

Botswana Market Watch

6 December 2021

GMT	Country	Data event or release	Period	Market Exp	Previous
07:00	BW	Nothing on the cards			
09:30	GE	Factory orders y/y	Oct	5.50%	9.70%
09:30	GB	PMI construction	Nov		54.60
09:30	EZ	Sentix investor confidence index	Dec		18.30

Factors Overnight	What happened?	Relevance	Importance	Analysis
Covid-19 restrictions	Tougher restrictions have been imposed globally, from border controls, compulsory vaccinations and lockdowns for those that are unvaccinated	Protests have resulted from this heavy-handed approach and could trigger uncertainty	4/5 (economy)	Brussels and the Netherlands both experienced protests, and others will likely spring up this week in response to vaccine mandates and more social restrictions
US labour market	Although payrolls came in softer than anticipated, the unemployment rate fell to 4.2% from 4.6%, suggesting the labour market was tightening broadly	Average hourly earnings also up that could build the argument for a faster taper	3/5 (economy)	The data was good news overall all even though the headline number was softer. The labour market in the US continues to build substance and momentum, and the recovery remains in full swing
EZ IHS Markit PMI	The final composite PMI was confirmed at 55.4, a slight downward revision to the flash estimate of 55.8.	Demand appears to have improved, but the upswing may prove temporary	3/5 (economy)	Expectations of future growth have subsided, and some of the more recent data has softened. Latest restrictions will likely see the data retreat once more

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Omicron - latest	Data being released from South Africa shows that although the variant is highly transmissible and responsible for the 4 th wave, its virulence is low	High levels of infection with low virulence could mean the beginning of the end of the pandemic	5/5 (market)	This holds the potential to be a catalyst for a strong risk rally in the coming weeks if scientific data backs up the anecdotal evidence witnessed so far. EM FX could also respond strongly
Evergrande	China's Evergrande is back in the headlines with the risk of default still present, after some pessimistic comments from the property developer	The risk of default is still considered high with a new 30-day grace period starting on Mon for \$82.5mn	4/5 (economy, market)	Creditors had demanded to be repaid \$260mn, and the company has said if it does so, it cannot guarantee that it will have enough to be able to pay the coupon on due
UK economy	The CBI has cut its economic forecast of economic growth for the UK economy to 6.9% in 2021 and 5.1% in 2022 from 8.2% and 6.1% respectively	Supply chain problems were the main detractor, but those should end towards mid-2022	4/5 (economy)	The CBI's biggest concern is the lack of investment. They called on PM Johnson to implement reforms to promote fixed investment as the current upswing is deemed unsustainable

Highlights news vendors

CNBC - [Market history says omicron volatility isn't a reason for investors to sell](#)

ALL AFRICA - [Explosions, Attacks in Mali, Niger Kill Over 100](#)

FT - [US intelligence-sharing convinces allies of Russian threat to Ukraine](#)

SOUTH CHINA POST - [WHO appeals to Chinese firms to share patents for Covid-19 jabs](#)

REUTERS - [China Evergrande shares hit 11-year low after it gives no guarantee on repayments](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.3009	1.3158	1.3260	1.4117
BWPUSD	0.0811	0.0935	0.0827	0.0880
GBPGBP	16.1176	16.2905	15.7689	15.3506
BWPEUR	0.0778	0.0786	0.0735	0.0771
JPYBWP	0.0000	0.0000	9.3829	9.8189
USDZAR	15.3948	16.6908	15.7556	16.3297
EURUSD	1.0839	1.1747	1.1093	1.1493
GBPUSD	1.2706	1.3765	1.3003	1.3468

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.73975	-8.057076
BWPGBP	0.0638	0	3m	-7.839	-17.05152
BWPEUR	0.0748	0.0001	6m	-17.57925	-43.92919
BWPZAR	1.3551	-0.0138	12m	-40.12125	-148.7989

Forward Foreign Exchange

Dollar Index	96.276	0.159
EURUSD	1.129	-0.0023
GBPUSD	1.3234	0.0003
USDJPY	112.99	0.19
USDNGN	409.73	0
USDZAR	16.0381	-0.0387

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.401	0.006	SA 10y	9.6	-0.07
3y	4.83	0.44	US 10y	1.3564	-0.0879
5y	5.89	0	German 10y	-0.378	-0.005
20y	8.45	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		206.5	-4

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	30.67	2.72	Gold	1783.7361	15.1008
Dow Jones	34580.08	617.75	Brent Crude	69.88	0.21
FTSE	7122.32	-39.47	3m Copper	9418	-78
JSE All share	70807.6	-177.32	LME Index	4314.9	-12.2
Bots DCIBT	6997.75	-2.02	1 carat index	6023	0
Nigeria Index	42167.91	-215.18			

Commodities

Local and regional talking points

- The Botswana Ministry of Health and Wellness is expected to announce a date from when all foreign arrivals into the country will require proof of a COVID-19 vaccination. This measure is designed to limit the spread of the Omicron version which was identified in the country just over a week ago. Currently a negative PCR test no less than 72 hours prior to arriving at a Botswana border is mandatory, globally governments are taking additional steps to prevent transmission and Botswana is only following international protocol.
- Across the border in South Africa, the health minister Joe Phaahla stated that Covid 19 (Omicron), infections may be dominant and spreading rapidly, but the illness so far has been mild, and hospitalisations have not risen as they did in previous waves. This is excellent news as the authorities have no reason to impose harsh restrictions on infections alone.
- There have also been countless research notes written describing how this may also signal the beginning or the end of the pandemic. If the virulence of the virus has subsided to the point where the population can co-exist, it becomes endemic and no longer a pandemic. It implies that normal social behaviour can resume and that global economic recovery can be allowed to unfold whether the world is fully vaccinated or not.
- Looking at the week ahead the local data calendar is rather thin. Internationally we have the ZEW economic sentiment measures out of the EU, the Australians and Canadians giving the market their verdict on rates and then to round off the week we have Wholesale inventories and the Michigan Consumer confidence index out of the United States.

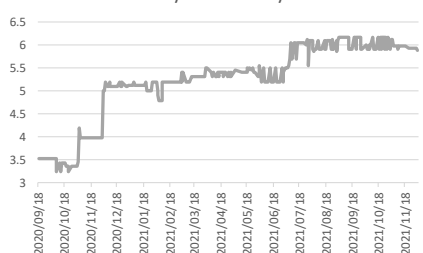
Financial Market commentary

- The oil markets have kicked off the new week on the front foot with the front-month Brent and WTI contracts up over 2% on the morning so far after Saudi Arabia raised the price of its key Arab Light crude grade for Asian customers by 60cents a barrel for January. This took the price to \$3.30 per barrel higher than the regional benchmark, signalling that the Saudi's are confident that demand will remain high. It is a bit of an odd move given the uncertain outlook for demand going forward as a result of the new travel restrictions, as well as the expected shift to a market surplus in early 2022, especially after OPEC+ kept to its plans to increase output by 400k barrels a day next month. Once the initial reaction to this move has faded, the market should settle down again, with traders looking to the new infections and hospitalisations data to gauge if new tighter lockdown measures are coming.
- The price of gold remained steady this morning in the Asian session as investors weighed up data which showed the US labour market tightening even though the jobless rate is almost at pre-pandemic lows, against the repeated confirmations by the Fed that they are ready to hike earlier than originally thought. Spot bullion is currently changing hands at \$1784.00/oz at the time of writing with the bias tilted slightly to the upside ahead of the EU open.
- The benchmark 3m LME copper contract has recovered about half of its 0.8% loss on Friday during the Asian session as investors fear supply constraints as MMG Ltd will shut down production at its Las Bambas copper mine in Peru. The decision to close the mine by mid-December came as a result of a road blockade where locals block the road which the mine uses to get its produce to port stating environmental concerns. Reuters reported that executives urged the government to build a freight rail link to avoid future disruption. "The freight rail has huge social acceptance," Carlos Castro, Las Bambas head of corporate affairs, said in an interview with Reuters.
- Taking a glance at global FX markets this morning we see the dollar on the front foot with the USD Index knocking at the door of the 96.30 mark. It's really been a case of the market experiencing a flight to safety and risk off as investors assess the broader impact of the Omicron variant on global trade and economic dynamism.

Spot BWP



BWP 5y local bond yield

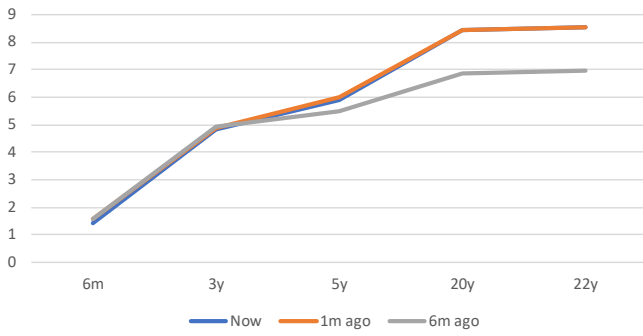


BWP-ZAR

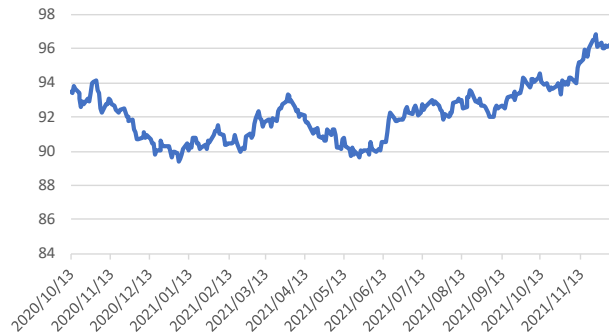


This is likely to filter through to the local open which suggests a cautious start to the week.

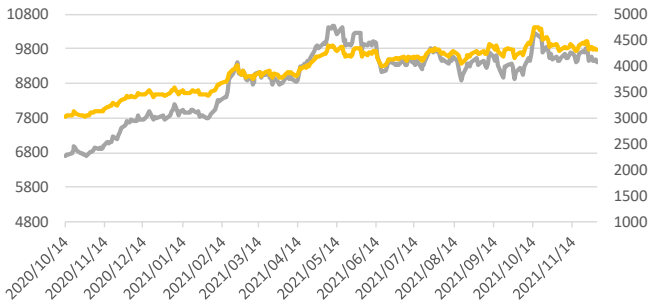
Botswana Yield Curve



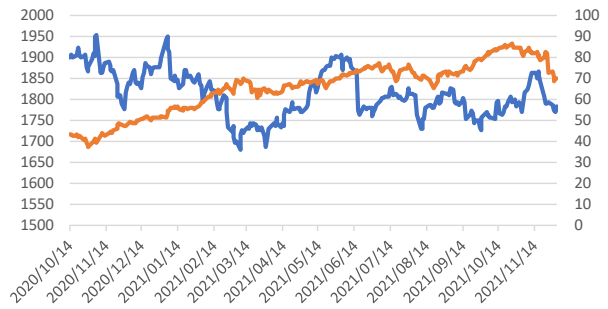
USD Index



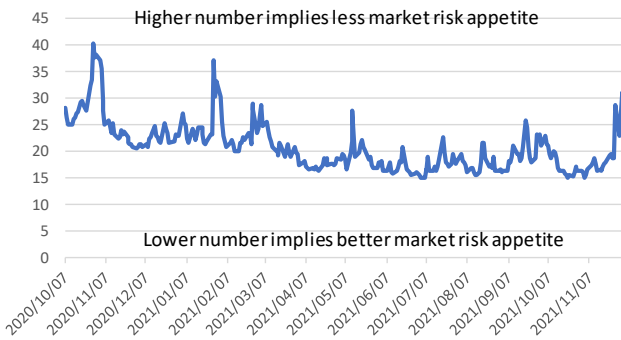
Base metals - Copper L_Hand axis LME Index
R_Hand axis



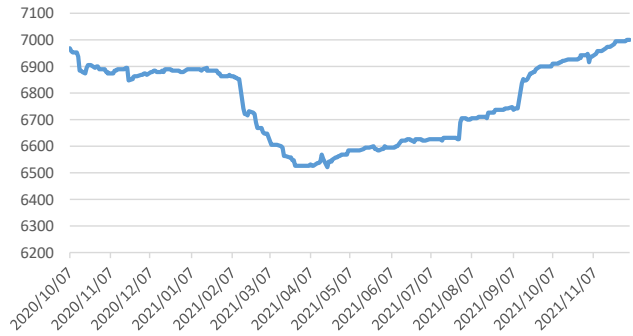
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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