

# Botswana Market Watch 7 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
07:00	GE	Industrial production wda y/y	Nov	-0,80%	-0,60%
07:00	GE	Trade balance	Nov	12,80bn	12,80bn
10:00	EZ	CPI estimate y/y	Dec	4,80%	4,90%
10:00	EZ	Consumer confidence	Dec F		-8,30
10:00	EZ	Retail sales y/y	Nov	5,60%	1,40%
13:30	US	Change in nonfarm payrolls	Dec	400k	210k
13:30	US	Unemployment rate	Dec	4,10%	4,20%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>German inflation</b>	German y/y inflation slowed for the first time in six months, but remained well above the ECB's price stability target of 2.0%	Inflation in Germany peaked at 5.9% in Nov and appears to have turned	<b>4/5</b> (economy, monetary policy)	This will come as some relief and will lend credibility to the expectation that the inflation spike will indeed prove temporary
<b>US labour market</b>	The ADP data impressed, coming in much stronger than first anticipated, while weekly jobless claims remained subdued, albeit that they rose slightly last week	The effects of Covid dissipated, and the impact of Omicron might only unfold in the weeks ahead	<b>4/5</b> (economy)	Although the weekly jobless claims data did not impress in the way that the ADP data did, it also did not detract from the message even as initial claims and continuing claims rose from their lows
<b>UK services</b>	The HIS/Markit/CIPS services PMI reading fell to the lowest since Feb 2021, when the UK experienced its last lockdown	Omicron and the government response to it dealt the economy a big blow	<b>3/5</b> (economy)	That being said, the PMI was still above the breakeven 50.0 index reading and continues to point to growth, even though hospitality and tourism suffered

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	<b>2/5</b> (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>US markets</b>	US Treasuries are firmly on the defensive. More aggressive tightening is being priced in, but the USD is not surging stronger on the news	The USD seems better positioned for the US rate hike outlook than the bond market does	<b>4/5</b> (markets)	Support for the USD might be key to how many markets around the world behave, especially EM markets that use the behaviour of the USD to gauge broader levels of risk appetite
<b>US labour market</b>	Two down, one to go. The main data event of the week will be the US non-farm payrolls figures out this afternoon	Investors will be looking for confirmation that the market is improving	<b>4/5</b> (economy, markets)	The private sector ADP and the weekly jobless claims data continue to allude to a tightening labour market. Today's payrolls data will be the ultimate arbiter



## Highlights news vendors

**CNBC** - [The Federal Reserve is scaring markets with the triple threat of policy tightening](#)

**ALL AFRICA** - [New Hope for Zimbabwe Small Farmers After Ravages of Cyclone Idai](#)

**FT** - [Joe Biden blames Donald Trump for Capitol riots on January 6 anniversary](#)

**SOUTH CHINA POST** - [China promotes peace conference for Horn of Africa nations](#)

**REUTERS** - [China's Henan adds COVID curbs as cases rise, Xian official apologises](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.2759	1.2942	1.3005	1.3885
BWPUSD	0.0811	0.0935	0.0827	0.0882
GBPWP	16.4565	16.6720	16.1005	15.7102
BWPEUR	0.0778	0.0788	0.0735	0.0773
JPYBWP	0.0000	0.0000	9.6187	10.0936
USDZAR	15.0994	16.3788	15.4533	16.0244
EURUSD	1.0848	1.1756	1.1102	1.1502
GBPUSD	1.3003	1.4088	1.3308	1.3783

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0845	0
BWPGBP	0.0624	0
BWPEUR	0.0747	-1E-04
BWPZAR	1.3286	-0.0234

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.75925	-11.11039
3m	-7.86825	-25.97694
6m	-17.1795	-55.88438
12m	-38.727	-172.8242

Dollar Index

	Close	Change
EURUSD	1.1302	0.0011
GBPUSD	1.3544	0.0016
USDJPY	115.89	0.07
USDNGN	412.79	0
USDZAR	15.7225	-0.005

Local Fixed Income

Yield curve	Close	Change
6m	1.55	0.001
3y	4	-0.25
5y	5.6	-0.29
20y	8.4	-0.06
22y	8.5	-0.03

International Fixed Income

	Close	Change
SA 10y	9.43	0.045
US 10y	1.7281	0.0282
German 10y	-0.068	0.056
Spread SA 5y vs Bots 5y bpts	232.5	29.5

Equities

	Close	Change
VIX	19.61	-0.12
Dow Jones	36236.47	-392.54
FTSE	7450.37	11.72
JSE All share	74165.25	8.86
Bots DCIBT	7042.22	4.04
Nigeria Index	43607.94	450.52

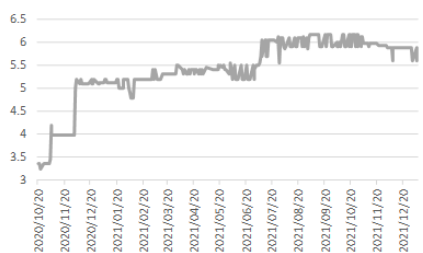
Commodities

	Close	Change
Gold	1788.6758	-20.8584
Brent Crude	81.99	1.19
3m Copper	9531	-167
LME Index	4488.8	-50.4
1 carat index	6350	0

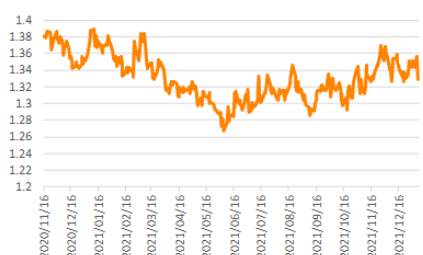
Spot BWP



BWP 5y local bond yield



BWP-ZAR



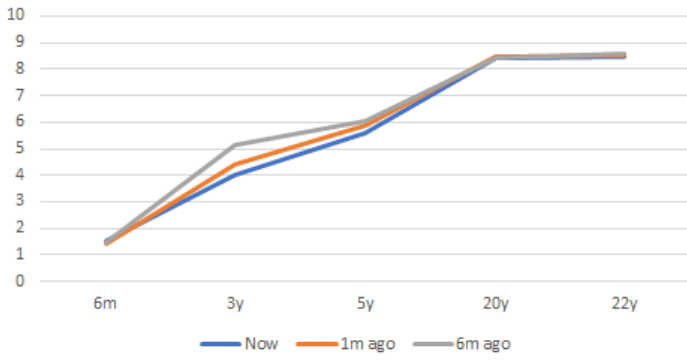
## Local and regional talking points

- The Sustainable Energy Fund for Africa (SEFA), an entity managed by the African Development Bank, has approved a \$1mn grant to facilitate a transition to green energy in Botswana. This will help the government close critical gaps in its frameworks that will drive the country to a more sustainable path. The funding will help to drive outputs such as a national Grid Code, Electricity Cost of Service Study (CoSS) and licensing framework to regulate power sector activities. This will support the implementation of Botswana's first Integrated Resource Plan (IRP), thus facilitating investments in new solar PV and wind generation capacity, amounting to at least 100MW and 50MW, respectively, by 2030. It will also set the foundation for the Mega Solar initiative with Namibia, which could see the two countries eventually export renewable power to the region.
- Focus today will be with the December US employment report today, which is expected to reflect a general improvement in US labour market conditions. According to consensus expectations as per Bloomberg surveys, nonfarm payrolls should increase at a moderate pace, while it is also likely that the November figure will be revised higher. The unemployment rate is expected to decline, even as the labour force participation rate grows.
- The risk for the market is that the employment report disappoints today, given that COVID-19 cases in the States have been on the rise since November. In past months, US households have cited fear of COVID or care-taking responsibilities as the most important reason for staying out of the labour market, and the emergence and fear-based narrative surrounding the Omicron variant in December may have discouraged many Americans from joining the labour force. Today's employment report thus holds a fair amount of market-moving potential, especially given how much in the way of aggressive Fed tightening expectations is now priced in after this week's hawkish minutes.

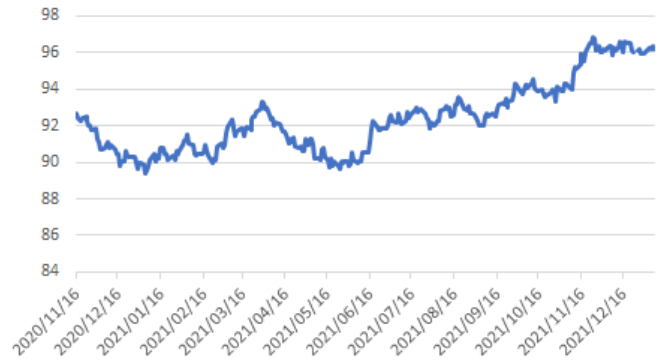
## Financial Market commentary

- The BWP-USD reversed its gains for the day earlier yesterday, dropping back down to 0.0845 after climbing to 0.0853 on Wednesday in the interbank market. The level to watch remains the 0.0850 mark now. We may, however, need to wait until next week when liquidity levels normalize again before we see any significant moves for the local currency.
- There has been a lot of head-scratching around why the ZAR has staged its recovery. One can try to retrofit reasons after the fact to make the move sound plausible, but in truth, it has caught and is catching a lot of investors by surprise. The fact that it has bucked broader emerging market trends makes it especially peculiar in that there has been no SA specific information or data that would warrant it.
- FRAs are pricing in more rate hikes, but that was known. The ZAR is undervalued, but it has been that way for several years now. Commodity prices are buoyant, but that began in Q4 2020, and the trade and current account surpluses have persisted throughout the year. One could point to the Zondo commission findings, but those would require follow-through in prosecutions to mean anything, while the improved fiscal position was highlighted and detailed in the MTBPS. None of the local data has been particularly good either, so this is one of those times when background corporate flow most likely related to mining exports have provided some directional impetus. It comes at a time when liquidity levels remain thin, and one must therefore proceed very cautiously in reading too much into the move.
- However, it highlights that there may be some resilience to the ZAR after all. Interestingly, the latest run of the ZAR Sentiment Indicator shows that the professional market also feels that the ZAR offers value at current levels. It has bounced firmly back into appreciative territory, implying that the professional market feels levels back below the 15.00 handle is justified by Q3 2022.

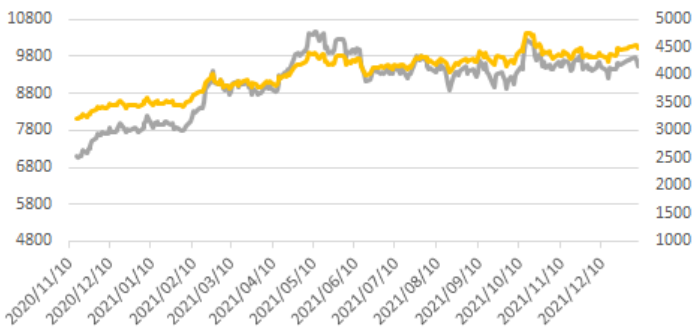
### Botswana Yield Curve



### USD Index



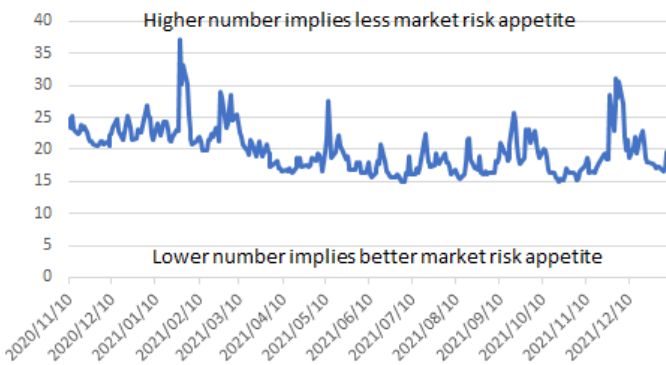
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



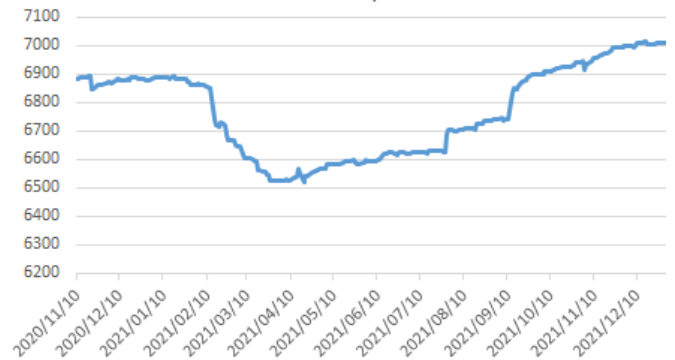
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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