

Botswana Market Watch 11 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	7-Day Certificates Auction (BWP5.3bn)			
9:00	SA	Bond auction (R3,900mn of R 2030, 2037, 2044)			
11:00	SA	Manufacturing production n.s.a y/y	Nov		-8,90%
05:00	JN	Leading index	Nov P	103 (A)	101,50

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine talks	80 hrs of "frank talks: resulted in no breakthrough. While the US seeks to end Russian troop build-up on the Ukraine border, Russia wants the Nato expansion to stop	This is a classic stand-off with strongly opposing views. Tensions will remain high	4/5 (geopolitics)	Some very careful negotiating will be needed to resolve this impasse, and a bit of give and take will be needed from both sides. Nato is preparing for another invasion by Russia.
Covid	Restrictions, more than the symptoms of Covid, impact the functioning of economies. Governments are gradually easing them	2022 is turning into the year where pragmatism will decide how governments respond	4/5 (economy)	Long quarantine times are unnecessary and keep key health workers out of positions to help, even if they are asymptomatic. Quarantine periods have shrunk
Fed Powell Comments	Ahead of his remarks to the Senate Banking Committee, Fed Chairman Powell has released his comments which commit him to ensure that inflation remains well contained	Powell painted a picture of a strong economy headed towards full employment, but with high inflation	3/5 (economy)	The more hawkish tone in the recent Fed minutes was confirmed yesterday when Fed Chairman Powell's pre-prepared comments for his confirmation hearing were released. US monetary policy is set to tighten as inflation spikes

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fed nominations	Fed Chairman Powell will make his first public appearance of the year today, joined by Lael Brainard, later in the week for their confirmation hearings	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 rate hikes	Fed funds futures are now actively pricing in nearly four rate hikes for 2022, although inflation is still considered a wild card and could alter expectations	Given how bullish stock markets have turned given strong earnings, such hikes will not derail GDP	3/5 (economy)	The hikes are now fully priced, so one needs to question where the next catalyst to push the USD stronger will come from. Around current levels, the USD is overvalued
US inflation	With the labour data out of the way and the Fed's minutes turning hawkish, the upcoming inflation data will be key to gauge the degree of price pressures	Inflation data is a key market-moving development that will impact broader market sentiment	4/5 (economy, markets)	Should Powell and Brainard retain a clear hawkish tone in their interviews before the Senate Banking Committee, and inflation remains hot, the USD will likely regain lost ground

Highlights news vendors

CNBC - [Jamie Dimon sees the best economic growth in decades, more than 4 Fed rate hikes this year](#)

ALL AFRICA - [Sudan Protest Organisers Reject UN Mediation Offer](#)

FT - [Federal Reserve's second-in-command resigns after trading scandal](#)

SOUTH CHINA POST - [China's industrial automation efforts give hope to struggling industries](#)

REUTERS - [Merck expects COVID-19 pill molnupiravir to be effective against Omicron](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.2831	1.2970	1.3079	1.3915
BWPUSD	0.0819	0.0935	0.0835	0.0886
GBP/BWP	16.4178	16.5766	16.0626	15.6202
BWPEUR	0.0782	0.0789	0.0739	0.0774
JPY/BWP	0.0000	0.0000	9.6580	10.0936
USDZAR	15.0421	16.3188	15.3947	15.9658
EURUSD	1.0885	1.1796	1.1141	1.1540
GBPUSD	1.3048	1.4140	1.3354	1.3834

Interbank Spot Foreign Exchange

	Close		Change	
	BWPUSD	BWPGBP	BWPUSD	BWPZAR
BWPUSD	0.0853	-0.0002	1m	-12.03666
BWPGBP	0.0628	-0.0001	3m	-7.761
BWPEUR	0.0753	0.0001	6m	-17.03325
BWPZAR	1.3357	-0.0203	12m	-38.5905

Forward Foreign Exchange

	Close		Change	
	BWPUSD	BWPGBP	BWPUSD	BWPZAR
BWPUSD	0.0853	-0.0002	1m	-12.03666
BWPGBP	0.0628	-0.0001	3m	-7.761
BWPEUR	0.0753	0.0001	6m	-17.03325
BWPZAR	1.3357	-0.0203	12m	-38.5905

Dollar Index

	Close	Change
EURUSD	1.134	0.0016
GBPUSD	1.3593	0.0018
USDJPY	115.24	0.04
USDNGN	413.14	0
USDZAR	15.6697	0.0108

Local Fixed Income

Yield curve	Close	Change
6m	1.549	0
3y	4.25	-0.58
5y	5.89	0
20y	8.46	0
22y	8.53	0

International Fixed Income

	Close	Change
SA 10y	9.485	0.08
US 10y	1.755	-0.0105
German 10y	-0.036	-0.007
Spread SA 5y vs Bots 5y bpts	2045	5

Equities

	Close	Change
VIX	19.4	0.64
Dow Jones	36068.87	-4.81
FTSE	7445.25	34.91
JSE All share	73830.47	-225.54
Bots DCIBT	7049.28	0
Nigeria Index	43897.13	246.48

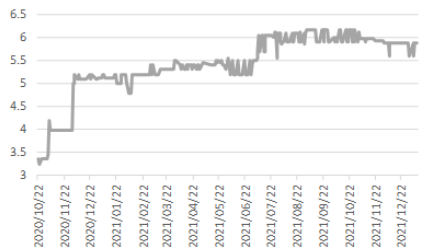
Commodities

	Close	Change
Gold	1795.6321	6.9563
Brent Crude	81.75	-0.24
3m Copper	9647	116
LME Index	4524	35.2
1 carat index	5748	-602

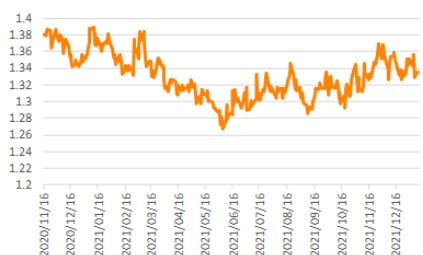
Spot BWP



BWP 5y local bond yield



BWP-ZAR



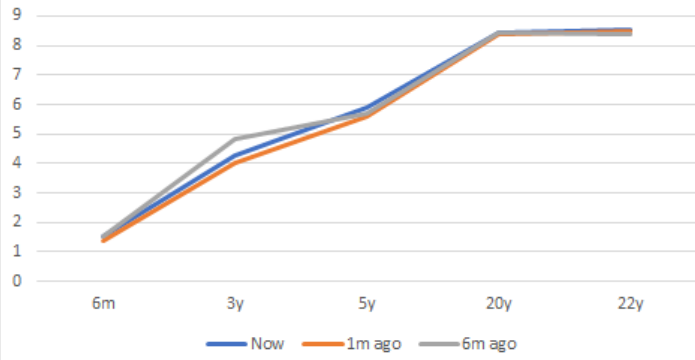
Local and regional talking points

- The local market remains fairly quiet, with focus still on the latest CPI figures which will only be released on Friday. Today, however, we will have the first local auction for the year, with BWP5.3bn of 7-day certificates up for auction. Demand dynamics will be interesting to see given the outlook for rates currently and what could be some liquidity management issues given how early it is in the year.
- Meanwhile, the EU has agreed to lift its travel ban on southern African countries, allowing more travel to resume following the Omicron scare late last year. Travellers from those countries will have to undergo PCR tests and follow the same protocols that other third-party nations currently have to. Some nations in the EU had already eased their restrictions, but these guidelines from the EU Commission will see that all do. There may still be time to salvage something from the Southern African summer tourism season. However, the wind was knocked out of its sails when the revelation of Omicron triggered the "emergency brake" response from many developed market economies.
- Slowly, countries are coming to terms with the need to live with this coronavirus and that trying to stop it is futile and economically damaging. With a combination of vaccine-induced immunity coupled with natural immunity, 2022 is rapidly shaping up as the year when the authorities will be forced to ease restrictions wholesale. The push against government vaccination mandates is growing louder by the day and is proving equally questionable, given that vaccines do not prevent the spread of the virus. On this front, South Africa's less restrictive policies should be lauded, and other countries may well follow

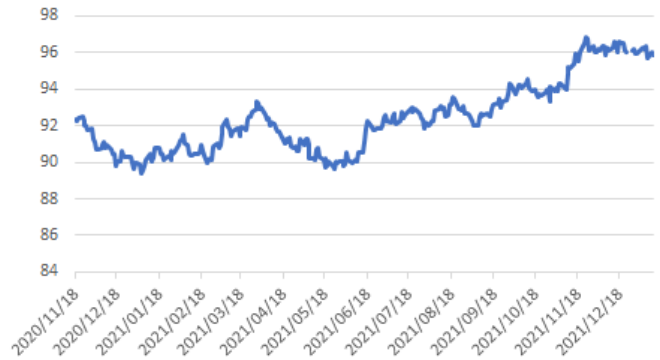
Financial Market commentary

- The BWP-USD edged marginally lower to 0.0853 in the interbank market after closing Friday's session at 0.0855. This was a result of some broad-based dollar strength and weakness seen across some of the BWP's peers, such as the ZAR. Given the focus on the US inflation story at the moment we could see the BWP-USD edge lower again in the near term given the hawkish rhetoric from the Fed and tomorrow's inflation data, which is expected to be buoyant.
- This also leaves focus on the Fed, and the policy signals that given by Fed Chairman Powell yesterday in prepared remarks he will deliver today at his Senate confirmation hearing, with nominated Fed vice-chair Brainard later this week. In his comments, Powell committed to ensuring that inflation does not become entrenched but made sure to point out the strength of the underlying economy. Add to that the US CPI release, and investors will have plenty to trade on as the week unfolds.
- Another inflationary factor to consider at the moment is oil prices. Oil prices dropped yesterday, hit by risk-averse trading conditions, which saw weakness across several asset classes. There has been a minor rebound this morning, but the front-month Brent contract is still trading near \$81.30 per barrel, retracing some of last week's gains. The weakness seen from these risk-averse conditions was exacerbated by the return of some supply from Libya and Kazakhstan and continued demand concerns out of China as COVID cases keep rising there. Libya's output has risen back to around 1mn barrels a day as its largest oil field resumed production about three weeks after it was halted due to militia attacks.
- Investors are also reminded that the world's two biggest commodities indexes -- the S&P GSCI Index and the Bloomberg Commodities Index -- will be reset this month, which could force a lot of selling in the market. Some estimates peg that up to 60mn barrels worth of futures contracts could be pulled from the market as a result. With this in mind, the upside for oil could be a bit limited over the next two weeks or so. Beyond that, robust demand and a failure of OPEC+ members to meet their supply quotas could see prices continue with their rally.

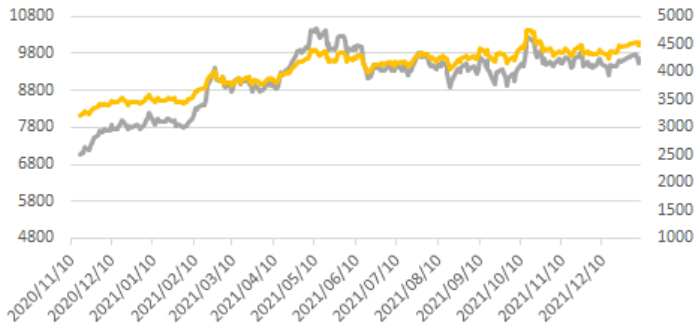
Botswana Yield Curve



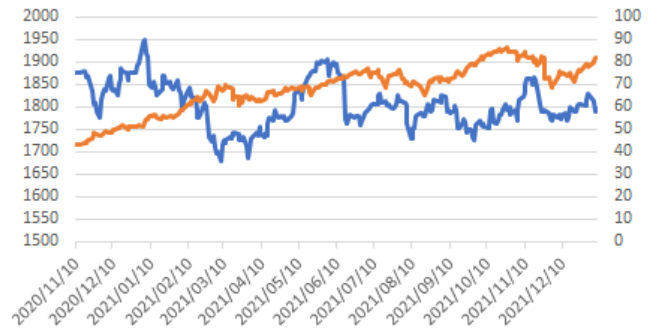
USD Index



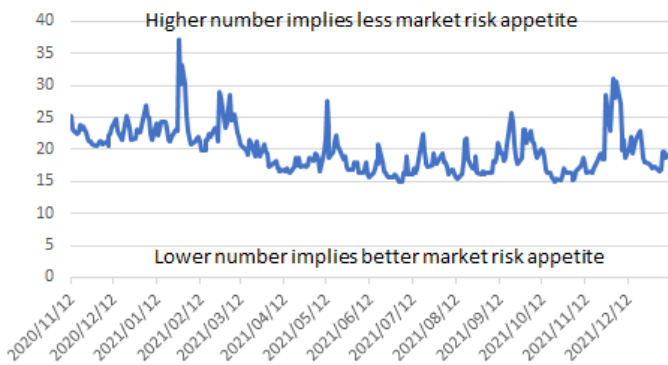
Base metals - Copper L_Hand axis LME Index R_Hand axis



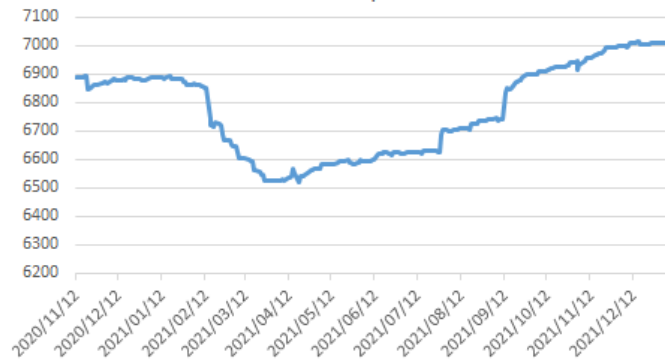
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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