

GMT	International and Local Data				
13:00	BO	Botswana to offer 7-Day certificats			
0/N	JN	Monetary base y/y		Oct	11.70%
03:30	AU	RBA rate decision		Nov 2	0.10%
09:00	EZ	Markit/BME manufacturing PMI		Oct F	58,50
					58,50

Factors Overnight	What happened?	Relevance	Importance	Analysis
US social and climate change spend	President Biden's ambitions to pass a \$1.75tn package suffered another blow yesterday when Moderate Democrat Manchin would not commit to supporting the spending programme	Manchin's rejection came despite the size of the bill being halved. His fear remains the spend will be higher	3/5 (politics)	Manchin's vote is needed for the Democrats to pass the spending bills. He has argued that the infrastructure bill should go ahead while the social spending agenda is negotiated. Biden wants both to be passed together.
RBA	As anticipated, the RBA held its cash rate unchanged at 0.1% on Tue but dropped its commitment to keeping bond yields low and its forecast of no rate hike to 2024	Although the RBA did drop some hawkish messages, it remained largely dovish	4/5 (monetary policy)	Along with other central banks considering tapering, the RBA no longer believes yield curve control is needed. However, they will still look to support the economic recovery for a while
UK factories	The latest PMI data shows that output growth slowed and that costs of production have soared. Supply-side bottlenecks have kept price pressures elevated	This kind of data stokes stagflation fears, although the spike in prices is seen as temporary	4/5 (economy)	Britain is not the only country experiencing these pressures. They are evident in many PMI data around the world. This will likely prompt many central banks to moderate stimulus

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 decision on Wed 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
BoE	BoE decision on Thu will be one of the most interesting in a while. The market seems divided on whether a rate hike is needed. Inflation is double the BoE target	Inflation is set to rise towards 5%, against a backdrop of an economy that is struggling to grow	4/5 (economy, monetary policy)	On balance, a small hike is anticipated to signal that high levels of inflation will not be tolerated. However, it is far from a foregone conclusion, with infection rates still very high

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange		
	CASH	CASH	TT	TT					
BWPZAR	1.2940	1.4128	1.3189	1.3993	6m	1.5760		BWPUSD	BWPZAR
BWPUSD	0.0837	0.0912	0.0853	0.0903	3y	4.7550	1m	-2.2913	-0.0838
GBPWP	16.2834	14.9270	15.9311	15.2380	5y	6.0850	3m	-7.2345	-0.2487
BWPEUR	0.0721	0.0787	0.0738	0.0772	22y	8.4550	6m	-16.6628	-0.4975
JPYBWP			9.7464	10.1648			12m	-40.3650	46.8365
USDZAR	14.8394	16.0916	15.1872	15.7435					
EURUSD	1.1138	1.2070	1.1399	1.1809					
GBPUSD	1.3106	1.4199	1.3413	1.3892					

Equities		Economic Indicators			
BSE Domestic Index	6940.16	GDP	36	Bank Rate	3.75
BSE Foreign Index	1548.83	CPI	8.4		

- The Botswana Mine Workers Union is expressing serious concern over the mechanisation of the industry which is gaining traction globally. The local sector is playing catch up with the global trends and this has the potential to result in massive job losses for the sector at a time when the economy is just starting to recover from the COVID-19 induced contraction.
- MMEGI reported the following - *Earlier in the year, unionists said Debswana's decision to cut its P15.7 billion contract with Majwe Mining for the expansion of Jwaneng Mine was due to the adoption of new mechanisation technology. The project has since been in-sourced, but Debswana has not absorbed all the workers engaged in the Majwe contract. Last week, BMWU president Joseph Tsimako made the call for more dialogue during a consultative meeting with President Mokgweetsi Masisi. The meeting was held in Selebi-Phikwe. Tsimako said the growing digitalisation of operations in the mining industry had not been sufficiently discussed in the country. "Automation and introduction of green technologies, driven by concepts such as Future Smart mining are going to result in job losses. "Economic development cannot be achieved where the country is experiencing a rising unemployment rate," Tsimako said.*
- Moving over to the international stage, it will be a quiet data day today other than the U.S. vehicle sales data, which are unlikely to be market-moving. Focus has already turned to the plethora of data and events later this week, which will dominate traders' attention. The most important will be the FOMC decision, where the start of the taper is anticipated. The Fed is expected to reduce its asset purchases by approximately \$15bn per month until it is no longer building its balance sheet. It is a gradual approach that will precede any rate hikes aimed at curtailing inflation expectations.
- While issues on the economic and monetary policy front continue to unfold, it is worth taking stock of developments in Congress as well. Moderate Democrat Manchin has dug in his heels in another blow to President Biden. He has once again rejected the \$1.75trln package on social and climate change spending. His main concern is that the reduction in spending is unrealistic, with budget tricks used to reduce the overall spending figure. Manchin anticipates that final spending is likely to be higher and has expressed his grave concerns that this would not be in the country's interests. So tight is the voting and balance of power within Congress that his vote is needed. For his part, Manchin has urged the Democrats and Biden to pass the \$1.0trln infrastructure spending bill now and worry about the rest later, but Biden is adamant that he would like both passed now. If the social and climate change spending does not happen now, it is unlikely it will happen at all. Biden has just committed the U.S. to meet its climate goals at a COP 26 meeting yesterday.
- Meanwhile, Wall St is powering back to record levels and that despite the Fed looking to taper at this week's meeting. Armed with the benefit of hindsight, where the taper tantrum proved to be a wrong interpretation of what was to come, investors seem less fearful this time, knowing full well that the Fed will not allow the economic recovery to falter at this stage of the recovery.
- This does suggest better risk appetite for emerging market currencies however a resilient dollar is providing a cap for now. Investors are expressing an element of caution ahead of the FOMC tomorrow and this is likely to keep price action tight in the run up to the announcement.

ZAR and Associated Comments

- SA comes back from a long weekend today, with yesterday's elections completing without much fuss. However, voter turnout was reportedly very low, and the legitimacy of these elections may come into question. It may be that inclement weather in some parts of the country played a role, or it may just be that disillusioned voters felt like there was no point. They could not vote for the ANC nor felt there was a viable alternative they felt comfortable voting for. For now, the next big event will be the result, and early outcomes are likely to be released today.
- Arguably the bigger news was the collapse of the ZAR through the course of yesterday and overnight. Once again, thin market conditions precipitated higher volatility and greater amplitude in the USD-ZAR's performance as it trades above 15.46/dlr in early trade while not showing any technical signs of a building reversal just yet.
- Load-shedding, once again, triggered the initial bout of depreciation and came as a timely reminder to voters and investors alike of the heavy burden of reform that is desperately needed in South Africa. Without it, the country will simply struggle to eke out growth or meet its developmental goals. Interestingly, the ZAR's weakness materialised through a day when the USD itself retreated, suggesting it was more idiosyncratic, affecting SA and the ZAR.
- This makes today's trading behaviour important. Risk appetite remains generally good. Global equity markets are performing well, the USD's own strength is being questioned, global volatility levels have not surged, local elections have passed without a glitch, and load shedding has ceased, at least for now. The current bout of ZAR weakness appears overdone. Exporters should enjoy improved levels at which to trade, and this may put the brakes on the current move.
- The big global events of the week still loom. They come in the form of the Fed decision on US monetary policy, the Bank of England doing the same and the US employment stats, all of which hold some market-moving potential. That being said, the ZAR has depreciated sharply already, and it seems that the risk of further ZAR weakness has largely been priced in.

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