

GMT	International and Local Data				
	BO	Nothing on the cards			
00:30	JN	Nikkei Japan PMI Mfg		Oct F	53.00
01:45	CH	Caixin manufacturing PMI		Oct	50.00
07:00	GE	Retail sales y/y		Sep	1.80%
08:55	GE	Markit/BME manufacturing PMI		Oct F	58.20
09:30	GB	Markit manufacturing PMI		Oct F	57.70
14:00	US	ISM manufacturing PMI		Oct	60.30
14:45	US	Markit PMI manufacturing		Oct F	59.20

Factors Overnight	What happened?	Relevance	Importance	Analysis
China – Evergrande	Chinese developer Evergrande made another coupon payment to foreign investors before today's 30-day grace period expired to stave off a default	Heading into the weekend, this reduces levels of risk aversion and will help riskier markets	4/5 (markets)	Although it is unclear what the source of the funds was, avoiding default has prevented some \$19bn worth of cross defaults. The company made the \$47.5mn payment today
ECB – Policy	The ECB pushed back against the notion that higher inflation should trigger a tightening, in line with expectations. ECB Chief Lagarde pointed out that conditions for tightening have not yet been met	Despite inflation being higher for longer, the ECB will not remove stimulus yet. PEPP to end in March 2022	4/5 (monetary policy)	The ECB describes the inflation spike as temporary, driven by more cyclical factors. They also believe that more support is needed to advance the recovery for tightening conditions to be met
US GDP	GDP growth in Q3 decelerated to 2.0%, much softer than the 2.7% anticipated and the 6.7% growth rate in Q2. A modest drawdown on inventories accounted for most of the growth	The growth was soft due to logistical supply constraints, high input costs and the resurgent virus through Q3	4/5 (economy)	The impact on growth will be temporary, and the economy will reflect a rebound in Q4. As supply-side constraints ease, so the economy will expand at a less restricted pace. The economy is now 1.4% larger than it was pre-Covid

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US labour data	This week will once again deliver the heavy data week with private payrolls data scheduled for Wed, weekly jobless claims on Thursday, followed by payrolls data on Friday	The combination always makes for market-moving data, especially if the data comes in strong to support tapering	3/5 (economy, markets)	The bulk of this data will be released after the FOMC announces its decision and offers guidance on the taper, which means it will be less significant than usual. It will, however, drive markets if much stronger than expected
FOMC	The FOMC's meeting on Tue will arguably be the most important since the first meeting of the pandemic. This time, it will focus on withdrawing stimulus	All the focus will revolve around the taper and the speed of stimulus withdrawal	5/5 (economy, monetary policy)	The market anticipates that some \$15bn per month will be tapered, split between \$10bn in sovereign debt and a further \$5bn in private sector bonds. A taper tantrum this time is unlikely
COP26	Following the G20 meeting of the weekend, the focus will now shift towards specifics on climate change and how policies will shift to accommodate lower emissions	COP26 will run from the 31 st Oct - 12 th Nov, and information will steadily trickle through to the market	4/5 (economy, fiscal policy, politics)	Financially speaking, they set the stage to give specifics on targets and timelines. However, that disappointed, setting up the COP26 for some interesting debates and criticism

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT				BWPUSD	BWPZAR	
BWPZAR	1.2866	1.4062	1.3114	1.3927	6m	1.5740				
BWPUSD	0.0844	0.0921	0.0860	0.0913	3y	4.7550	1m	-2.3010	0.1757	
GBPZAR	16.1916	14.8269	15.8413	15.1358	5y	6.0850	3m	-7.2638	0.5215	
BWPEUR	0.0731	0.0798	0.0748	0.0782	22y	8.4550	6m	-16.8090	1.0430	
JPYBWP			9.8643	10.2971			12m	-40.5405	48.7285	
USDZAR	14.6368	15.8713	14.9799	15.5280						
EURUSD	1.1091	1.2016	1.1351	1.1756						
GBPUSD	1.3137	1.4232	1.3445	1.3924						
					Equities		Economic Indicators			
					BSE Domestic Index	6940.16	GDP	36	Bank Rate	3.75
					BSE Foreign Index	1548.83	CPI	8.4		

- The Bank of Botswana placed 2043 bonds on Friday allotting BWP78m after receiving bids worth BWP118m leading to a bid to cover ratio of 1.51. The clearing yield for the long dated bond came in at 8.405%. The sale is part of a previous issuance with some BWP1.1bn outstanding. The last time this paper was auctioned was on the 2nd July 2021 where the bank allotted BWP55mn with a clearing yield of 8.25%.
- The shorter dated 2031 found favour with investors as the issuance received a bid to cover ratio of 2.42 as the BoB placed BWP113mn at a yield of 8.147%. The September auction of this paper saw the bank place BWP337mn at a yield of 8.284%. The short dated 2027 bond was the most coveted by investors with a bid to cover ratio of 6.4 noted. The BoB only placed BWP45mn of these at a yield of 6.583%. It is without a doubt that investors are shortening their duration outlook favouring the short end of the yield curve. This is generally the case with frontier and emerging markets and it has become more pervasive since COVID-19 as investors shorten risk appetite given the uncertainties baked into many markets.
- The debt issuance programme has underperformed this year with inflation ramping up to 8.9% stretching the need for government to pay up and above what it feels comfortable to do. The government views inflation as transitory, while investors don't want to buy assets with a negative real yield, so an uneasy standoff is currently embedded in the market.
- Moving over to other markets, the broader base metals complex started the month on a better footing even as the official Chinese manufacturing purchasing managers index held below the 50 mark for a second straight month indicating an economy which is struggling with supply chain bottleneck's, repeated COVID-19 outbreaks and a property sector that could be described as shaky at best.
- Copper traders will equally be focusing on developments in Peru where supplies are being threatened as a result of protest action. Reuters reported yesterday - *Peru's Antamina copper and zinc mine, part-owned by Glencore and BHP Billiton, said on Sunday it had suspended operations due to roadblocks established by demonstrators who say the mine has not lived up to its commitments to support local communities. The company issued a statement saying it was not safe for its employees to keep working while the protests continue*
- Botswana remains committed to diversifying its economy away from diamonds. The Kalahari copper belt holds much promise to broaden the country's hard currency earnings as the globe moves away from fossil fuels to greener energy which will require vast electrical upgrades, all of which point to higher demand for copper.
- It is an important week for the USD. Arguably more important than the labour data this month will be the outcome of the FOMC decision and the guidance the Fed offers. A taper tantrum is avoidable with transparency and forecasts of an economy that will continue to expand beyond the taper. However, the risk of volatility is higher, and the probability of a tightening or removal of excess monetary capacity is higher than ever. Inflation in the U.S. is buoyant, and the labour market is tightening, which gives the Fed very little option but to start. In removing stimulus, the Fed will support the USD. Given this backdrop, we expect FX markets to trade cautiously ahead of the announcement.

ZAR and Associated Comments

- The day ahead sees South Africa out for a public holiday as a result of the municipal elections. Currently we have the USD-ZAR trading weaker with flow on the thin side as local participation is lacking, the local unit is marking time around the R15.25 mark with only the INR is trading weaker at 0.46% down on the Asian session.

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