

# Botswana Market Watch 5 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
0/N	JN	Monetary base y/y	Dec	8,30% (a)	9,30%
08:55	GE	Markit services PMI	Dec F	48,40	48,40
09:00	EZ	Markit composite PMI	Dec F	53,40	53,40
12:00	US	MBA mortgage applications	Dec 31		-0,60%
13:15	US	ADP employment change	Dec	360k	534k
14:45	US	Markit services PMI	Dec F	57,50	57,50
19:00	US	Fed FOMC Meeting Minutes	Dec 15		
15:00	US	ISM manufacturing PMI	Dec	60,20	61,10

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Global supply chain</b>	Newly compiled data from the NY Fed shows that although near record-high levels, global supply chain pressures may have peaked	Supply chain pressures are enormous but likely to ease the pressure on inflation	4/5 (economy)	Supply chain disruptions have not only constrained growth but negatively impacted inflation. These are key factors to understanding monetary policy and monetary influence that exists
<b>US equities</b>	The Dow Jones achieved yet another record close yesterday, and for now, those gains look sustainable as futures are flat	The lagged effects of all the monetary and fiscal stimulus boost asset prices	3/5 (economy, markets)	While good news for those that own stocks, it also widens the disparity between rich and poor and causes inflation of a different sort
<b>OPEC + decision</b>	OPEC decided this week to stick to its planned increase in production through Feb by adding 400k bpd to production	OPEC are more comfortable that there will not be a big surplus to hurt prices	3/5 (economy, markets)	It offers further confirmation that the global economy is on the mend, although it may not do enough to constrain future inflationary pressures

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Fed nominations</b>	Fed Chairman Powell will make his first public appearance of the year, joined by Lael Brainard, who will also be considered for the role of Chairman and Vice	The Senate Banking Committee will likely ratify both nominations in a boost to continuity	2/5 (markets)	Alongside the choices of Chairman and Vice Chairperson, President Biden will also consider a further three candidates for key leadership roles, and diversity will be a key consideration
<b>IMF forecast delay</b>	The IMF has delayed the release of its World Economic Outlook by a week to the 25 <sup>th</sup> Jan as it seeks to take recent Covid-19 developments into consideration	There have been greater restrictions and disruptions due to the 4 <sup>th</sup> wave, which will lower GDP growth	4/5 (economy)	The IMF will downgrade its growth outlook due to the spread of the Omicron variant and the restrictions imposed. The impact will likely be temporary
<b>US labour market</b>	On Wed, the latest private-sector ADP data will be released, followed by initial claims on Thu and the payrolls data on Fri	Labour market data remains a key barometer of economic activity	4/5 (economy, markets)	It is unlikely that the data will yet reflect any negative impact of Omicron despite the government responses. It remains a rapidly tightening labour market

## Highlights news vendors

**CNBC** - [Cathie Wood and China — ETF experts on whether these underperformers could make a 2022 comeback](#)

**ALL AFRICA** - [Sudan in Difficult Position After PM's Resignation - Analysts](#)

**FT** - [Chinese banks cut back traditional lending as concern over economy mounts](#)

**SOUTH CHINA POST** - [China's extension of expat tax breaks praised by Western companies, but business concerns remain](#)

**REUTERS** - [North Korea fires suspected missile as S.Korea breaks ground for 'peace' railway](#)

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.3020	1.3218	1.3271	1.4182
BWPUSD	0.0811	0.0935	0.0827	0.0883
GBPGBP	16.4118	16.6499	16.0568	15.6893
BWPEUR	0.0778	0.0789	0.0735	0.0774
JPYBWP	0.0000	0.0000	9.6285	10.1140
USDZAR	15.4092	16.7090	15.7704	16.3475
EURUSD	1.0839	1.1747	1.1093	1.1493
GBPUSD	1.2983	1.4069	1.3287	1.3765

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.8275	-10.42177
BWPGBP	0.0625	0.0001	3m	-7.77075	-24.65846
BWPEUR	0.0748	-1E-04	6m	-17.121	-54.08
BWPZAR	1.3553	0.004	12m	-38.97075	-169.9541

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.8275	-10.42177
BWPGBP	0.0625	0.0001	3m	-7.77075	-24.65846
BWPEUR	0.0748	-1E-04	6m	-17.121	-54.08
BWPZAR	1.3553	0.004	12m	-38.97075	-169.9541

Dollar Index	Close	Change
EURUSD	1.129	0.0005
GBPUSD	1.3522	-0.001
USDJPY	116.01	-0.13
USDNGN	412.49	0
USDZAR	16.0394	0.0347

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.549	-0.002	SA 10y	9.43	0.095
3y	4.83	0	US 10y	1.649	0.0123
5y	5.89	0.29	German 10y	-0.128	-0.004
20y	8.46	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		206.5	-1

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Equities

	Close	Change		Close	Change
VIX	16.91	0.31	Gold	1814.56	-13.8303
Dow Jones	36799.65	246.76	Brent Crude	80	2.22
FTSE	7505.15	0	3m Copper	9768	47.5
JSE All share	75052.06	13.21	LME Index	4540.6	38.6
Bots DCIBT	7009.61	0	1 carat index	6336	0
Nigeria Index	43026.23	0			

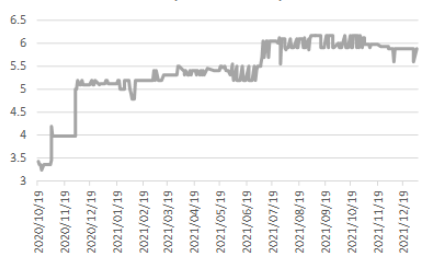
Commodities

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Spot BWP



BWP 5y local bond yield



BWP-ZAR



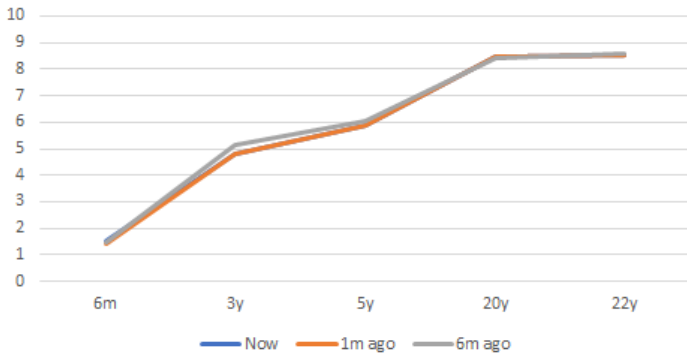
## Local and regional talking points

- It remains very quiet on the local front, with newsflow thin and no economic data to report on until the next CPI release, which will take place next week.
- There were some major developments out of South Africa yesterday, however. The first phase of state capture report was released to the public, and it made for very interesting reading. Recommendations include the setting up of an independent anti-corruption watchdog where the government has no influence. Although one could argue that this already exists through the NPA and the Hawks, it is clear that this has not worked well and was too open to political manipulation. The commission also recommended charging Dudu Myeni for fraud and corruption. Some of the findings included that former President Zuma and SARS Commissioner Moyane were instrumental in the dismantling of SARS, and that government cannot be trusted with the "ultimate responsibility" to fight against corruption. These are dramatic times and President Ramaphosa now has to follow through and ensure that the findings generate accountability that would justify the enormous expense of the exercise. Ramaphosa's difficulty is doing so without splintering his party and so he will proceed carefully and perhaps with greater sensitivity than many would like.

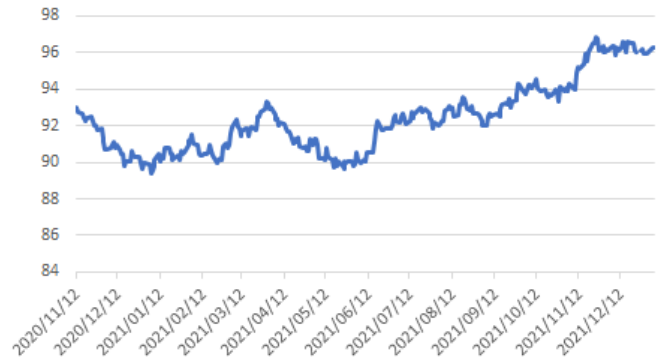
## Financial Market commentary

- The USD remains contained in a well-worn range in the trading session ahead. It is unlikely to develop significant directional momentum ahead of some key US data releases that include the private sector ADP data today, the weekly jobless claims tomorrow and the non-farm payrolls numbers on Friday. The combination will be market-moving for emerging and frontier market currencies and will keep some investors cautious.
- One also needs to keep an eye on the Omicron Covid-19 variant developments. A WHO official yesterday confirmed South Africa's findings that the Omicron variant affects the upper respiratory tract more than it does the lungs and that the symptoms are far milder, hospitalization far lower as is the mortality rate. Indeed, it is great news, and more such findings will be released in the coming weeks. As Covid becomes endemic and the current wave of infections passes, so the resultant immunity will likely mean that the pandemic could be declared a thing of the past later this year. Great news all around and reduces overall levels of risk aversion, which would help support some EM currencies, including the BWP.
- Looking at the BWP, yesterday it held flat once again at around 0.0845. We still, however, expect the BWP-USD will potentially rise back above the 0.0850 mark after this support level was broken in the interbank market at the end of December. The new support level to keep an eye on will be 0.0840 with resistance beyond 0.0850 at the 0.0860 mark, a level tested on 27 December.
- Meanwhile, there were also some key developments in the oil markets yesterday. OPEC+ agreed to stick to its initial plans and increase oil output by a further 400k barrels per day in February. This announcement was largely expected and thus didn't move the market, with the Brent front-month contract still trading just below \$80 per barrel. Not only was the announcement expected, but the market has questioned whether or not the actual increases will reach that figure, given constraints in many members operations as well as the likes of Russia nearing full capacity already. This prevented any losses for oil prices on the day as the still positive demand outlook means that the market could, in fact, tighten over the coming months.
- Adding fuel to this view was the release of the API data out of the US yesterday, which showed stockpiles dropped by a massive 6.43mn barrels last week. However, the \$80 per barrel mark seems to be the line in the sand to the topside for Brent, with concerns over Chinese demand preventing a rally from taking hold given that another city there has gone under lockdown. For as long as China maintains its zero-COVID policies, the markets will remain cautious of going too long. Investors will also be wary over the near term of the rebalancing of two major global commodity indices. This will take place over the next two weeks or so and could lead to some near-term downside pressure on prices.

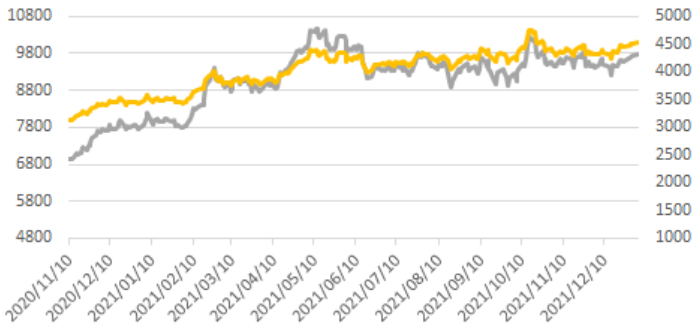
### Botswana Yield Curve



### USD Index



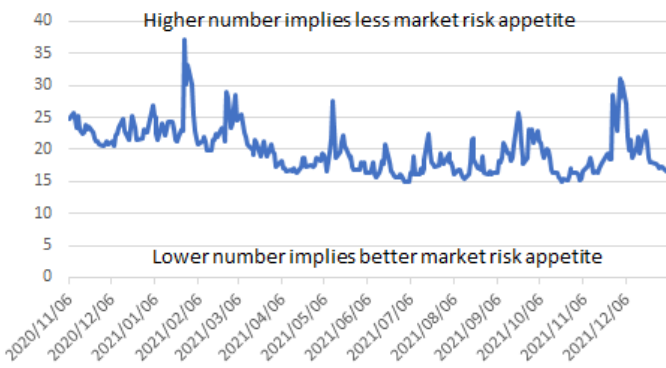
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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