

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	Botswana to sell BWP4bn of 7-Day Certificates			
13:30	US	Wholesale inventories m/m	Jan P	0.10%	0.10%
14:00	US	House price index m/m	Dec	\$-0.2%	-\$0.1%
14:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Dec		6.77%
14:45	US	Chicago PMI	Feb	45	44.3
15:00	US	Consumer confidence	Feb	108.4	107.1
15:00	US	Richmond Fed manufacturing index	Feb		-11.00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
US durable goods orders	US durable goods orders declined 4.5% in January, marking a notable slowdown from the 5.1% expansion in the prior month, which if sustained could be a signal of growing economic stress	The 4.5% contraction in durable goods orders in Jan was the biggest since the onset of the pandemic in Apr 2020	4/5 (economy)	While durable goods orders declined sharply, it is worth noting that new orders growth for capital goods rose in Jan, suggesting there was still some appetite for businesses to invest; however, the outlook is darkening with a recession expected later this year
Japan industrial output	Japanese industrial output contracted 4.6% m/m and 2.3% y/y in Jan, pointing to rising economic stress even as domestic demand remains relatively healthy	Given the export-focussed nature of Japan's economy, the data point to a weakening global economy	4/5 (economy)	As central banks' aggressive rate-hike cycles filter through into the global economy, it will likely face a significant downturn through the quarters to come, with initial signs starting to show
Brexit	UK PM Sunak and EC President von der Leyen struck a new Brexit deal concerning trade rules for Northern Ireland yesterday, agreeing to remove "any sense of a border" between Britain and its Irish province	The issue of Northern Ireland has been one of the most contentious related to Britain's 2020 departure from the EU	4/5 (geopolitics)	It remains to be seen whether the new terms will go far enough to end the political deadlock in Northern Ireland, where perceptions that the protocol loosened ties with Britain have angered many unionist communities

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US consumer confidence	Conf. Board consumer confidence stats scheduled for publication today will likely reflect a slight improvement in household sentiment in Feb given the continued tightness of the labour market	While the US economic outlook remains uncertain, data suggest that the current economic conditions remain strong	4/5 (economy)	Abating inflationary pressure and a resilient labour market continue to keep consumers relatively upbeat, although the full impact of the Fed's aggressive tightening cycle has not yet worked its way through the economy, meaning there are considerable downside risks to sentiment
Eurozone inflation	Eurozone CPI data scheduled for release this week will likely reflect moderating headline inflation in Feb, but core inflation may remain high and sticky	Disinflation in Europe points to the eventual end of the ECB's rate-hike cycle, although persistent upside risks will keep the central bank cautious	5/5 (economy, monetary policy)	Disinflation is starting to take hold in Europe as energy price pressures ease, but sticky core inflation speaks to the pass-through of higher input costs and wage growth that will keep the ECB hawkish for a while longer
BoJ monetary policy	Incoming BOJ Deputy Governor Uchida brushed aside the possibility of an immediate overhaul of ultra-loose monetary policy in Japan	Speculation that the days of ultra-loose monetary policy in Japan are limited has been rife since the BoJ changed its yield curve control policy	3/5 (monetary policy)	Recent intimations from the BoJ suggest that it may be premature to double down on speculative bets that a hawkish policy shift in Japan lies ahead, especially since inflationary pressures may not be sustainable given companies' reluctance to raise wages

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Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.322208	1.333632	1.3476881	1.430876
BWPUSD	0.071712	0.093496	0.073094	0.077559
GBPGBP	16.62752	16.762512	16.26779	15.795444
BWPEUR	0.073424	0.074048	0.0693645	0.072624
JPYBWP	10.5872	10.6704	10.00185	10.43955
USDZAR	17.699808	19.187168	18.114647	18.772061
EURUSD	1.015872	1.100944	1.0396815	1.0771255
GBPUSD	1.155648	1.25216	1.1827335	1.22507

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.075	0.0000	1m	-2.262	-1396.26
BWPGBP	0.0623	0.0001	3m	-6.28875	-2659.559
BWPEUR	0.0708	0.00	6m	-11.26125	-4765.257
BWPZAR	1.3828	0.0165	12m	-22.308	-9387.197

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
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BWPEUR	0.0708	0.00	6m	-11.26125	-4765.257
BWPZAR	1.3828	0.0165	12m	-22.308	-9387.197

Dollar Index

	Close	Change
Dollar Index	104.851	0.178
EURUSD	1.0582	-0.0025
GBPUSD	1.2038	-0.0024
USDJPY	136.32	0.12
USDNGN	459.95	0
USDZAR	18.4367	0.0332

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	5.384	-0.003	SA 10y	10.065	-0.065
3y	5.34	0.19	US 10y	3.922	-0.027
5y	6.2	0	German 10y	2.587	0.058
20y	8.8	0.1	Spread SA 5y vs Bots 5y bpts	238	-6
22y	8.9	0			

International Fixed Income

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Equities

	Close	Change		Close	Change
VIX	20.95	-0.72	Gold	1817.31	6.5
Dow Jones	32889.09	-336.99	Brent Crude	1810.81	-0.71
FTSE	7935.11	-29.06	3m Copper	1822.64	85.5
JSE All share	77513.78	-2073.06	LME Index	1825.04	49.6
Bots DCIBT	7847.21	0	1 carat index	1834.3232	
Nigeria Index	55328.42	302.83			

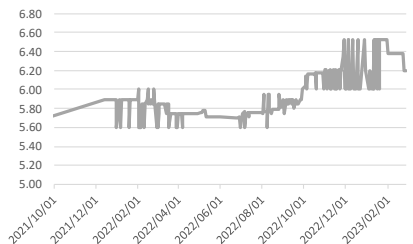
Commodities

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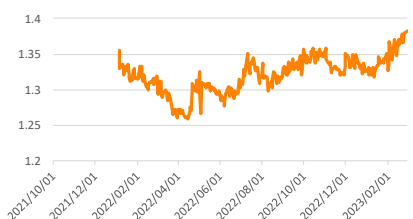
Spot BWP



BWP 5y local bond yield



BWP-ZAR



Investors continue to digest news flow concerning the extent of corruption at South Africa's Eskom. While the USD's broad-based overvaluation is increasingly difficult to ignore at current levels, SA's idiosyncratic risks will continue to keep investors on edge for a while longer as they assess whether more bad news will need to be priced into South African assets or not. Having said that, the balance of risks does favour some degree of a recovery through the months ahead given how much risk is already reflected.

Quite often, a crisis galvanises roleplayers to take action, which would be welcome in the circumstances. With so much damage done, desperation across many different circles and industries is threatening vested interests. The revelations concerning Eskom last week will force some change, welcome or not and more wrong-doing will be unearthed. This is a challenging time in SA, and finding the silver lining to help investors trade more constructively is difficult. Investors' natural instinct would be to sell and punish the authorities for malfeasance and maladministration. Still, one always needs to bear in mind what is already baked into the price of an asset.

In the more immediate short term, some of the market's focus will shift to local data releases today. While the spotlight will likely be on South Africa's Q4 unemployment rate, it is the trade balance data for January that hold the most market-moving potential today. South Africa has enjoyed high commodity prices over the past two years, leading to a large trade surplus. However, the gap between exports and imports is narrowing, with a deficit being forecast for January.

Financial Market Commentary

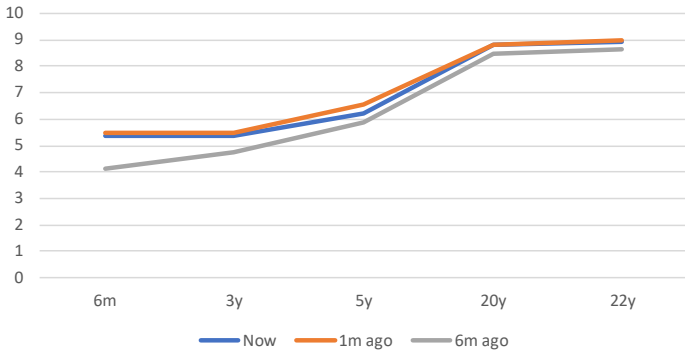
The USD-ZAR will likely test the 18.5000 level again today, although the market may require a strong catalyst to sustain any breaks through this resistance level. With every failed attempt, the pair loses some topside momentum and looks readier for a turnaround. Given how much in the way of Fed rate-hike risk is already priced into the USD, strong economic data out of the US is having less of an impact on the pair. It is domestic developments supporting the topside for now, although, here too, there is already plenty in the way of risk priced into the pair. This suggests consolidation with a topside tilt may continue over the near term, with a correction lower possible if no more bad news arises on the local front.

Although the USD has slipped off its highs, it remains on the front foot this morning and not capitulating just yet. Far too many risk events keep investors from rotating away from the safe-haven currency. Thankfully, the weakness in equity markets has abated, and investors feel less risk-averse. Elsewhere, the GBP and the EUR recovered from their lows and sustained that recovery on news that the EU and UK secured a breakthrough in their Brexit negotiations. That will contain the USD's advances in the short term, although data through the next few trading sessions, starting today with the US housing and consumer confidence data, may challenge market perceptions. Any data that corroborates market expectations that the Fed needs to hike more and pushes the Fed funds futures up to 5.5% by mid-year will bolster the USD's performance. But for now, the USD is taking a breather, and as it does, it offers investors an opportunity to take stock and reassess longer-term strategies. The EUR-USD is now trading at 1.0580, while the GBP has nudged back up to 1.2040 at the time of writing. Only the JPY has failed to make back much ground as it remains close to its worst trading levels in weeks.

Locally, the BWP-USD is holding steady around the 0.0750 mark, with any drops below in intraday trade being scooped up quickly. A rebounding USD this morning and a weaker ZAR suggest that pressure will remain on the BWP as the local markets open.

Meanwhile, the usual weekly 7-day certificates auction will be taking place today.

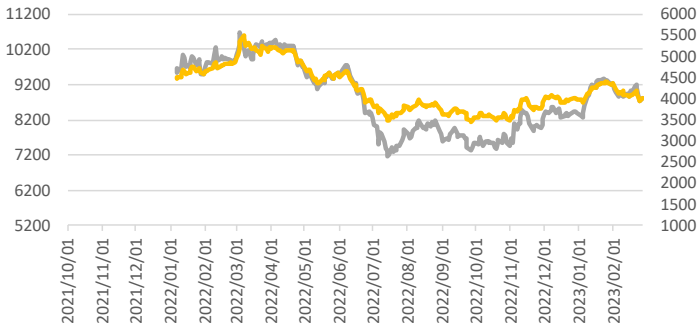
Botswana Yield Curve



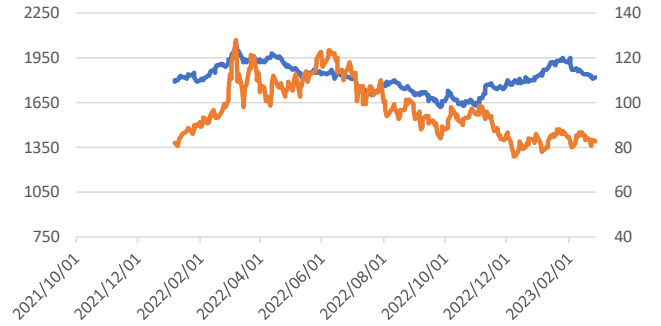
USD Index



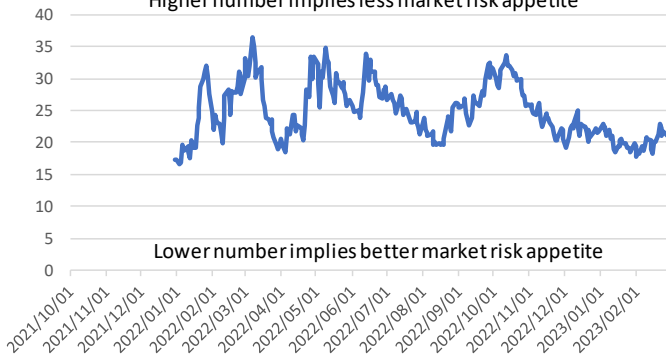
Base metals - Copper L_Hand axis LME Index R_Hand axis



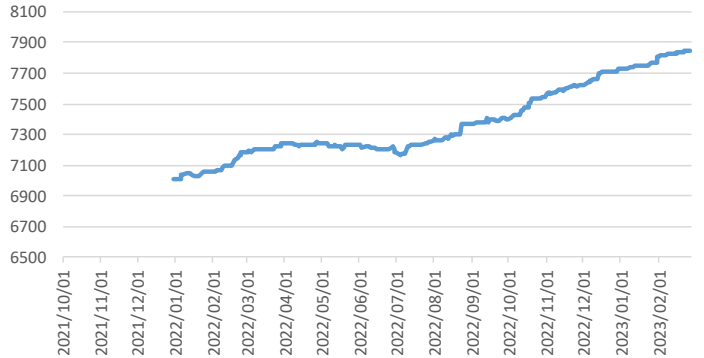
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure Higher number implies less market risk appetite



Local stockmarket performance



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