

Botswana Market Watch 6 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
13:00	GE	CPI y/y	Dec P	5,10%	5,20%
13:30	US	Initial jobless claims	Dec 25	199k	198k
13:30	US	Trade balance	Nov	\$-74,65bn	\$-67,10bn
15:00	US	Durable goods orders m/m	Nov F		2,50%
15:00	US	ISM non-manufacturing composite PMI	Dec	67,00	69,10
15:00	US	Factory orders	Nov	1,50%	1,00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Fed minutes	The Fed surprised the market with its minutes. It was more hawkish than anticipated, even discussing the timing of reducing the size of its balance sheet	The Fed will want to ensure inflation expectations are anchored and will respond to do so	4/5 (economy, monetary policy)	The Fed is very concerned about the rapidly tightening labour market and the inflation episode that might follow given the unprecedented amount of monetary stimulation applied
US labour market	The first of three key releases showed that private-sector payrolls rose by an enormous 807k jobs in December	The effects of Covid dissipated, and the impact of Omicron has yet to be seen	4/5 (economy)	The outcome was more than double the market consensus and suggests that companies have regained their confidence to hire at pace
UK Omicron impact	Shopper numbers fell sharply in Dec to 18.9% below pre-pandemic levels, as concern, fear, and nervousness hit consumption	December will produce disappointing retail figures	3/5 (economy)	Although some of that will be mitigated by online shopping, the impact on traditional retailers will remain severe as Omicron ripped through the population

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fed nominations	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
US bond yields	Not only are bonds being forced to position for a taper, but they are also now pricing in a Fed that will allow their balance sheet to shrink	The pressure on the bond market is rising all the time as will the flattening pressure that is building	4/5 (economy)	A taper, followed by rate hikes and then a slow but steady balance sheet unwind, will exert significant pressure on the economy and detract from asset price trends over the longer-term
US labour market	After an enormous ADP reading, the focus will turn to the jobless claims data and the upcoming non-farm 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 - [Federal Reserve puts wheels in motion for balance sheet reduction](#)

ALL AFRICA - [Africa Approaches 10 Million Confirmed Cases of Covid-19](#)

FT - [Russian-led alliance says it will send 'peacekeepers' to Kazakhstan over protests](#)

SOUTH CHINA POST - [China-Lithuania dispute: US vows to side with Europe to beat 'economic coercion' by Beijing](#)

REUTERS - [Italy extends COVID vaccine mandate to everyone over 50](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.3053	1.3179	1.3305	1.4140
BWPUSD	0.0819	0.0935	0.0835	0.0886
GBP/BWP	16.3643	16.4998	16.0103	15.5479
BWP/EUR	0.0784	0.0791	0.0741	0.0776
JPY/BWP	0.0000	0.0000	9.7071	10.1445
USDZAR	15.3026	16.6013	15.6612	16.2421
EURUSD	1.0856	1.1764	1.1110	1.1510
GBPUSD	1.2991	1.4074	1.3295	1.3770

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	BWPUSD	BWPZAR
BWPUSD	0.0853	0.0008	1m	-2.75925	-10.42177
BWPGBP	0.0629	0.0005	3m	-7.79025	-24.921
BWP/EUR	0.0754	0.0005	6m	-17.16975	-54.4396
BWPZAR	1.356	0.0047	12m	-39.351	-172.1056

Dollar Index	96.224	0.053
EURUSD	1.1308	-0.0005
GBPUSD	1.3531	-0.0023
USDJPY	115.84	-0.26
USDNGN	412.55	0
USDZAR	15.9477	0.0515

Local Fixed Income

Yield curve	Close	Change	International Fixed Income	Close	Change
6m	1.549	-0.002	SA 10y	9.385	-0.045
3y	4.25	-0.58	US 10y	1.9999	0.0509
5y	5.89	0.29	German 10y	-0.124	0.004
20y	8.46	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		207.5	4.5

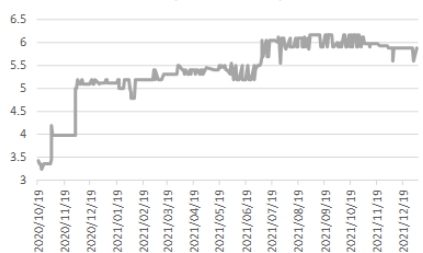
Equities

	Close	Change	Commodities	Close	Change
VIX	19.73	2.82	Gold	1809.5342	-5.0258
Dow Jones	36407.11	214.59	Brent Crude	80.8	0.8
FTSE	7516.87	120.61	3m Copper	9698	-70
JSE All share	75060.92	1329.46	LME Index	4539.2	-1.4
Bots DCIBT	7013.65	0	1 carat index	6350	14
Nigeria Index	43476.75	309.79			

Spot BWP



BWP 5y local bond yield



BWP-ZAR



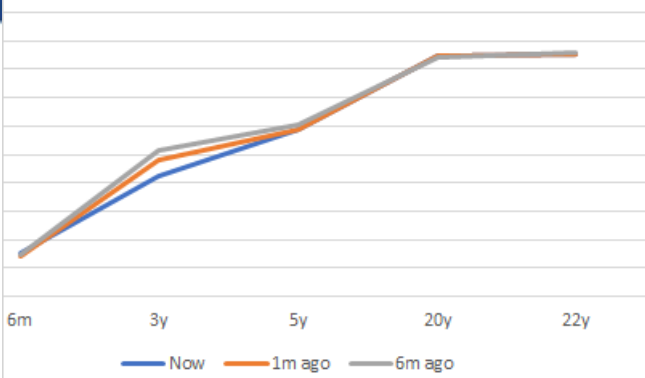
Local and regional talking points

- 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 will, however, be a virtual meeting of SADC members kicking off tomorrow, with the focus of the meeting on discussing the support to bring peace and stability to the Cabo Delgado region of Mozambique.
- Moving onto the diamond market, Israel reported a stellar year for its diamond industry with imports of polished diamonds rising by almost 95% on the year. The impressive figures reflect worldwide growth trends in the diamond industry that is expected to persist through this year. This, of course, bodes well for Botswana given that is the world's leader in diamond mining based on value. We won't see growth levels as strong as those in 2021 this year, but the outlook remains positive, especially given the growth outlook for North America, a key market.
- Looking at Botswana's northern neighbour Zambia, the country's economy-wide PMI reading came in at 51.5 in December, down from 51.8 in the previous month. Markit said in the report that the main takeout was a further expansion in new orders, while the rate of growth in new business quickened for the fourth successive month and was the strongest reading in more than 3 years. In response to higher new orders, companies expanded both their staffing levels and purchasing activity in December. The rise in employment was the seventh in as many months, while input buying increased for the third month running. Looking ahead, business confidence improved, with around 40% of respondents predicting a rise in activity over the course of 2022. Optimism generally reflected hopes of ongoing improvements in demand. That said, respondents highlighted the uncertain nature of conditions at present

Financial Market commentary

- This morning, investors will need to deal with the outcome of the latest Fed minutes, which helped the USD recover yesterday. Not only did the minutes allude to a taper, but they also pointed to the possibility of dialling back bond holdings or shrinking the Fed's balance sheet. Central to the discussions at the Fed was the high degree of inflation and the need to reduce it on a more sustainable basis to ensure that inflation expectations are not dislodged.
- The timing of balance sheet moderation is unclear, but it would make sense that it could start after the Fed has announced its first rate hike. That would generate a double whammy to asset prices that have greatly supported the ultra-loose monetary policy. Shrinking the balance sheet would likely take much the same shape as it did previously. As bonds mature, the central bank would not roll them over, they would be redeemed, and the balance sheet would shrink.
- Interestingly, the USD did not follow through with its rally, implying that the pressure on emerging market currencies to depreciate would also ease. This week remains tricky in picking a direction, and the safest place would be the safety of the sidelines until the dust settles and trading volumes return to more normal levels.
- The BWP-USD, meanwhile, had a good session yesterday, appreciating to 0.0853 for its first gain in the interbank market since 29 December. With the break above the 0.0850 mark, the door is open for it to rise back towards levels near 0.0860. We may, however, need to wait until next week when liquidity levels normalize again before we see any more significant moves for the local currency.

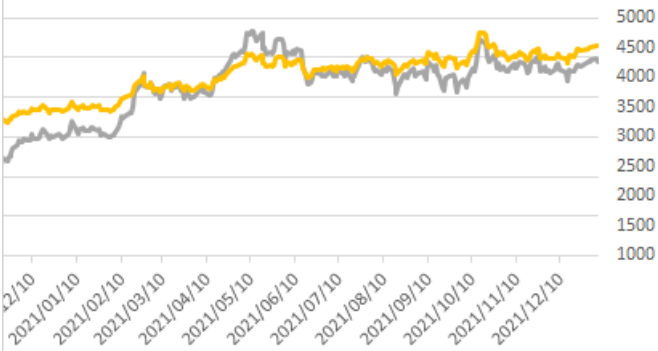
Botswana Yield Curve



USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

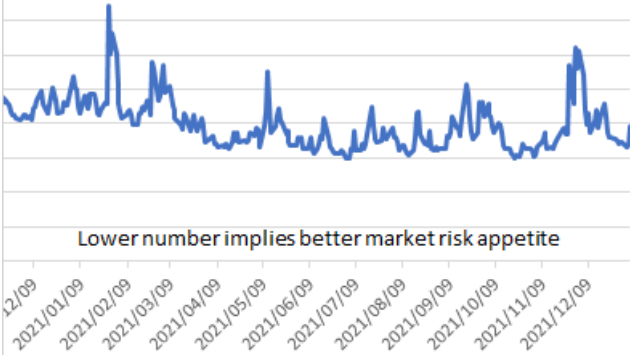


Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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