

# Botswana Market Watch 18 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	Botswana to place 7-Day certificates			
07:00	GB	ILO unemployment rate (3mths)	Nov	4.20%	4.20%
10:00	EZ	ZEW economic sentiment	Jan		26.80
10:00	GE	ZEW economic sentiment	Jan	36.00	29.90
13:30	US	Empire manufacturing	Jan	26.00	31.90
15:00	US	NAHB Housing market index	Jan	84.00	84.00
21:00	US	Net long term TIC flows	Nov		\$7,10bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>BoJ Decision</b>	Predictably, the BoJ kept its interest rate targets unchanged, but the board did revise higher the inflation forecast for the next fiscal year	This should not trouble markets, especially as risks to the price outlook are seen as balanced	<b>3/5</b> (economy, monetary policy)	The global rise in inflation has helped Japanese prices move towards Japan's price target. The problem for Japan is that it is not a function of their economy and therefore may not be sustained
<b>Geopolitics</b>	A Saudi-led coalition launched an airstrike that killed a reported 14 people in a single building in the Yemeni capital of Sanaa, as the Saudi's fight the Houthi group	Some of the fighting is taking place in the energy-producing areas of Shabwa and Marib	<b>4/5</b> (geopolitics)	It only adds to the pressures in energy markets, especially oil prices, which will further challenge the global economy. This is a development worth keeping an eye on.
<b>UK consumer confidence</b>	The YouGov/Cebr consumer confidence index fell 0.5 points to 110.0 in Dec, well above its level of a year ago, but there are some signs of difficulties	For now, underlying strength to the consumptive sectors will continue as restrictions are lifted	<b>2/5</b> (economy)	If there was a concern, it was that both the forward and backwards-looking business activity and job security sub-components fell, with house prices providing the biggest boost

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>EZ debt reduction</b>	The EZ is moving towards a slower debt reduction rule that many countries will consider more realistic. There is a high degree of moral hazard in this	The current rules have not been adhered to and are therefore not respected	<b>4/5</b> (economy)	The current growth and stability pact is almost irrelevant given the impact of Covid on GDP growth and on overall government debt levels. Credible debt reduction strategies are now needed
<b>Oil prices</b>	Oil prices have now broken above an Oct high and rapidly rising back towards \$90 pb. Tight market conditions and geo-political threats to supply ensure that prices continue to rise	This provides a major headache for central banks trying desperately to contain inflationary pressures	<b>4/5</b> (markets)	It will cool the global economy if the rise in fuel prices continues, as it forces the central banks to raise interest rates, even more, to try and keep the credit cycle under enough control to contain inflation.
<b>US Treasury yields</b>	US Treasury yields have continued to migrate higher, with the short end rising strongly and helping to flatten the overall curve	The market is now positioning for a robust tightening by the Fed and the impact on GDP	<b>4/5</b> (markets)	The weakness in overall bonds will detract from the positive growth sentiment that is currently bolstering risk assets. The higher they go, the more challenging for emerging markets

## Highlights news vendors

CNBC - [China's economy grew 8.1% in 2021 compared to a year ago](#)

ALL AFRICA - [Lakes in the Democratic Republic of Congo Are Contested Spaces. Here's Why](#)

FT - [Horta-Osório resigns as Credit Suisse chair over Covid breaches](#)

SOUTH CHINA POST - ['Shocking' fall in China's national growth rate as population ageing intensifies](#)

REUTERS - [Oil extends rally on supply tightness, Brent at more than 3-year high](#)

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.277376	1.284192	1.3019921	1.377831
BWPUSD	0.082848	0.093496	0.0844446	0.089198
GBPWP	16.3722	16.430336	16.017994	15.482432
BWPEUR	0.078728	0.07904	0.0743753	0.07752
JPYBWP	10.3168	10.3584	9.7464	10.1343
USDZAR	14.801472	16.065088	15.148382	15.717526
EURUSD	1.094016	1.185288	1.119657	1.15964475
GBPUSD	1.308768	1.417936	1.3394423	1.3872595

### Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0863	-0.0002	1m	-2.7885	-13.91698
BWPGBP	0.0632	0	3m	-7.92675	-28.1166
BWPEUR	0.0756	-0.0002	6m	-17.2965	-58.80456
BWPZAR	1.3273	0.0059	12m	-38.73675	-179.3244

### Forward Foreign Exchange

	Close	Change
Dollar Index	95.351	0.093
EURUSD	1.1395	-0.0012
GBPUSD	1.3633	-0.0012
USDJPY	114.96	0.36
USDNGN	413.8	0.01
USDZAR	15.4254	0.0457

### Local Fixed Income

Yield curve	Close	Change
6m	1.551	0.001
3y	4.25	-0.58
5y	5.89	0
20y	8.46	0
22y	8.53	0

### International Fixed Income

	Close	Change
SA 10y	9.37	-0.065
US 10y	1.793	0.0924
German 10y	-0.049	0.037
Spread SA 5y vs Bots 5y bpts	189.5	2

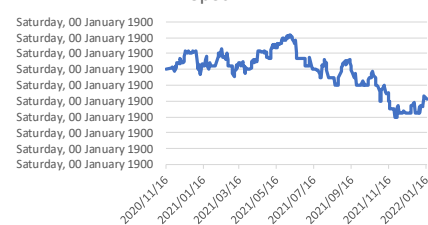
### Equities

	Close	Change
VIX	19.19	0
Dow Jones	35911.81	-201.81
FTSE	7611.23	-20.9
JSE All share	75593.47	-765.34
Bots DCIBT	7033.35	-7.43
Nigeria Index	44399.66	-150.07

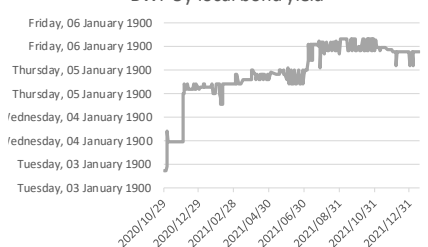
### Commodities

	Close	Change
Gold	1818.99	1.771
Brent Crude	86.48	0.42
3m Copper	9731	11.5
LME Index	4603.6	15
1 carat index	6161	-207

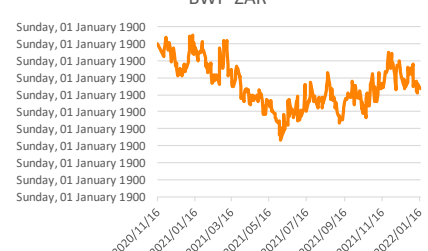
Spot BWP



BWP 5y local bond yield



BWP-ZAR



## Local and regional talking points

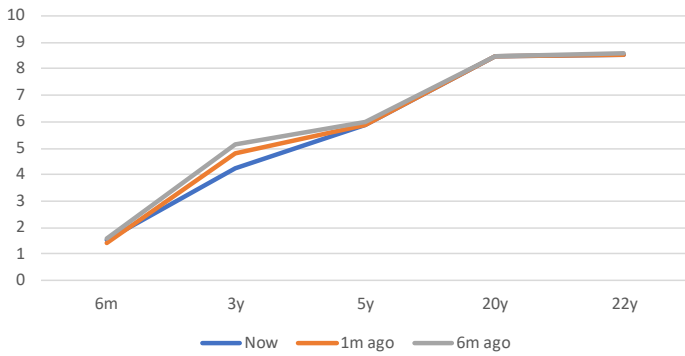
- Botswana has issued a tender for six PB power plants as the country aims to reduce its dependence on electricity imports from its eastern neighbour namely South Africa. South Africa's energy giant Eskom is plagued by loadshedding and an aging infrastructure as corruption hollowed out the state owned enterprise under the watch of the previous President Jacob Zuma. Regionally the fragility of Eskom has been highlighted as a risk and we expect further efforts from governments across the region to reduce the dependence on Eskom power.
- The tender forms part of a broader energy strategy which includes the mining of coal which some have questioned given the mandate of the developed and much of the developing world to move away from fossil fuels as a source of energy. Only time will tell whether or not these aspirations are in fact realistic from a timeline perspective with the likes of Europe putting tight deadlines in place. The EU's Green Deal aims to get the bloc carbon neutral by 2050.
- In other news, De Beers has raised the price of uncut stones aggressively at its first sale of 2022. The company raised the price of larger stones by about 5%, while smaller rough diamonds witnessed hikes of as much as 20%. This comes on the back of tightening global supply which signals a potential bumper year for the company and by extension Botswana.

## Financial Market commentary

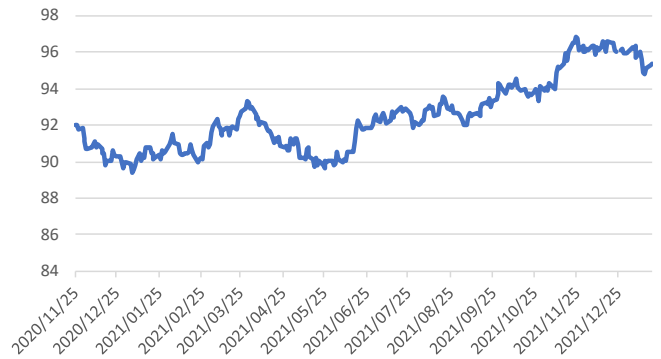
- The BWP-USD appears to have found a top in the very short term. The pair has repeatedly struggled to sustain a break above 0.0865 and the same applied yesterday. This morning, the pair is set to open just ahead of 0.0860. There is some risk off sentiment rearing its head in Asia this morning, raising risk aversion to nudge investors out of emerging markets. Focus through the week will be predominately on offshore data and the earnings results on Wall St.
- A strong set of earnings on Wall St will almost certainly bolster risk appetite and could help sentiment towards emerging markets. US markets are already fully positioned for a strong economy that could withstand higher interest rates. But for a commodity currency like the BWP, a strong global growth performance is good news for commodity prices which would underpin Botswana's terms of trade thus adding additional resilience to the currency.
- Energy markets remain front and centre in the global macro picture at the moment given their importance to the inflation debate. Nat Gas prices remain elevated in Europe and oil prices are on the front foot.
- Oil continues with its march higher this morning, with Brent crude scaling \$87 per barrel, while WTI has risen above the \$85 mark for the first time since October. Geopolitical issues are adding to the supply woes within the global market at the moment, with Yemen's Houthi fighters claiming responsibility for a drone strike on the UAE, the third-largest OPEC producer. The attack set fire to Abu Dhabi's main international airport while fuel tankers were ignited in a nearby industrial area. This has intensified supply concerns and has helped push the Brent prompt timespread further into backwardation, with it now back around the 75cents per barrel level, highlighting just how bullish the market has become.
- Meanwhile, travel across the globe seems to be withstanding the impact of Omicron far better than expected, with diesel to jet fuel markets showing signs of strength. The premium for jet fuel over diesel has risen to its highest since September 2019, and it is expected that international flights will recover by almost 50% between the end of January and June, indicating that demand will pick up further. This high demand for distillates and other refined products will keep crude prices elevated, with the \$100 per barrel mark now not looking that far off, especially if we get another supply shock.

- Looking at the day ahead we have the auction of 7-Day certificates to contend with coupled with a number of important data releases out of the US and the EU including the ZEW Sentiment readings from both Germany and the bloc as a whole.

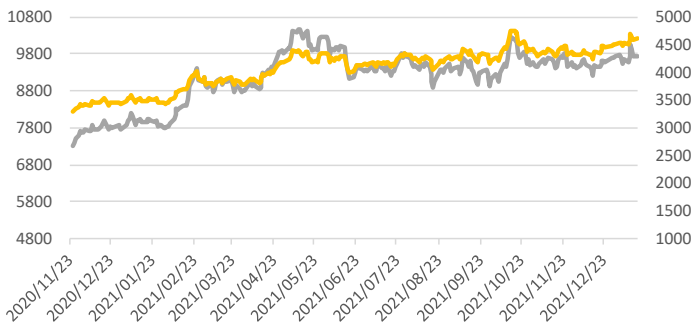
Botswana Yield Curve



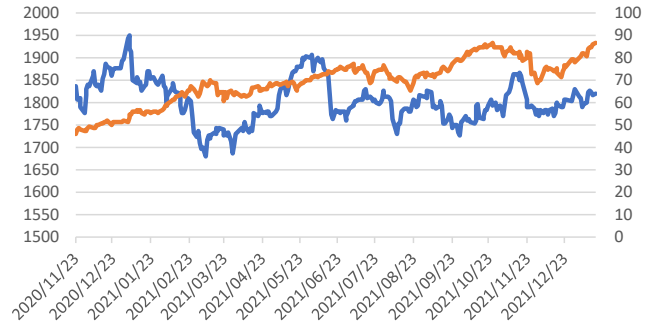
USD Index



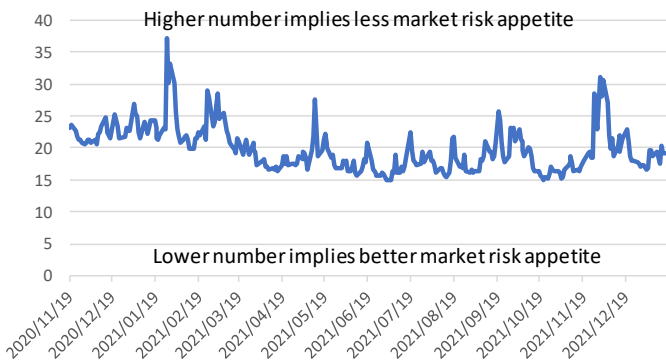
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



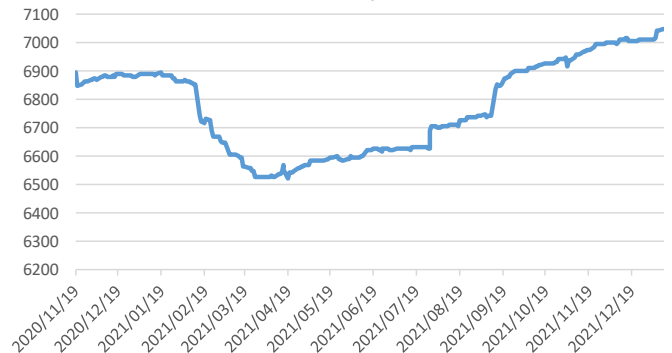
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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