

Botswana Market Watch 20 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
07:00	BW	Nothing on the cards			
10:00	GE	Producer prices y/y	Dec		19.20%
13:30	EZ	CPI y/y	Dec F	5.00%	4.90%
13:30	US	Initial jobless claims	Jan 15		230k
13:30	US	Philadelphia Fed index	Jan	23	15.40
15:00	US	Existing home sales	Dec	6,45mn	6,46mn

Factors Overnight	What happened?	Relevance	Importance	Analysis
China rate cut	In the face of rate hikes the world over, China has decided to cut key rates, stepping up its efforts to reflate an economy struggling with a property downturn	The 1yr loan prime rate was lowered 10bp to 3.70%, and the 5yr was dropped 5bp to 4.60%	4/5 (economy, markets)	This is an effort to boost the credit cycle in the hope that it will alleviate growth constraints and help the property sector stabilise. China needs the property market to boost balance sheets
Aussie labour market	Australian employment continued to power ahead in Dec, with the jobless rate dropping to the lowest levels seen since 2008	Raises the probability that the RBA will be forced into hiking a little earlier	3/5 (economy)	Australia's strict immigration policy will need to be re-evaluated lest it compounds an already tight labour market environment and fuels inflation
UK inflation	UK inflation data rose to 5.4% y/y or the highest levels in 30 years and far above the 2% target. With the labour market so tight, inflation may still rise further	This almost seals the case for a rate hike by the BoE at the start of Feb, with more to follow	4/5 (economy)	BoE Governor Bailey on Wednesday expressed his concern that inflationary pressures may prove longer-lasting than previously anticipated as price pressures feed into wage demands

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US rates	A poll conducted by Reuters shows that investors are now anticipating a full three 25bp incremental rate hikes	This reflects a more hawkish rate hike profile than that generated in Dec	3/5 (politics)	With oil prices showing no signs of letting up, the labour market tightening, and the credit cycle still buoyant, the Fed will have ample justification to hike
Supply chains	There are early indications that supply chain bottlenecks are now starting to ease. Japan's Dec exports and imports rose to record-high levels by value	With Japan a major global trade participant, this bodes well for trade in other jurisdictions	4/5 (economy)	It will help unleash more growth potential and ease the pressure on inflation if it helps reduce overall levels of scarcity in the global economy. Good news for global economic dynamics
ECB outlook	Bank of France's Villeroy said the ECB would gradually adjust monetary policy to combat inflation and ensure that it recedes back to the 2% target	Villeroy confirmed the sequence being the taper, then lift-off and then reducing the balance sheet	4/5 (monetary policy, markets)	If the ECB is able to accomplish the first without causing disruption, that would be an achievement. Lifting rates will be harder, while reducing the balance sheet is deemed a very tough task

Highlights news vendors

CNBC - [China is still 'three or four generations' away from developing latest semiconductor tech, IDC says](#)

ALL AFRICA - [Tanzania, Uganda Agree to Remove Non-Tariff Barriers to Ease Trade](#)

FT - [Biden predicts Russia will 'move in' on Ukraine](#)

SOUTH CHINA POST - [China's indebted developers get a break from rate cuts and easing](#)

REUTERS - [Fed to raise rates three times this year to tame unruly inflation: Reuters poll](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2672	1.276224	1.29162	1.369282
BWPUSD	0.082848	0.093496	0.0844446	0.089301
GBPWP	16.322488	16.419416	15.969357	15.472142
BWPEUR	0.07904	0.07956	0.07467	0.07803
JPYBWP	10.2648	10.3272	9.697275	10.103775
USDZAR	14.683584	15.928536	15.027731	15.58392825
EURUSD	1.089408	1.180608	1.114941	1.155066
GBPUSD	1.307808	1.417	1.3384598	1.38634375

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0863	0.0001	1m	-2.87625	-13.91698
BWPGBP	0.0634	0	3m	-7.8195	-28.65731
BWPEUR	0.0761	0	6m	-16.93575	-59.54098
BWPZAR	1.3227	-0.0081	12m	-38.17125	-182.2323

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0863	0.0001	1m	-2.87625	-13.91698
BWPGBP	0.0634	0	3m	-7.8195	-28.65731
BWPEUR	0.0761	0	6m	-16.93575	-59.54098
BWPZAR	1.3227	-0.0081	12m	-38.17125	-182.2323

Dollar Index

	Close	Change
Dollar Index	95.536	0.026
EURUSD	1.1348	0.0007
GBPUSD	1.3623	0.0017
USDJPY	114.4	0.08
USDNGN	414.17	0
USDZAR	15.3028	-0.0235

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.549	-0.002	SA 10y	9.37	-0.09
3y	4.83	0	US 10y	1.8539	-0.0214
5y	5.6	-0.29	German 10y	-0.009	0.009
20y	8.46	0	Spread SA 5y vs Bots 5y bpts	219	24
22y	8.53	0			

International Fixed Income

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Equities

	Close	Change
VIX	23.85	1.06
Dow Jones	35028.65	-543.34
FTSE	7589.66	-47.68
JSE All share	76176.15	-637.81
Bots DCIBT	7031.37	-1.98
Nigeria Index	45430.14	256.23

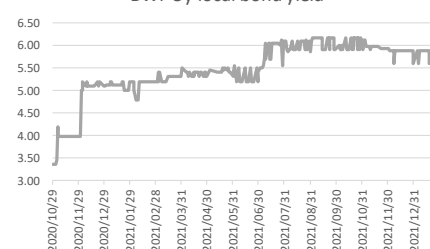
Commodities

	Close	Change
Gold	1839.96	26.4233
Brent Crude	88.44	0.93
3m Copper	9841.5	165.5
LME Index	4687.2	76.5
1 carat index	6367	0

Spot BWP



BWP 5y local bond yield



BWP-ZAR



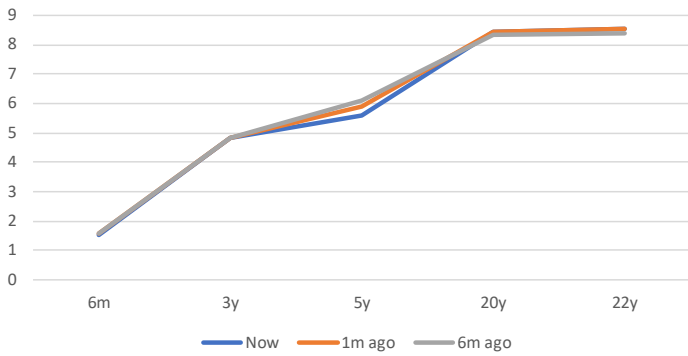
Local and regional talking points

- Local news flow is on the thin side this morning as we enter the latter part of the work week. No data is due for release and for the most part investors and corporate executives alike are assessing the various risks and opportunities that are likely to present themselves through the course of 2022.
- The next data release is the International Merchandise Trade number for November 2021 which is pencilled in for the 25th January 2022. This number will be eagerly dissected as there has been indications of a rebound in diamond demand which would support the trade account and in turn provide additional resilience for the currency.
- Regionally the release of South Africa's inflation data held focus yesterday. With inflation surprising to the upside and almost at the top of the inflation target range, the South African Reserve Bank will be forced into hiking. Even though the main headline figure has been driven higher by factors outside SA's control, the concern is that it will manifest in higher inflation expectations. The weakness of SA's credit cycle will naturally limit the degree to which inflation can take hold, which would explain why the ZAR has outperformed most other emerging markets for the month to date. However, that does not preclude inflation from experiencing a short-term spike, and that spike will undermine the stability and strength of SA's economic recovery.

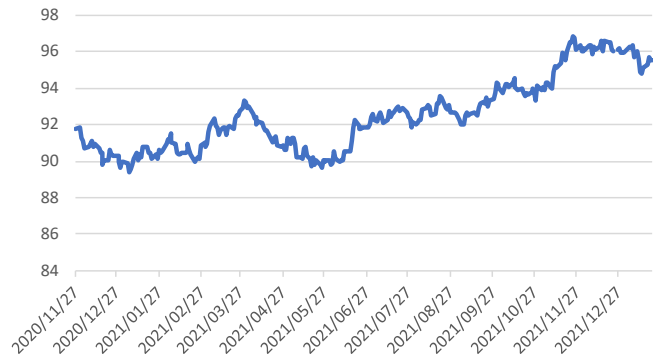
Financial Market commentary

- The undoubted highlight this morning in the Asian session has been the news that the Chinese have stepped up monetary easing in an effort to prop up a slowing economy. The one-year loan prime rate was lowered by 10 basis points to 3.70%, while the five-year rate was reduced by 5 basis points to 4.60% the first reduction since April 2020. The cuts were not unexpected by the market with all 43 participants in a snap poll by Reuters predicting the cuts.
- Commodity exporters across the globe will be paying close attention to developments in China given that China is the destination for much of their raw material exports. A slowing in Chinese demand has a ripple effect which cannot be ignored.
- Gold bears were put to the sword overnight as a weaker dollar and geopolitical tensions around the Ukraine boosted the metals safe haven appeal. The yellow metal experienced its best session in three months yesterday and has consolidated those gains in the Asian session this morning.
- The spot price of gold is trading a whisker below the \$1840.00/oz mark as we head into the EU session however a repeat of yesterday's \$30.00/oz gains is not expected given the caution building around developments at the FOMC meeting next week.
- As mentioned before, although bullion is a hedge against inflation, it is highly sensitive to rising US rates at a tactical level this increases the opportunity cost of holding non-interest-bearing gold.
- Moving over to the FX markets, For now, the USD rally has stalled, broadly in line with the behaviour of U.S. Treasuries and the inability for bond yields to rise even higher. The market looks fully priced, and even strong economic data now does not necessarily translate into a further sharp rise in U.S. Treasury yields. The yield curve flattening raises questions about the sustainability of U.S. growth and the ultimate implications of hiking too aggressively. One eye will turn to the data later today and to geopolitical developments in Ukraine that may lift broader support for the USD. This should bode well for the BWP and ZAR, with the latter already notching up gains this morning.

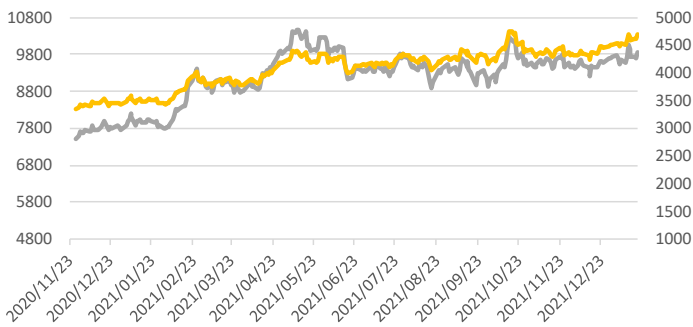
Botswana Yield Curve



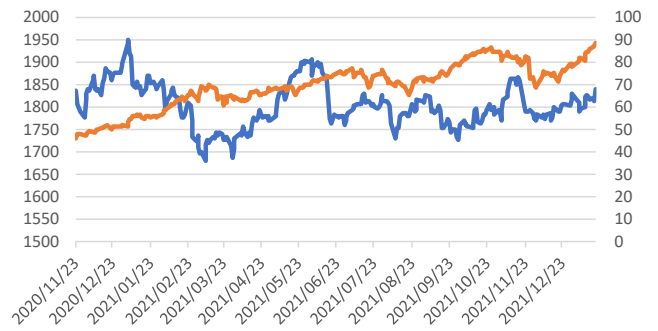
USD Index



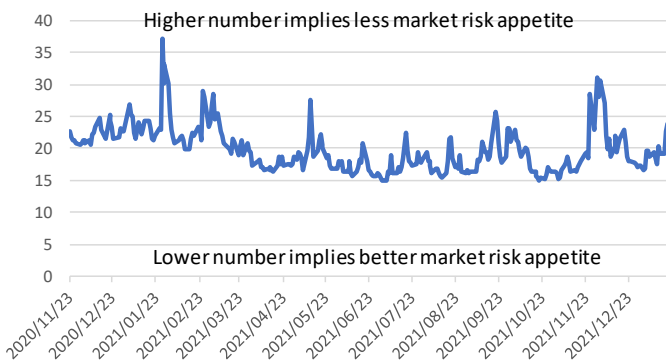
Base metals - Copper L_Hand axis LME Index
R_Hand axis



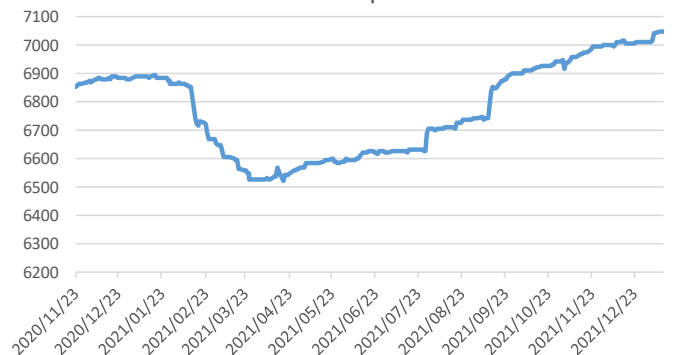
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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