
22y	8.53	0

### International Fixed Income

	Close	Change
SA 10y	9.305	-0.08
US 10y	1.4926	0.0394
German 10y	-0.252	0.041
Spread SA 5y vs Bots 5y bpts	185.5	0

### Equities

	Close	Change
VIX	17.96	-0.67
Dow Jones	35950.56	261.19
FTSE	7373.34	44.25
JSE All share	71684.1	239.68
Bots DCIBT	7004.33	0
Nigeria Index	42230.48	-144.35

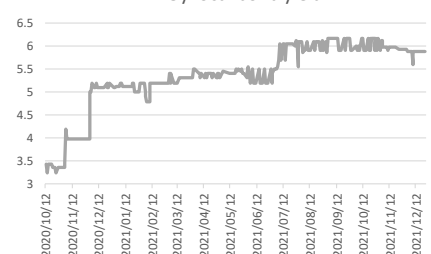
### Commodities

	Close	Change
Gold	1807.91	4.5146
Brent Crude	76.85	1.56
3m Copper	9612	5
LME Index	4475.2	5.8
1 carat index	5767	-436

### Spot BWP



### BWP 5y local bond yield



### BWP-ZAR



## Local and regional talking points

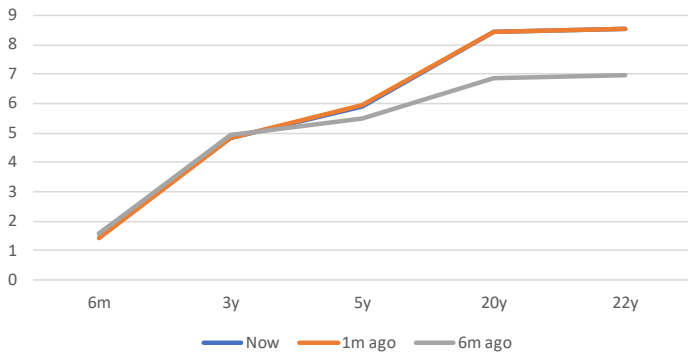
- Very thin trading conditions are expected today however the market will see the auction of 7-Day certificates take place this morning before most people head off for the Christmas break.
- Policymakers have asked citizens to enjoy the Christmas time responsibly limiting gatherings where possible to stem the spread of the Omicron COVID-19 variant which has run rampant across the globe for the last month of 2021.
- Looking ahead, if Covid becomes endemic and the global population learns to live with it through established immunity, the global economy can return to full function. Countries that adopt a more conservative stance and embark on monetary tightening will be rewarded. Emerging markets are well down that road and are establishing attractive spreads over the likes of the US. That should lend emerging market currencies some support.

## Financial Market commentary

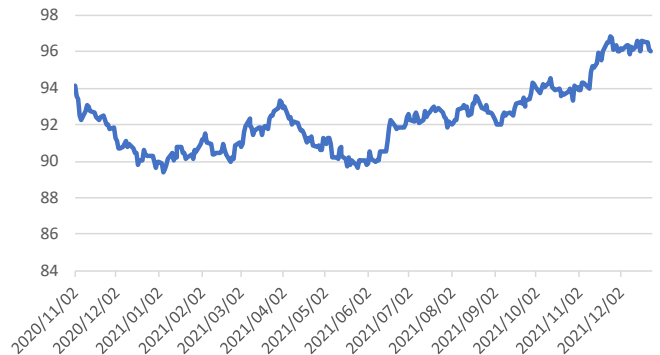
- As we exit 2021 and enter 2022 inflation is very much front and centre for global policymakers. 2021 has seen demand side rise from stimulus packages while supply side issues such as higher energy costs and supply chain bottlenecks added to the price pressures experienced by most economies across the world.
- Botswana is well aware of the energy cost pressures with the fifth increase in fuel prices announced earlier this week.
- Given this backdrop it is worth taking a look at how oil have behaved over 2021 and where we expect it to go in 2022. Exactly one year ago the price of a barrel of Brent crude was at \$51.29, we are currently sitting at \$76.33 per barrel. Granted we are off the highs of \$86.40 a barrel seen at the end of October but the trend for the most part of 2021 has been upwards and gains for the year of around 50% are almost booked.
- Going into 2022, the outlook for oil is still fairly bullish. Demand will hold up as economies continue to recover, which should help offset increasing supply levels. The market is expected to shift into a structural surplus in early 2022, but improving demand from China as they ease policy to support their economy as well as a continued energy crunch in Europe into the new year will prop up prices. OPEC will also look to try to keep oil prices above \$70 per barrel or so, especially as that is the price where leader Saudi Arabia will be able to maintain its budget surplus that it has promised through this year.
- In the week's final trading session, before most trading houses and companies shift to skeleton staff for next week's "holiday" week, the ZAR is on the front foot. The USD-ZAR finally managed to punch through support at 15.6600, opening the door for a more significant appreciative move. The catalyst was the dip in the USD and the gains on Wall St with fresh record levels achieved. Risk appetite has improved considerably, and the desire to rotate to safe havens has dissipated.
- It has been a very strong three weeks for the ZAR, and against all odds. There were plenty of reasons to be pessimistic on the ZAR, from the surging Omicron variant to the travel bans, SA's sluggish economy and fragile fiscal position, to the Fed's more hawkish stance. And yet, the ZAR appreciated, unwinding much of the initial sell-off that began in November. Indications at this point suggest that the market might unwind even more of its depreciation.
- This will be supportive of the local unit and we expect the BWP-USD to hold onto the gains seen yesterday with 0.0850 now becoming support in the

interbank market rather than the suborn resistance which has been the case for a couple of weeks.

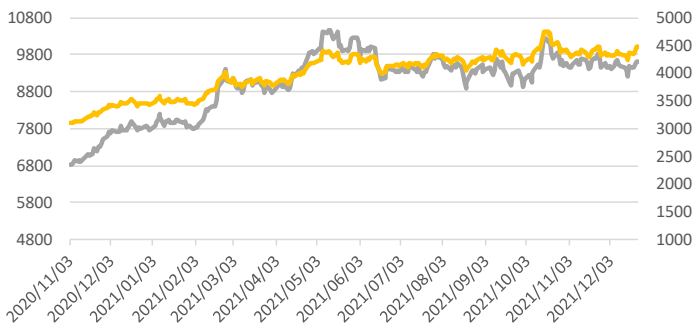
Botswana Yield Curve



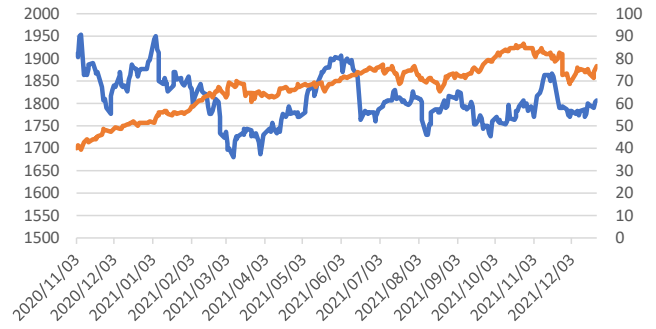
USD Index



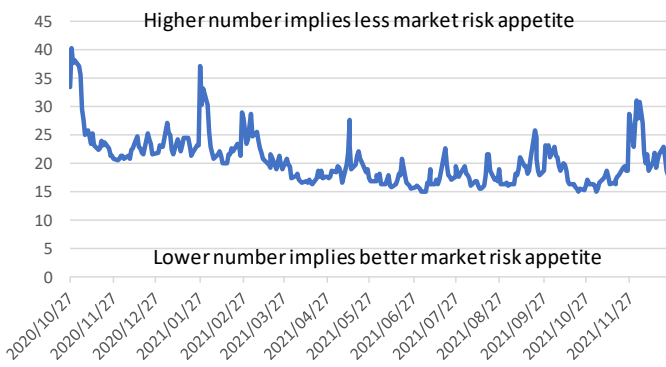
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



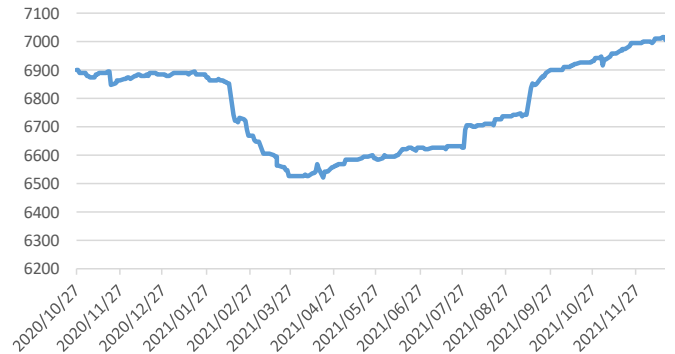
Oil R\_Hand Axis - Gold L\_Hand Axis



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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