

GMT	International and Local Data				
	BO	Nothing on the cards			
10:00	EZ	Industrial production (wda) y/y	Sep	4,1%	5,1%
13:50	EC	ECB's Lane Speaks			
14:00	UK	BOE's Haskel Speaks at IARIW-ESCoE Conference			
15:00	US	Michigan consumer confidence	Nov P	72,5	71,7
17:10	US	Fed's Williams Discusses Heterogeneity in Macroeconomics			
Factors Overnight	What happened?	Relevance	Importance	Analysis	
UK GDP	GDP grew 1.3% in Q3 vs the forecast of 1.5%. While September's output was strong, July and August dragged down overall performance.	The UK economy is lagging the other G7, with the effects of Brexit compounding the pandemic	3/5 (economy, market)	The UK economy remains 2.1% smaller than it was at the end of 2019. Persistent lockdowns, restrictions and Brexit mean it is lagging G7 nations and has yet to recover to pre-Covid levels	
Bank of Mexico	Banxico raised rates by 25bp yesterday for the fourth consecutive policy meeting raising its benchmark rate to 5%, with more hikes to come	The global inflation theme is triggering monetary policy tightening across most jurisdictions	4/5 (monetary policy)	Mexico's rate hike highlights how EMs will not be spared the need to tighten policy, not just to combat inflation but also to restore real interest rates as DMs recover	
Surging USD	The USD extended its gains into the third consecutive session this morning, as investors continue to respond to the stronger inflation reading earlier this week	Fears are that the Fed will need to respond to inflation and to bring forward any rate hikes	3/5 (markets)	A stronger USD will hold consequences for commodity prices and emerging markets if sustained. Focus now turns to real economy data to see if the economy could withstand tightening	
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
EZ inflation	A poll conducted by Reuters shows that EZ inflation is set to remain above the ECB's 2% target limit to average 2.2% in 2022	Elevated inflation the world over is a theme that most central banks will face	4/5 (economy, markets)	Central banks will be forced to withdraw stimulus. Initially, this will be possible as a strong credit cycle has begun that will extend for several more years	
US-Sino relations	President Biden and Chinese leader Xi Jinping will hold a virtual summit on Monday, with several issues to cover, including trade, human rights and military activities	It is hoped that this is the start of renewed dialogue that will ease tension between the two global superpowers	4/5 (geopolitics)	It is important to limit the damage of trade wars and to ease geopolitical tensions in the Asian region. Both countries have enough challenges to contend with, and improved relations would ease concerns for investors	
COP 26	As it enters the final day, it is looking unlikely that enough was done to prevent the 1.5 degree Celsius barrier from being reached/breached	The world awaits to see what commitments will be made to reduce fossil fuel usage	3/5 (economy)	Reducing the use of fossil fuels will be extremely difficult, with the world so hooked on stable and plentiful energy for all forms of consumption. It is unclear whether enough will be done	

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve	Forward Foreign Exchange		
	CASH	CASH	TT	TT			BWPUSD	BWPZAR
BWPZAR	1.2796	1.3916	1.3042	1.3782	6m	1.3770		
BWPUSD	0.0837	0.0910	0.0853	0.0901	3y	4.7550	1m	-2.3790 0.4014
GBP/BWP	15.9363	14.6589	15.5916	14.9643	5y	5.9050	3m	-7.4003 1.1914
BW/PEUR	0.0732	0.0796	0.0749	0.0780	22y	8.4550	6m	-18.7200 2.3439
JPY/BWP			9.7857	10.1750			12m	-40.4040 4.7266
USDZAR	14.6710	15.9086	15.0149	15.5644				
EURUSD	1.0981	1.1898	1.1239	1.1640				
GBPUSD	1.2827	1.3896	1.3127	1.3596				
Equities		Economic Indicators						
BSE Domestic Index	6956.77	GDP	36	Bank Rate	3.75			
BSE Foreign Index	1549.62	CPI	8.4					

- Cryptocurrencies are a focal point for central bank's across the world as they grapple with the technology and how it will influence their specific markets. There are countries which have embraced the "new world" while there are others which view the digital currencies as posing a systemic risk to the financial system.
- The Bank of Botswana has stated that they do not have a specific legal or regulatory framework pertaining to crypto assets but have worked that residents who engage in trading or investing in crypto assets will have no legal recourse should they suffer financial losses. The bank urges those that are undertaking any activity involving crypto assets to undertake the relevant due diligence on the registration and legality of the business, as well as the nature of the business activity, including the manner of generation and source of returns.
- Internationally, we have a surging dollar at the moment which is capping movements in the BWP-USD. Investors focusing on the inflation data earlier this week that surprised to the upside. Investors are positioning for the possibility that the Fed may be forced to bring forward the timing of rate hikes once the taper is completed and that the current inflation episode may extend a little longer than anticipated. For now, it is supporting the USD and heading into the weekend, a significant reversal is unlikely, but focus will shift to real economy data in the coming weeks to see what resilience the US economy enjoys. Today the focus will shift to latest Michigan consumer confidence data.
- After rebounding in the first half of the year on the back of optimism surrounding the vaccine rollout and reopening of the economy, consumer confidence in the US has cratered in the second half of the year. Consumer confidence has plunged back to levels seen during the peak of the COVID-19 outbreak on the back of higher rates of inflation and receding confidence in government economic policies. Going forward, while we expect the recovery in the US economy to persist in the foreseeable future, given all the uncertainty at the moment against the backdrop of mounting inflation expectations, we are likely to see consumer sentiment remain anchored in months to come.
- Finally, geopolitical tensions may just ease early in the new week. President Biden and Chinese leader Xi Jinping will hold a virtual summit on Monday to discuss a range of issues from trade differences, human rights and military operations in Asia. Investors will hope that the two can restart more constructive dialogue. If the news that flows from this meeting is positive, it will play an important role in bolstering market sentiment and easing overall levels of risk aversion.

ZAR and Associated Comments

- News flow for the ZAR has improved as the week has worn on. Eskom has indicated that the current bout of load shedding will cease today. The medium-term budget revealed that SA's fiscal position is far stronger than it used to be, giving policymakers a larger window of opportunity to implement much-needed reforms. Predictably, the ZAR responded positively to the budget information, but it gave back the ground that it had regained as the afternoon unfolded.
- Beyond the improved fiscal position, Godongwana did not give in to pressure to raise expenditure, spoke of selling some of Eskom's coal-powered stations, and highlighted some reforms that would raise the private sector's influence. Although there will always be more that could be done, this was one of the more constructive updates from a finance minister in many years. Now, what was announced needs to be delivered.
- However, the ground the ZAR lost late yesterday afternoon and overnight had nothing to do with SA or how the budget was interpreted and everything to do with the USD's performance. Even through quiet trading yesterday, it extended its surge as investors turned back to the inflation data released earlier in the week. Such a high inflation reading had investors concerned that the Fed would be forced to respond. US Treasury yields bounced, and immediately the USD regained a firmer footing. Investors are likely to position for an economy that remains strong over the medium-term as well as a strong bout of inflation that will keep the Fed cautious.
- Heading into the weekend, local investors are in a predicament. On the one hand, they would like to trade on the improved information from the budget, but on the other, they cannot ignore a surging USD that has rallied to the highest levels since July 2020. Investors will also be concerned that the strong USD will spill over into commodity prices and further detract from the performance of the ZAR. This leaves those exposed to the ZAR in limbo heading into the weekend.

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