

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
01:45	CH	Caixin composite PMI	Nov	47.0 A	48.3
08:55	GE	S&P Global services PMI	Nov F	46.4	46.4
09:00	EZ	S&P Global composite PMI	Nov F	47.8	47.8
09:00	EZ	S&P Global Markit services PMI	Nov F	48.6	48.6
09:30	GB	S&P Global composite PMI	Nov F	48.3	48.3
09:30	GB	S&P Global services PMI	Nov F	48.8	48.8
09:30	EZ	Sentix investor confidence index	Dec	-27.5	-30.9
10:00	EZ	Retail sales y/y	Oct	-2,60%	-0,60%
14:45	US	S&P Global composite PMI	Nov F	46.3	46.3
15:00	US	Durable goods orders m/m	Oct F	1.0%	1.0%
15:00	US	ISM non-manufacturing composite PMI	Nov	53.5	54.4

Factors Overnight	What happened?	Relevance	Importance	Analysis
Oil price cap	Russia has indicated that it will not sell oil subject to a price cap and indicated that it would rather accept a production cut. Putin has called the EU's bluff	The imposition of a \$60pb cut will not be accepted by Russia and could lead to an oil price spike	4/5 (geopolitics, market)	Interventions on price of this nature will reduce supply by Russia, and potentially drive up the price for the scarce oil that is available in the market in a move that could backfire spectacularly on the EU
US labour market	Non-farm payrolls rose 263k in Nov, while the jobless rate stood steady at 3.7% to ensure that the labour market is tight enough to keep the Fed hawkish	Average hourly earnings were up 5.1% y/y and 0.6% on the month, to show the market is tight	4/5 (economy, market)	While on the one hand, the resilient labour market speaks to a resilient economy, on the other, it implies that the Fed still has a lot more work to do to bring down inflation
French credit rating	S&P Global cut France's outlook to negative from stable on Friday, to reflect the rising risks to the country's public finances, amid a slowdown, and high debt levels	Measures to cushion the private sector from Covid and energy prices are unsustainable	4/5 (economy, market)	The pandemic and the surge in energy prices have significantly impacted most developed economies. The problem is it has left these economies vulnerable to another shock, and ratings are sliding
Factors on the Radar	What happened?	Relevance	Importance	Analysis
BoC decision	On Wednesday, the BoC will decide on rates, and the broad expectation is that the Bank will hike by a further 50bp	This remains the harshest tightening cycle in the history of the central Bank	4/5 (monetary policy, economy)	The tightening will eventually take its toll. The data, for now, has held up better than expected, but it may be a matter of time until the stress grows.
Nuclear treaty	The US has indicated that it remains ready to meet Russia for talks over a nuclear treaty despite current frosty relations	Russia withdrew from the New START nuclear treaty talks blaming the US	3/5 (geopolitics)	Officials from the two countries were due to meet last week and hold talks this week in Cairo. However, Russia has withdrawn
China's zero-Covid policy	It appears that not even the centralised communist party in China is immune to the power of protests, as the government eased Covid restrictions	China's zero Covid policy continues to hamper economic activity and stifles economic growth	3/5 (politics, economy)	Such draconian policies have prevented widespread natural immunity, and the problems with this approach are now plainly evident. China's government will be forced to consider a different stance

Highlights news vendors

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FT - [Von der Leyen promises EU help for companies lured by US green subsidies](#)

REUTERS - [Zambia to ration electricity for domestic customers](#)

SOUTH CHINA POST - [Is Xi Jinping's trip to Saudi Arabia another step in the SCO's Mideast expansion?](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.276896	1.282848	1.3015029	1.376389
BWPUSD	0.07392	0.093496	0.0753445	0.079619
GBPGBP	16.595592	16.661632	16.236553	15.700384
BWPEUR	0.075712	0.076024	0.071526	0.074562
JPYBWP	10.7744	10.816	10.1787	10.582
USDZAR	16.583424	17.979104	16.972098	17.590133
EURUSD	1.0152	1.100216	1.0389938	1.07641325
GBPUSD	1.18416	1.282944	1.2119138	1.255188

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.077	0.0005	1m	-2.38875	0
BWPGBP	0.0626	0.0001	3m	-7.098	0
BWPEUR	0.073	0.00	6m	-14.10825	0
BWPZAR	1.3486	0.0281	12m	-30.459	0

Dollar Index	104.132	-0.413
EURUSD	1.0578	0.004
GBPUSD	1.2338	0.0051
USDJPY	134.36	0.06
USDNGN	443.67	0
USDZAR	17.2764	-0.2379

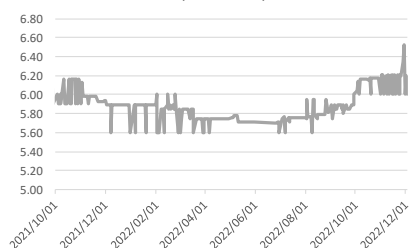
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.404	-0.002	SA 10y	10.805	-0.135
3y	5.491	-0.139	US 10y	3.503	-0.024
5y	6	-0.2	German 10y	1.855	0.032
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0.1		321.5	13.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.88	0.15	Gold	1797.82	-5.07
Dow Jones	34429.88	-194.76	Brent Crude	1802.89	-1.31
FTSE	7556.23	-14.56	3m Copper	1768.45	114
JSE All share	74322.91	192.01	LME Index	1749.73	69.5
Bots DCIBT	7625.48	0	1 carat index	1740.75	#VALUE!
Nigeria Index	48154.65	-3.4			

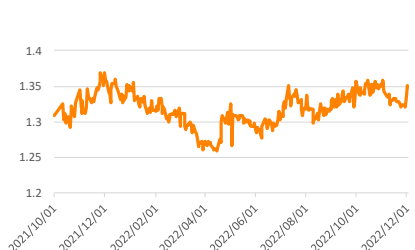
Spot BWP



BWP 5y local bond yield



BWP-ZAR

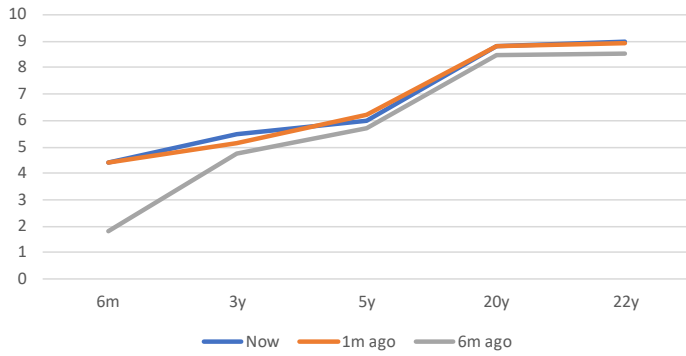


- The Botswana government reported on Friday that it had discovered new sub-variants of the Covid-19 Omicron variant, noting that the sub-lineages were prevalent in other nations in Europe and Asia. The government added that more research was needed to determine the effects of the sub-lineages BQ.1 and BQ.1.1. According to the World Health Organisation (WHO), the Omicron variant is of concern and remains the dominant variant circulating globally. The Ministry of Health urges Botswana and all citizens to exercise caution and take protective precautions. As of December 2, Botswana had recorded 326,633 coronavirus cases, 2,790 deaths and 323,747 recoveries.
- In regional news, the Namibian government aims to accelerate its industrialisation agenda and diversify its export market, targeting the African Continental Free Trade Area (AfCFTA). This comes after the conclusion of a memorandum of understanding targeting export trade linked by the Namibia Trade Forum and Development Bank of Namibia. Deputy Director for International Trade and Commerce in the Ministry of Industrialisation, Trade and SME Development Ndiitah Nghipondoka-Robiati said that the MOU strengthens small and medium enterprises, adding that SMEs are a key source of economic growth dynamism and flexibility. With Namibia and the African continent working towards greater integration, the MOU could help SMEs boost their competitiveness in both local and export markets.

Financial Market Commentary

- Oil is advancing at the start of the new week, with the bid tone provided by the further reopening of China, OPEC+ members maintaining their 2mn bpd output cut, and sanctions on Russian crude kicking in from today. Starting with the OPEC+ meeting outcome and a hold on output levels was largely expected from the meeting yesterday, given the volatility in the market over the last few weeks. The output cut of 2mn barrels per day has also only just been implemented and it should now hold for at least a few months, with the next meeting only in February. The market could look very different by then, with Chinese demand likely to have recovered and the sanctions on Russian crude to be in full effect.
- Speaking of the sanctions, the EU yesterday agreed to a price cap on Russian Urals crude of \$60 per barrel. A ban on seaborne shipments to Europe is also now officially implemented, while the use of European shipping and insurance services is restricted. While the price cap is below what Russian crude is currently trading at, it could still cause some disruptions to supply towards Asia. Russia could also react by withholding exports, which would lead to a notable price spike given current market conditions. The next few weeks, therefore, are set to be a volatile time for the oil markets.
- US Treasury futures are retreating this morning, with yields rising just over 4bp across the curve following what was a volatile session on Friday. Front-end yields climbed almost 20bp after Friday's NFP data, but pared the gain as Wall Street seems to be rotating back into bonds and scooping them up as soon as yields rise too quickly. Longer-dated tenors remain favoured, which has seen the inversion of the yield curve return to its deepest levels this cycle. The risk of a recession coming, therefore, remains notably high, and the market will continue to shift towards pricing in rate cuts from next year, which will keep a cap on how high yields can go from here on.
- Despite the US data last week that pointed to a resilient labour market which might encourage the Fed to remain hawkish, the USD has remained on the defensive and lost more ground this morning. The weaker USD trend is now becoming well-established and speaks to the need to unwind a tremendously overvalued position. It would appear that beyond market expectations that the Fed will pivot regardless of the data, the Chinese have also indicated that they will reopen their economy and soften their covid stance after weeks of protests. Investors are actively pricing less risk aversion, which has also counted against the USD. The more the world normalises, the less the need to default to a safe haven like the USD. As the Fed reaches for the pause button and even contemplates rate cuts through 2023, the USD will extend its slide and FX market dynamics are likely to normalise to some degree.
- Against this backdrop, the weaker USD again becomes the main driver of direction, and while it is on the defensive, the BWP may very well find itself trading below the 12.800/USD handle in the next few trading sessions.

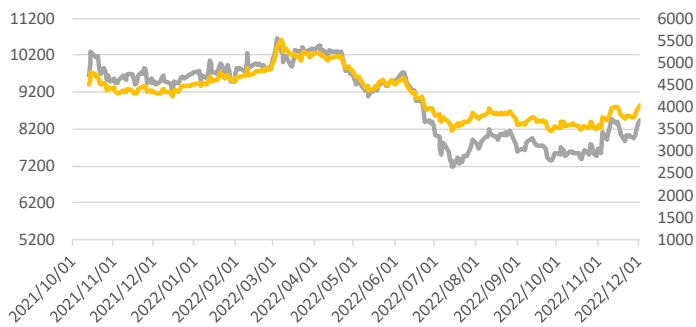
Botswana Yield Curve



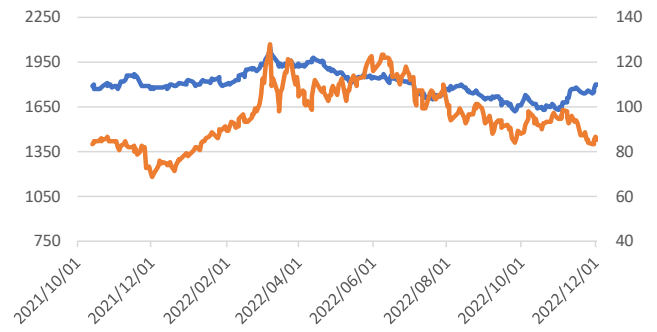
USD Index



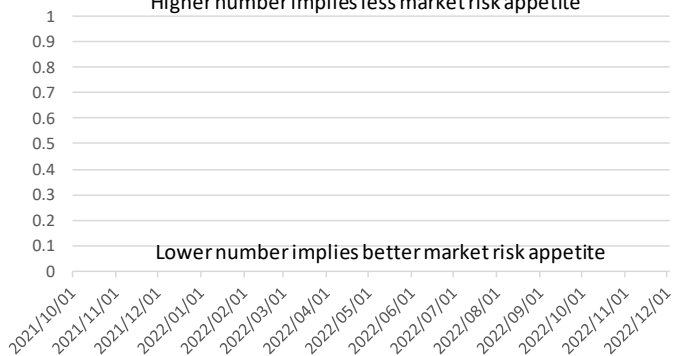
Base metals - Copper L_Hand axis LME Index
R_Hand axis



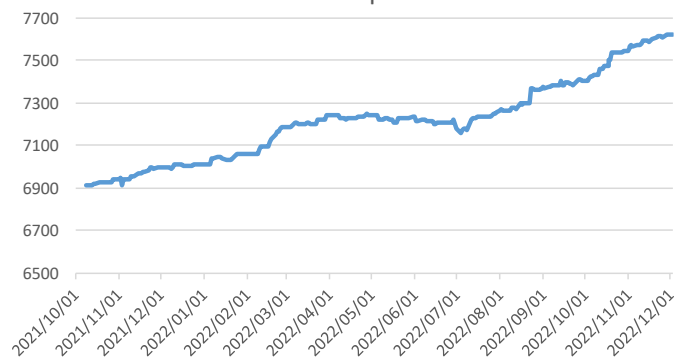
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure
Higher number implies less market risk appetite



Local stockmarket performance



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