

# Botswana Market Watch

## 12 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
10:00	EZ	Industrial production (wda) y/y	Nov		3,30%
13:30	US	CPI y/y	Dec		6,80%
13:30	US	Real ave weekly earnings y/y	Dec		-1,90%
19:00	US	Monthly budget statement	Dec		
19:00	US	Feds releases Beige Book			\$-191,30bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Japan business mood</b>	The Reuters monthly Tankan index for Jan fell to +17 from +22 in Dec, although the non-manufacturing index rose to +8 in Jan from +6 in Dec	The economy is under pressure from supply chain disruptions and the emergence of Omicron	3/5 (economy)	It is clear that any recovery will be fraught with fits and starts and that there is still some way to go before supply chain disruptions are tackled sustainably
<b>China inflation</b>	China's PPI slowed further as it rose 10.3% y/y in Dec vs a reading of 12.9% in Nov and a market expectation of 11.1%. Dec's CPI was 1.5% vs 2.3% in Nov and a poll of 1.8%	Inflation does appear to have turned the corner in China, which will be a precursor of price pressures elsewhere	4/5 (economy)	China has absorbed a lot of price pressures, but the pressure on it to continue doing so is easing at the moment. Good news for central banks globally that will be looking to tighten to keep price pressures contained
<b>Fed Powell Comments</b>	Fed Chairman Powell largely held the Fed line but eased concerns that the Fed was on an inflexible pre-determined path of tightening	The comments dented sentiment towards the USD that retreated in response	3/5 (economy, central bank)	There has been a lot priced into the USD concerning policy divergence between the Fed and other major central banks. The USD is now vulnerable to a sell-off

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>World Bank outlook</b>	The World Bank cut its forecasts for GDP growth in the US, the EZ and China. Global growth is now expected to slow markedly to 4.1% in 2022 from 5.5% in 2021	Inflation, supply chain disruptions and the Omicron variant has dealt a blow to GDP growth globally	4/5 (economy)	Income inequalities will ensure that poorer countries are hard hit, while vaccine prevalence divergence between DMs and EMs poses a major risk to growth in the future
<b>Supply Chain disruption</b>	Germany's BGA trade association warned this morning that massive supply chain disruptions would be felt due to the lockdown responses to Omicron	The trade body did point out that the disruptions would be temporary but should be expected	3/5 (economy)	This implies that the effects of the government responses to Omicron and previous variants will now linger for longer. Governments will need to tone down their reactions in the future
<b>US inflation</b>	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 - [China's factories try to get back to normal as virus persists. But it's far from business as usual](#)

ALL AFRICA - [Hopes That AFCON Can Help Stem Cameroon's Anglophone Conflict](#)

FT - [US companies tipped for strong earnings season despite growing threats](#)

SOUTH CHINA POST - [China's civil servants ordered to tighten their belts](#)

REUTERS - [Dollar swoons as Powell soothes policy fears; CPI test looms](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.270368	1.281504	1.2948491	1.374947
BWPUSD	0.081984	0.093496	0.0835639	0.088683
GBPWP	16.478176	16.614416	16.121677	15.655892
BWPEUR	0.078104	0.078728	0.0737858	0.077214
JPYWP	0	0	9.677625	10.103775
USDZAR	14.875296	16.124472	15.223936	15.775625
EURUSD	1.091616	1.183	1.1172008	1.1574063
GBPUSD	1.309632	1.418872	1.3403265	1.3881753

Interbank Spot Foreign Exchange

	Close		Change	
	BWPUSD	BWPGBP	BWPUSD	BWPZAR
BWPUSD	0.0854	0.0001	1m	-12.03666
BWPGBP	0.0626	-0.0002	3m	-7.77075
BWPEUR	0.0751	-0.0002	6m	-17.01375
BWPZAR	1.325	-0.004	12m	-38.454

Forward Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0854	0.0001	1m	-12.03666
BWPGBP	0.0626	-0.0002	3m	-7.77075
BWPEUR	0.0751	-0.0002	6m	-17.01375
BWPZAR	1.325	-0.004	12m	-38.454

Dollar Index

	Close	Change
EURUSD	1.1373	0.0009
GBPUSD	1.3642	0.0007
USDJPY	115.32	0.04
USDNGN	413.1	0
USDZAR	15.4936	-0.0314

Local Fixed Income

Yield curve	Close	Change
6m	1.55	0.001
3y	4.83	0.58
5y	5.89	0
20y	8.46	0
22y	8.53	0

International Fixed Income

	Close	Change
SA 10y	9.53	0.045
US 10y	1.7463	-0.0087
German 10y	0	0.004
Spread SA 5y vs Bots 5y bpts	2015	-3

Equities

	Close	Change
VIX	18.41	-0.99
Dow Jones	33851.15	0
FTSE	7491.37	-40.03
JSE All share	73971.43	-109.24
Bots DCIBT	7049.28	7.06
Nigeria Index	43859.3	42.71

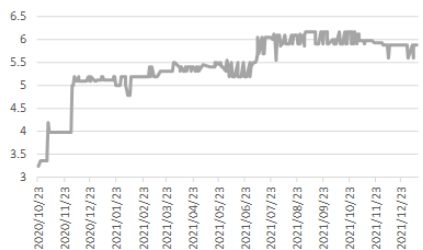
Commodities

	Close	Change
Gold	1822.01	20.6046
Brent Crude	83.72	2.85
3m Copper	per mission	#VALUE!
LME Index	per mission	#VALUE!
1 carat index	5613	-396

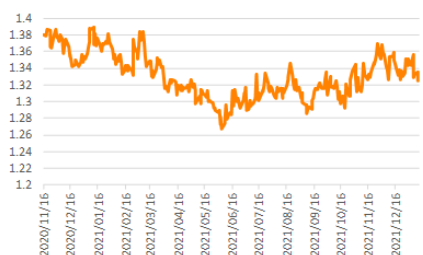
Spot BWP



BWP 5y local bond yield



BWP-ZAR



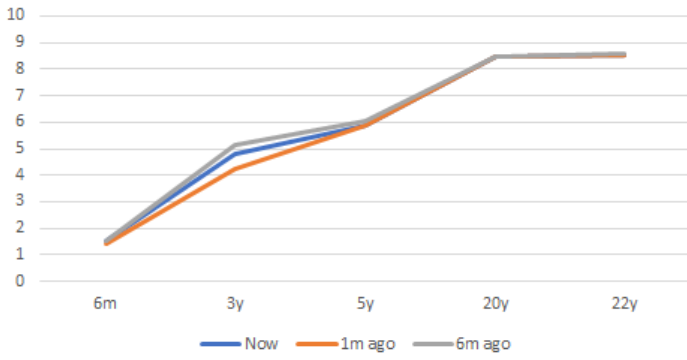
Local and regional talking points

- Growth dynamics are back in focus as the combination of a new wave of Covid-19 outbreaks, diminished policy support, and ongoing supply chain issues continue to weigh on the global economic outlook. Against this backdrop, the World Health Bank cut its 2022 global growth forecast to 4.1% from 4.3% previously.
- In an interview following the release of the World Bank's semi-annual Global Economic Prospects report on Tuesday, chief economist of the Prospects Group at the institution Ayhan Khan said, "there is there a serious slowdown underway." Khan added that the global economy "is basically on two different flight paths: Advanced economies are flying high; emerging-market, developing economies are somewhat flying low and lagging behind." Meanwhile, World Bank Group President David Malpass said that the global outlook is clouded by exceptional uncertainty. According to the World Bank, downside risks include renewed Covid-19 outbreaks, the possibility of de-anchored inflation expectations, and financial stress in context of record-high debt levels. The international lender said that the pace of recovery for emerging nations has been further damped by waning policy support and a tightening of financing conditions.
- Meanwhile, Botswana sold BWP3.05bn of certificates at auction yesterday at a yield of 1.1%. This means they were priced at 99.9791.

Financial Market commentary

- Overnight, the USD has depreciated and slipped to its weakest levels on a trade-weighted basis since mid-November. The catalyst for the move was the Fed Chairman's confirmation hearing before the Senate Banking Committee. He indicated that it might take several meetings to decide if and how the Fed would allow the run-off in its balance sheet, otherwise known as quantitative tightening. Although he did also add that the Fed felt the economy could withstand tightening, the market seemed to overlook that and focus instead on the news that automatic tightening was not guaranteed
- This helped the BWP-USD edge marginally higher to 0.0854 in the interbank market yesterday. The level to watch remains the 27 December high of 0.0859 which we should see tested in the coming sessions of the USD remains on the back foot. The US inflation data out today will provide some further direction, but given that the outlook for US rates is now largely priced in, it may not have that much of an impact after all, unless we get a significant shock.
- The USD-ZAR immediately capitalised on the news that has nudged back below the 15.5000 mark this morning which is the lowest level since the 18th Nov. Although the daily chart now reflects a USD oversold position, there are no obvious signs of a reversal. On the contrary, the weekly technical chart shows that the USD-ZAR could march lower still as it unwinds much of the ZAR weakness that took place in early Q4.
- In the commodities markets, the base metals outlook continues to be supported by supply chain issues that are compounding on one another. Various LATAM sources of key base metals have reported lower output in recent data, while geopolitics in Europe and the threat of economic shutdown in China are also of significant concern. Recall that much of Europe's industrial activity is conducted in Eastern Europe. The Olympics in Beijing could also add to the lower supply outlook for some time still, while the recent hike in Chinese power prices to industrial consumers disincentivize maximum capacity. Copper, aluminum, iron ore, nickel, steel, and coal are all higher on the session. The Bloomberg industrial metals subindex, which tracks key base metals prices, has risen to two and a half month highs against this backdrop, up nearly 3% month-to-date. The reaction to omicron in China and geopolitics seem likely to be the major changing drivers in the short term.
- Base metals are key exports for Botswana, and these recent gains suggest that the country's terms of trade should find some support if the increases are sustained.

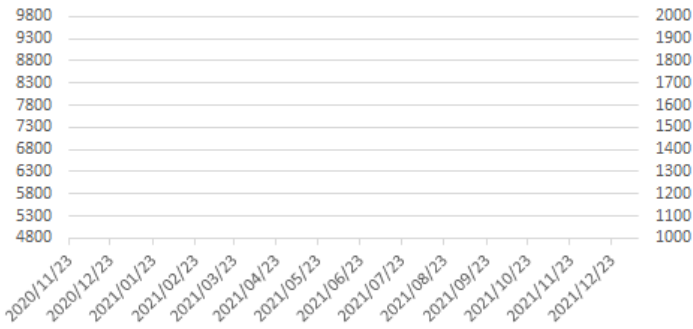
### Botswana Yield Curve



### USD Index



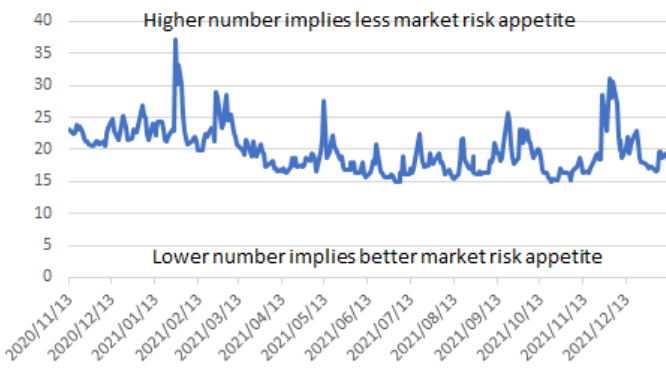
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



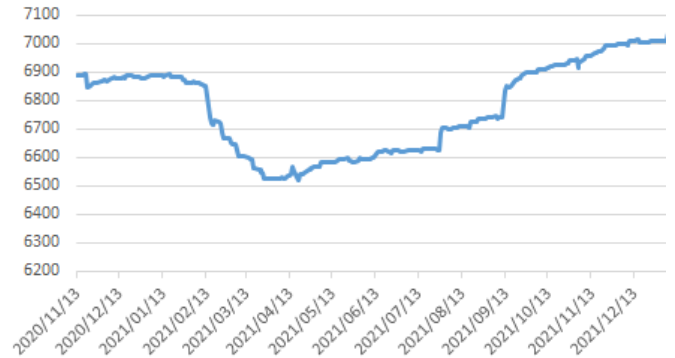
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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