

Botswana Market Watch

2 December 2021



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Benchmark Interest Rate	Dec 2		3.75%
10:00	EZ	PPI y/y	Oct		16.00%
10:00	EZ	Unemployment rate	Oct	7.40%	7.40%
13:30	US	Initial jobless claims	Nov 27		199k

Factors Overnight	What happened?	Relevance	Importance	Analysis
Omicron	The US has reported its first case of the Omicron variant, adding to global concern over its transmissibility, while the BoJ has warned of economic pain	It is inevitable that the new variant will spread across the globe and will prompt restrictions	5/5 (economy, markets)	As the WHO indicated, cross border restrictions do not work. Travel bans cant contain the transmissibility of the virus. Testing is not foolproof, and countries generate variants of their own
US data	The ISM manufacturing PMI recorded an improved reading of 61.1 last month vs a reading of 60.8 in Oct, while private payrolls rose 534k	The data was strong and pointed to an economy that was in the midst of a strong economic upswing	3/5 (economy, markets)	The data builds the case for the Fed to continue tapering and possibly speed up the pace of the taper in a bid to contain inflation. Fed Chairman Powell has raised the prospect of a faster taper
Russia	US Secretary of State Antony Blinken has urged Russia to pull back its troops from the Ukraine border or face much harsher sanctions	Geopolitical tensions will escalate and become a source of concern in the future to raise risk aversion	4/5 (geopolitics)	It brings into play the security of energy supply into Europe, a destabilising force in Eastern Europe and the threat of military action at a time when the EU is already dealing with a sluggish economy

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Omicron - latest	Moderna has indicated that it could have a booster shot for Omicron ready for distribution by March, with other vaccine makers likely to offer similar	Much will depend on the transmissibility of the virus and the severity of the illness it elicits	5/5 (market)	A clear strategy will only be possible once a full analysis of the Omicron variant is released and its interaction with the vaccines is better understood. Until then, this is all conjecture
OPEC	Today OPEC will decide on its production and output policy. Oil prices are well off their recent highs, Omicron has emerged, and DM economies have released some of their strategic reserves	The need for OPEC to raise production has dropped. OPEC may well leave current output unchanged to stabilise the price	4/5 (economy, market)	Wed's meeting ended without any recommendation on output. OPEC has indicated that there will be no knee-jerk reaction to the Omicron variant, hinting that production levels may remain unchanged
US debt ceiling	Top Democrats and Republicans scrambled yesterday to secure enough support to pass a bill that would avert a government shutdown due to those opposed to Biden's vaccine mandates	It is important for global markets that they succeed to remove one possible source of market volatility through Dec	4/5 (fiscal policy, economy, markets)	The deadline is Friday. Complicating matters has been a group of conservative Senate Republicans that will not fund a government that forces vaccine mandates on its population on principle. This will go down to the wire



Highlights news vendors

CNBC - [‘The crisis is not yet over’: Omicron variant could deal another blow to supply chains](#)

ALL AFRICA - [What Buhari Said About Covid During Meeting With Ramaphosa](#)

FT - [Omicron variant detected in the US for first time](#)

SOUTH CHINA POST - [China summons Japanese envoy over ex-PM Abe’s Taiwan remarks](#)

REUTERS - [Global stocks rally set to moderate next year, correction likely: Reuters poll](#)

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.3115	1.3215	1.3367	1.4179
BWPUSD	0.0820	0.0935	0.0836	0.0885
GBPGBP	16.0729	16.1919	15.7252	15.2577
BWPEUR	0.0784	0.0789	0.0741	0.0774
JPYBWP	0.0000	0.0000	9.4910	9.9003
USDZAR	15.3566	16.6468	15.7166	16.2866
EURUSD	1.0875	1.1782	1.1130	1.1527
GBPUSD	1.2759	1.3828	1.3058	1.3529

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	
			BWPUSD	BWPZAR
BWPUSD	0.0854	0.0003	1m	-2.85675
BWPGBP	0.0643	0.0003	3m	-7.917
BWPEUR	0.0754	0.0003	6m	-17.706
BWPZAR	1.3689	-0.0005	12m	-40.599

Dollar Index	Close	Change
EURUSD	1.1332	0.0013
GBPUSD	1.3297	0.002
USDJPY	113.02	0.27
USDNGN	409.66	0
USDZAR	16.0273	-0.0023

Local Fixed Income

Yield curve	Close	Change	International Fixed Income	
			Close	Change
6m	1.397	-0.002	SA 10y	9.765
3y	4.55	-0.28	US 10y	1.4037
5y	5.94	0	German 10y	-0.331
20y	8.45	0	Spread SA 5y vs Bots 5y bpts	211.5
22y	8.53	0.01		2

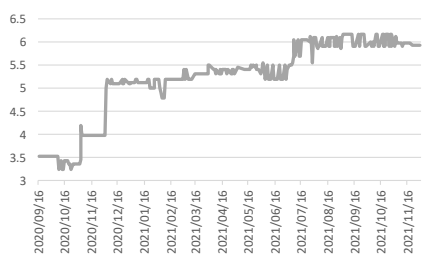
Equities

	Close	Change	Commodities	
			Close	Change
VIX	31.12	3.93	Gold	1782.66
Dow Jones	34022.04	-652.22	Brent Crude	68.87
FTSE	7168.68	-50.5	3m Copper	9444
JSE All share	71198.08	466.48	LME Index	4341.1
Bots DCIBT	6999.77	0	1 carat index	5940
Nigeria Index	42463.16	-22.89		58

Spot BWP



BWP 5y local bond yield



BWP-ZAR



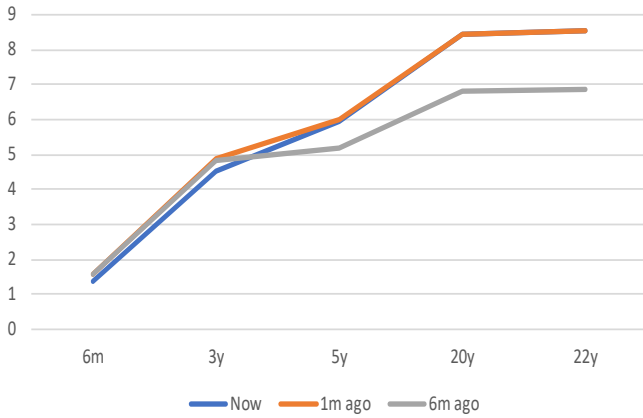
Local and regional talking points

- Today we see the release of the Bank of Botswana’s announcement on interest rates. Until now the bank has kept steadfast in its view that inflation is transitory and thus a tightening of monetary policy was not warranted. This may change today and we certainly hold the view that the risks are skewed towards the bank hiking by at least 25 bpts. Our reasoning is that regionally South Africa have hiked by 25 bpts recently and the Fed has stated that it is modifying its view on inflation and that “transitory” may not be the correct term to describe the current global inflation pressure. The Fed Chairman Jerome Powell has twice this week confirmed the Fed’s intention to remove monetary stimulus at a quicker pace than originally thought.
- Botswana would not want to be left behind and be forced to play catch up with potentially bigger hikes in the coming months which would undoubtedly have a greater impact on growth rather than a measured approach which would be more palatable.
- BDAY Reporting - *The World Health Organization (WHO) has lambasted countries across the globe for victimising SA in the wake of it revealing the new Covid-19 Omicron variant. The variant has been found in 23 countries at the moment, the WHO said, but a backlog of cases worldwide could reveal its presence in several more. WHO director-general Tedros Adhanom Ghebreyesus said at a press briefing on Thursday: “It is deeply concerning to me that SA and Botswana are being penalised.”*

Financial Market commentary

- Following on from the comment above, if there is a mistake people are making, it might be in assuming that the Omicron variant is a bad enhancement of the virus. If it turns out to be highly transmissible but far less dangerous, it may result in an enormous global rally in financial markets and could signal the beginning of the end of the pandemic. The globe must learn to live with the virus, and the virus needs to weaken to co-exist with its host. However, until scientists complete their studies to learn whether current vaccines will effectively prevent severe illness and gather insight into the severity of the illness caused by Omicron, financial markets will remain on high alert.
- Moving over to base metals, the price of copper is around 0.25% down this morning in Asia as the Omicron fears result in the bears having the upper hand on a tactical basis. The red metal is currently changing hands at \$9426.00/oz as we enter the start of the EU session and these losses could well reverse should traders choose to focus on the dollar index which has broken below the 96.000
- On the news front, copper industry veteran Diego Hernandez, head of Chilean mining society Sonami stated that he expects copper to remain underpinned throughout the economic uncertainties of a new COVID-19 variant given that the metal has widespread industrial applications and there is currently tight supply. Copper inventories at the LME warehouses remain at near 16-year lows and this keeps cash prices at a premium to the forwards. This is unlikely to fade any time soon. “The world is slowly learning to live with Covid. We don’t expect measures as drastic as we saw early on in the pandemic,” Hernandez said.
- Longer term the outlook for copper is equally positive given all the infrastructure spending and decarbonisation that the world is embarking on. This bodes well for Botswana who remains committed to developing the Kalahari Copper belt into a meaningful contributor to the local economy.
- Taking a glance at the FX markets, we have the USD Index pivoting around the 96.00 handle this morning. The Asian session has been characterised by tight ranges and a reluctance to add to risk and we expect a similar tone to be evident at today’s local open, especially with the Bank decision on rates looming.

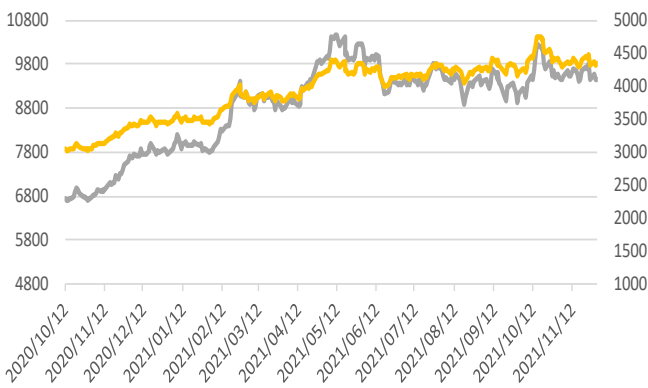
Botswana Yield Curve



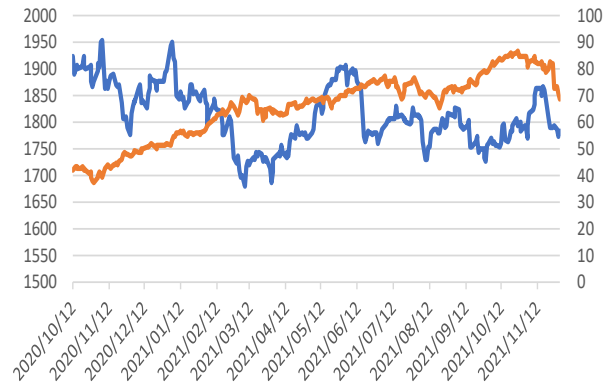
USD Index



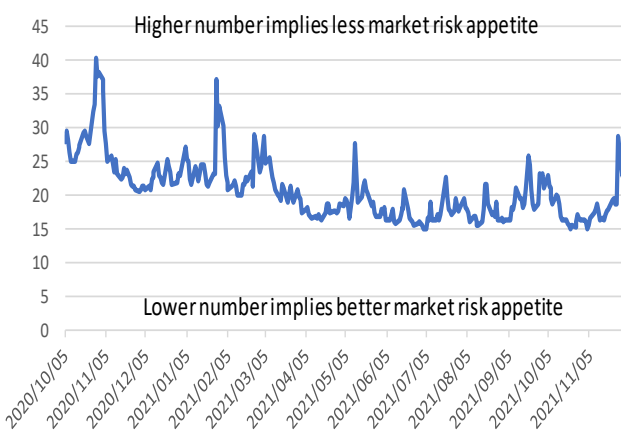
Base metals - Copper L_Hand axis LME Index
R_Hand axis



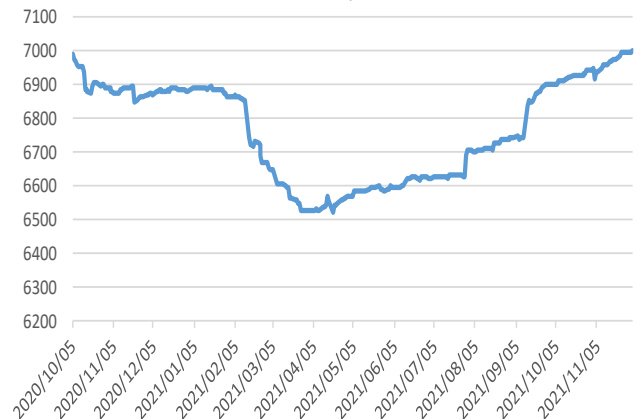
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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