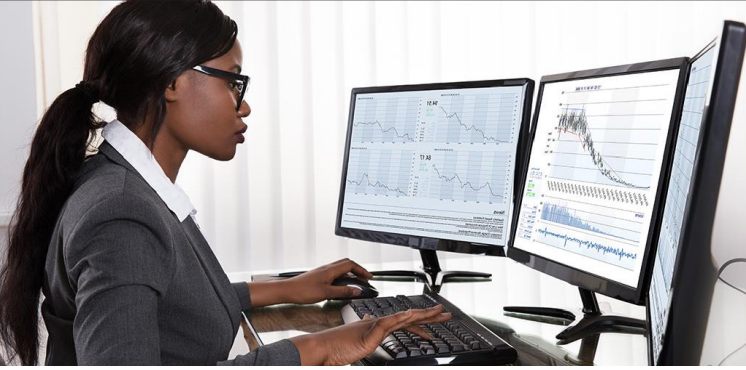


# Botswana Market Watch 14 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
14-Jan	BW	CPI Y/Y	Dec		8.6%
-	CH	Trade balance (USD)	Dec	\$94,46bn (a)	\$71,72bn
07:00	GB	Industrial production y/y	Nov		1,40%
07:00	GB	Manufacturing production y/y	Nov		1,30%
13:30	US	Advance retail sales m/m	Dec	0,20%	0,30%
14:15	US	Industrial production m/m	Dec	0,30%	0,50%
15:00	US	Michigan consumer confidence	Jan P	70,30	70,60

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Chinese trade</b>	Chinese exports grew 20.9% y/y, while imports rose 19.5% y/y to boost the trade surplus to \$94.46bn vs the surplus of \$74.5bn forecast	For now, the data is supportive of Chinese GDP, but headwinds of inflation and demand may weigh	3/5 (economy)	The surplus will further assist the Chinese economy to strengthen its economic recovery. Risks of waning demand due to Omicron and rising inflation should not be discounted
<b>Fed speakers</b>	Fed speakers, this week including Chairman Powell and vice-chair elect Brainard, have collectively raised expectations of a rate hike as early as March	This is a clear effort by the Fed to cool inflationary pressures and anchor expectations	4/5 (economy, monetary policy)	On a positive note, this would not be possible if the economy was struggling, so although monetary tightening may not be welcome, the fact that the economy is recovering strongly is.
<b>S.Korea rate hike</b>	South Korea's base rate was lifted to 1.25% as anticipated, with Governor Lee pointing to more rate hikes ahead	The consensus is for the base rate to be at 1.5% by Q3 in 2022, implying one more	4/5 (economy, central bank, monetary policy)	Incremental 25bp hikes are favoured for now as the central bank joins the growing number of central banks globally pushing back against inflation

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>U.N. growth outlook</b>	A U.N. report released yesterday predicts the global economy will expand 4% vs 5.5% forecast in 2021, to expand by a further 3.5% in 2022	High and rising inflationary pressures have been blamed for the softer growth outlook expectation	4/5 (economy)	This concurs with the IMF and the World Bank that have also downgraded their forecasts for growth recently and highlights the impact that high inflation will have in eroding GDP dynamism
<b>U.K. Staff absences</b>	Although the U.K. reported record staff absences over Dec due to Omicron, the numbers are starting to improve to ease the pressure	It ultimately means that Q1 could be the low point in 2022 and that a recovery will unfold thereafter	3/5 (economy)	Staff absences vs physical lockdowns are far less damaging to the economy, so the impact through Q1 will not be as dramatic as it was in the wake of the hard lockdowns in June 2020
<b>ECB Inflation</b>	ECB Vice President de Guindos said yesterday that the E.Z.'s inflation spike was not as transitory as first thought	De Guindos added that the risk to the inflation outlook was tilted to the upside	4/5 (economy, monetary policy)	Energy prices and supply chain difficulties would keep inflation elevated, although, through 2023 and 2024, inflation should drop below 2.0%

## Highlights news vendors

- [CNBC - U.S. officials prepare for escalation as NATO-Russia talks end with no resolution on Ukraine tension](#)
- [ALL AFRICA - African Union Needs to Speak with One Voice as it Turns 20](#)
- [FT - China's annual trade surplus surges to record \\$676bn for 2021](#)
- [SOUTH CHINA POST - Ukraine tensions mount, US vows 'decisive' response if Russia deploys to Cuba, Venezuela](#)
- [REUTERS - Ethiopia PM must end Tigray conflict, Nobel committee says](#)

### Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.280064	1.287744	1.3047319	1.381642
BWPUSD	0.083136	0.093496	0.0847381	0.089713
GBPWP	16.410472	16.487432	16.055438	15.536234
BWPEUR	0.078416	0.078832	0.0740805	0.077316
JPYBWP	10.2336	10.2856	9.6678	10.063075
USDZAR	14.781408	16.03524	15.127847	15.688324
EURUSD	1.1016	1.193816	1.1274188	1.1679883
GBPUSD	1.317888	1.427816	1.348776	1.3969258

### Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	BWPUSD	BWPZAR
BWPUSD	0.0866	0.0002	1m	-2.7885	-12.97219
BWPGBP	0.0632	0.0002	3m	-7.956	-28.1166
BWPEUR	0.0756	0.0001	6m	-17.3745	-58.4373
BWPZAR	1.3331	-0.0026	12m	-38.8635	-178.5993

	Close	Change
Dollar Index	94.684	-0.106
EURUSD	1.1475	0.0022
GBPUSD	1.3725	0.002
USDJPY	113.67	-0.5
USDNGN	413.6	0
USDZAR	15.4019	0.0023

### Local Fixed Income

Yield curve	Close	Change	International Fixed Income	Close	Change
6m	1.551	0	SA 10y	9.435	0.055
3y	4.83	0	US 10y	1.7006	-0.0511
5y	5.89	0	German 10y	-0.086	-0.029
20y	8.46	0	Spread SA 5y vs Bots 5y bpts	192.5	5
22y	8.53	0			

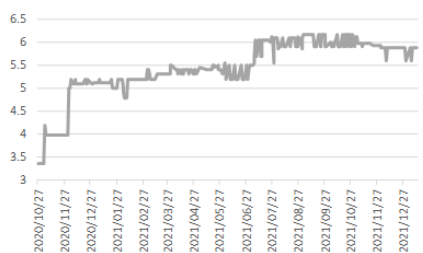
### Equities

	Close	Change	Commodities	Close	Change
VIX	20.31	2.69	Gold	1822.0876	-3.2319
Dow Jones	36113.62	38.3	Brent Crude	84.47	-0.2
FTSE	7563.85	60.35	3m Copper	9958.5	-105.5
JSE All share	75925.55	1913.32	LME Index	4643.5	-43.1
Bots DCIBT	7047.31	-1.97	1 carat index	6320	447
Nigeria Index	44604.74	749.52			

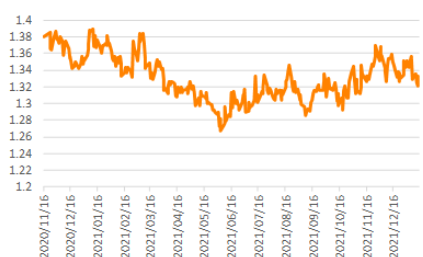
Spot BWP



BWP 5y local bond yield



BWP-ZAR



could continue enjoying a solid start to the year.

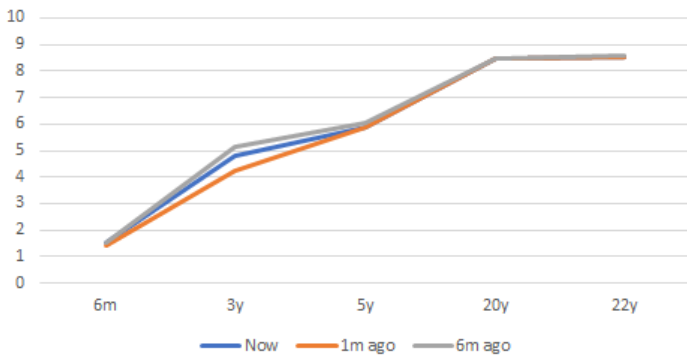
## Local and regional talking points

- The local data card finally picks up today with the release of the latest inflation numbers. Headline inflation has been holding between 8% and 9% since June, coming in at 8.6% in November. This was a slight deceleration from the October numbers, but remained well above the 3% - 6% target range. We expect to see that it remained elevated in December and that it will likely continue to do so over the next few months. The CRB's global food index, priced in local currency, continued to rise through December, while global oil prices have also kept soaring. This coupled with increasing demand locally, as the pandemic has eased, will keep upside pressures on prices embedded for now.
- The World Health Organisation (WHO) yesterday said that slow vaccine rollouts, rather than a lack of supply, are resulting in low vaccination rates across the continent. More than 340mn vaccine doses have been administered, with 10.1% of the population having had two doses. According to Bloomberg's vaccine tracker, this compares with countries such as Brazil, Japan, Vietnam, Germany, the UK, France, and Italy that have fully vaccinated more than 70% of their populations. WHO further said that the number of Africans being inoculated against Covid-19 needs to climb to 34mn people a week, from 6mn currently, if the least vaccinated continent is to reach the target of 70% of its people fully covered by mid-year. Low vaccine uptake undoubtedly poses a threat to the economic recovery prospects of the African continent, especially as new waves and variants emerge.
- Ghana's vice-president Mahamudu Bawumia yesterday said that the Pan-African Payment and Settlement System is expected to save the continent billions of dollars in annual transaction costs and bolster shipments in the world's largest free-trade zone. Bawumia added the system would facilitate intra-regional trade and payments by enabling the real-time transfer of funds from one African country to another. Traders have, until now, had to settle payments via US and European banks, and the new system is expected to save the continent about \$5bn in offshore clearance and transaction costs, according to its developer, the African Export-Import Bank.

## Financial Market commentary

- The BWP-USD remained bid and climbed to 0.0866 by yesterday's close in the interbank market. This is the strongest the local currency has been since mid-November and, as we noted yesterday, it opens the door for the pair to now potentially retake the 0.088 level, the November high. Foreign factors should remain supportive of the BWP over the near term, while normalization of liquidity in local markets will help take advantage of this.
- Meanwhile, there is not much change to report back on for the ZAR. There does not appear to be any local catalyst for the slight show of resilience other than perhaps some trimming of short USD positions after a relatively sizeable move earlier in the week. The USD, for its part, remains on the defensive, leaving the USD-ZAR vulnerable to a deeper correction through the rest of today and next week.
- Heading into the weekend and the Omicron wave continues to occupy headlines for all the wrong reasons. It has negatively impacted the US weekly jobless claims data, and scientists are still undecided whether Omicron will be the variant that turns the virus endemic. Some good news from the WHO is that it has approved two new Covid-19 treatments, which add to the arsenal of treatments that can be administered with some success.
- Against this virus backdrop, global stocks have come off the boil ahead of the weekend. That might be nothing more than some profit-taking after a relatively good week. There are still many unknowns, and investors prefer to trade cautiously. Furthermore, there is plenty of data out of the US this afternoon that could have market-moving potential, which will keep the USD bears at bay for much of today's trading session.
- Key, will be what the data tells us about the underlying strength of the US economy. Whether it does indeed have the resilience to withstand tapering, rate hikes and a balance sheet roll-off this year in the way forecast by the Fed. or whether the Fed may need to scale back its expectations could determine how the USD trades. Given just how much has been priced in, the risk to the USD remains to the downside. It implies that the BWP and ZAR

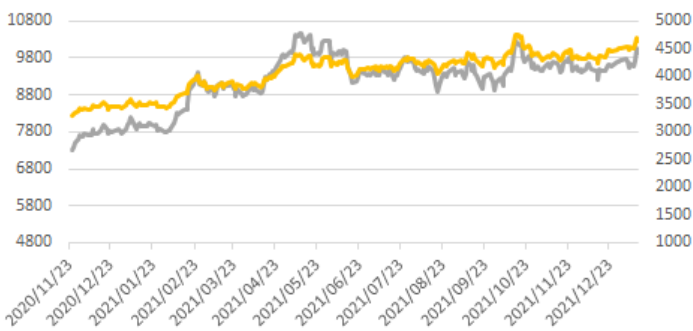
### Botswana Yield Curve



### USD Index



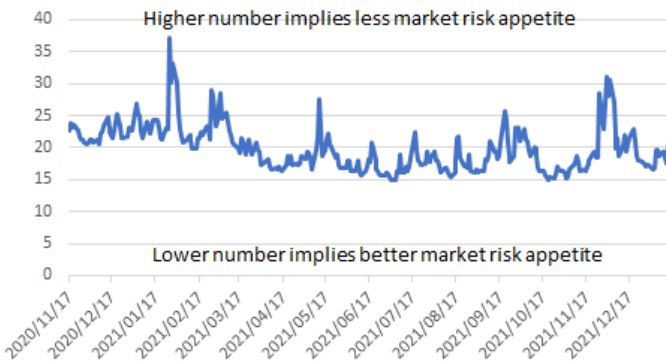
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



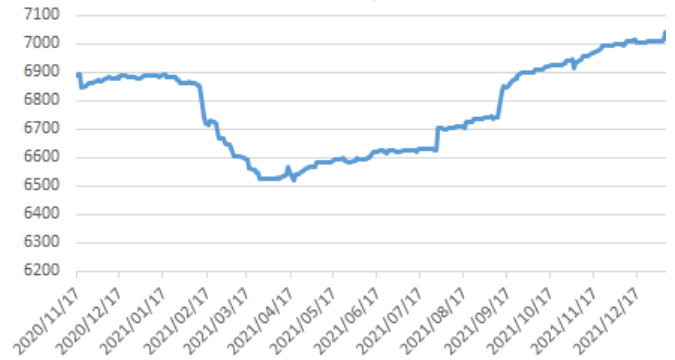
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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