

Botswana Market Watch 25 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	7-Day Certificates on offer			
07:00	GB	Public sector net borrowing	Dec		16,60bn
09:00	GE	IFO business climate	Jan	94,00	94,70
14:00	US	House price index m/m	Nov	1.10%	1.10%
14:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Nov		18,41%
15:00	US	Consumer confidence	Jan	111,90	115,80
15:00	US	Richmond Fed manufacturing index	Jan	14,00	16,00

Factors Overnight	What happened?	Relevance	Importance	Analysis
Russia - Ukraine	More warnings from both sides, neither one prepared to back down as troop build-ups continue, ambassadors are recalled for safety reasons, and negotiations yield very little	Russia is looking to leverage its geopolitical position to extract some concessions from NATO	5/5 (geopolitics)	The West is looking to strong-arm Russia into submission with massive sanctions and military retaliation threats should Russia invade Ukraine. It does not appear to be the case that Russia's Putin is quite ready to go for broke
Global stocks	Wall St experienced huge volatility in yesterday's trade, as investors expressed concern about the FOMC outcome on Wed and the geopolitical tensions between Russia and the West	Significantly, the sell-off on Wall St was not sustained, and by the end of the trading session, Wall St finished higher	4/5 (economy, markets)	It speaks to the concerns that have been priced in, given how Wall St finished the session in the green after having lost around 4% through the trading session. Let's not forget, the global economy is recovering
Singapore tightens	It is not just the US that is looking to tighten. EM central banks have been tightening for a while already. Singapore said it would raise slightly the allowed rate of appreciation of its policy band	More tightening is anticipated in Apr as Singapore also moves to try and contain inflation and inflation expectations	4/5 (economy, monetary policy)	This will be a global theme through 2022, and investors will need to weigh up the recovering global economy against the rise in inflation and the normalisation in monetary policy. Some volatility will manifest

Factors on the Radar	What happened?	Relevance	Importance	Analysis
FOMC	This week's FOMC meeting will be a key event as investors will be looking for any guidance from the FOMC on the trajectory of tightening	A taper to March and some rate hikes are now fully priced in as we await the Fed's guidance	4/5 (economy)	The tone that the FOMC will use will drive market reaction. Any show of sensitivity to growth and the stock market will likely respond with a surge to undo some of the recent sell-off
Tech rout	How much more the tech stocks have to correct is debatable. They were the ones that enjoyed Covid the most and had the most to lose from a normalised world	Valuations were extremely high, and there is some justification for a reversal	4/5 (economy, monetary policy)	However, one should guard against turning overly bearish. The global economy is still recovering. Many countries will still open up. Global growth will remain positive
Ukraine conflict	NATO leaders met yesterday and will continue to meet through the week as they plot a strategy against Russia. NATO allies will stand firmly against Russia	The most likely scenario is that the standoff gives Russia some leverage to negotiate with NATO	5/5 (geopolitics, markets)	It is unclear whether invading Ukraine is in Russia's best interests. Russia cannot afford another economic hit that would undoubtedly follow heavy sanctions, coming out of a pandemic

Highlights news vendors

CNBC - [The stock market slide is unlikely to budge the Fed from tightening](#)

ALL AFRICA - [President Fires Entire Cabinet Over Corruption Charges Against Three Ministers](#)

FT - [US puts 8,500 troops on alert as Nato leaders meet over Ukraine](#)

SOUTH CHINA POST - [Australia's ex-PM Keating calls UK's Liz Truss' China comments 'demented'](#)

REUTERS - [Asian shares, U.S. futures slide as traders fret about Ukraine, rate rises](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.266816	1.27728	1.2912286	1.370415
BWPUSD	0.082944	0.093496	0.0845424	0.08961
GBPWP	16.109288	16.225976	15.76077	15.289862
BWPEUR	0.079352	0.079976	0.0749648	0.078438
JPYBWP	10.2128	10.2856	9.64815	10.063075
USDZAR	14.661888	15.905344	15.005526	15.561238
EURUSD	1.086048	1.176968	1.1115023	1.15150475
GBPUSD	1.293696	1.40192	1.324017	1.37159

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0864	-0.0005	1m	-3.1395	-9.150891
BWPGBP	0.0641	0	3m	-8.828625	-30.17934
BWPEUR	0.0763	-0.0003	6m	-17.52075	-62.29186
BWPZAR	1.3188	-0.0039	12m	-37.5375	-184.4209

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0864	-0.0005	1m	-3.1395	-9.150891
BWPGBP	0.0641	0	3m	-8.828625	-30.17934
BWPEUR	0.0763	-0.0003	6m	-17.52075	-62.29186
BWPZAR	1.3188	-0.0039	12m	-37.5375	-184.4209

Dollar Index

Dollar Index	95.949	0.031
EURUSD	1.1313	-0.001
GBPUSD	1.3478	-0.0007
USDJPY	113.69	-0.23
USDNGN	414.53	0
USDZAR	15.2711	0.0068

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.549	-0.002	SA 10y	9.3	0.06
3y	4.25	-0.58	US 10y	1.7759	0.0054
5y	5.89	0	German 10y	-0.098	-0.038
20y	8.46	0	Spread SA 5y vs Bots 5y bpts	178	4.5
22y	8.53	0			

International Fixed Income

	Close	Change		Close	Change
VIX	29.9	1.05	Gold	1843.06	9.8214
Dow Jones	34364.5	-450.02	Brent Crude	86.27	-1.62
FTSE	7297.15	-90.88	3m Copper	9728	-213
JSE All share	72164.02	-1398.74	LME Index	4644.8	-97.1
Bots DCIBT	7058.78	8.25	1 carat index	6050	81
Nigeria Index	45928.27	66.83			

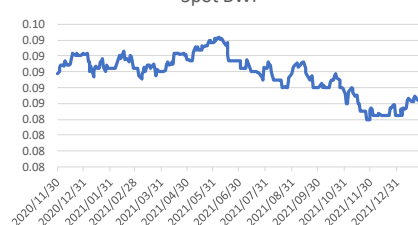
Equities

	Close	Change		Close	Change
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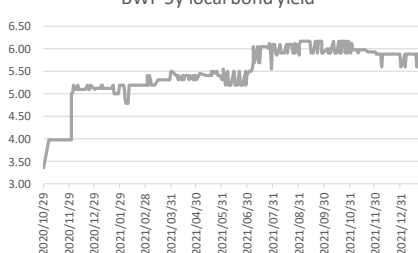
Commodities

	Close	Change		Close	Change
VIX	29.9	1.05	Gold	1843.06	9.8214
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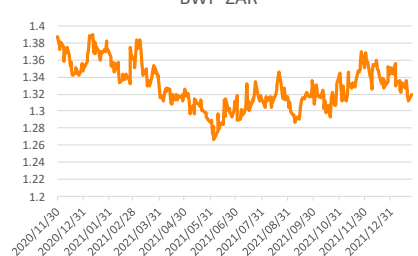
Spot BWP



BWP 5y local bond yield



BWP-ZAR



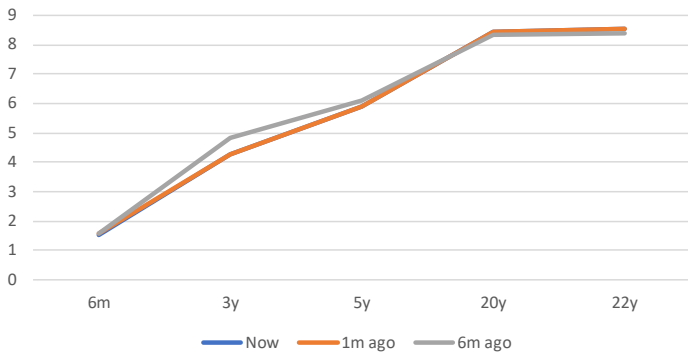
Local and regional talking points

- There is very little in the way of local news this morning which is market moving. That said, MMEGI online reported that *Botswana is looking to tap into the Middle Eastern travellers following a successful Botswana Tourism conference which took place at the Expo 2020 Dubai which is underway. Last week, Botswana Tourism Organisation (BTO) kick-started the Botswana tourism month at the Expo which seeks to market the country as a globally competitive force in tourism with a rich natural resource base and investment potential.*
- This is promising as a diverse source of tourists will add resilience to the sector which has been decimated by COVID-19 and the related lockdowns. Qatar launched direct flights to Gaborone in Oct 2019 and flights are expected to resume soon so access should not prove to be a hindrance
- Regionally, the South African financial markets are lining up for the decision on interest rates this Thursday. It is widely anticipated that the SARB will hike by 25 bpts in order to stem rising inflation expectations.

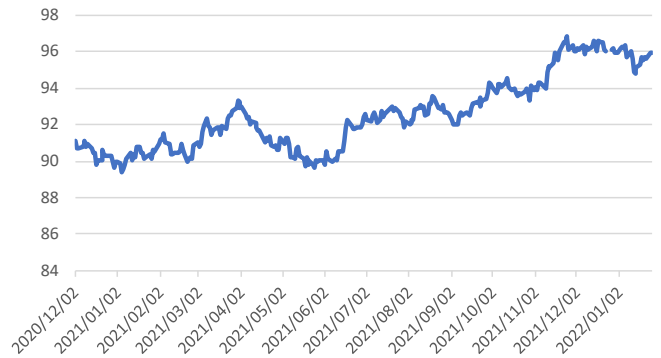
Financial Market commentary

- Ahead of the US FOMC decision tomorrow, it is telling that US equity markets sold off hard but were unable to hold those losses. On the contrary, after losing almost 4% through the day, Wall St ended higher, marking a very strong low point that was rejected. Risk appetite has quite clearly not disappeared completely, and investors have used the latest sell-off as another opportunity to establish fresh long positions. The move through the course of the past two weeks also serves as a warning to central banks of the fall-out, which may follow if they seek to remove monetary policy too aggressively.
- The recent volatility in global equity markets could also have a bearing on the language used in the Fed's communication on Wed. The bounce back off the lows shows that there has been a lot priced in. Any communication which is sensitive to the growth outlook will likely generate a fresh surge in US equity markets and once again help bolster risk appetite. This has a bearing on emerging market currencies that will respond positively to any improvement in risk markets.
- In Asia this morning, stock markets are still in the red, with investors fretting about a combination of the Fed and the tensions in Ukraine. These are indeed uncertain times, and the natural default is to turn conservative. However, with the global economy still recovering, corporate earnings are likely to hold up reasonably well, especially in the face of improved labour markets that will help prop up consumption.
- It is not yet clear that Putin is ready to go for broke on the geopolitical front. He has much to lose and an entire world worth of sanctions to face shortly after the pandemic, which cannot be an appealing prospect. Instead, he will be placing a lot of pressure on NATO to de-escalate its troop build-up on its border and to use the gas pipeline into Europe to leverage his position and as another bargaining chip. At this stage, it still seems more likely that these are part of negotiation tactics rather than a plan for all-out war. While the headlines remain negative and fear-mongering, they will attract negative speculation and trigger volatility. However, any breakthrough in the coming weeks or even months could also help propel equity markets higher and help emerging currencies appreciate against the safe-havens, including the USD.
- Locally, the Pula has held up well anchoring itself above the 0.0860 mark which remains the ultimate support level for now.
- The ZAR has sold off overnight, trading closer to R15.30 at the start of the local open and this may result in a very measured start for the local open as investors assess the risks.

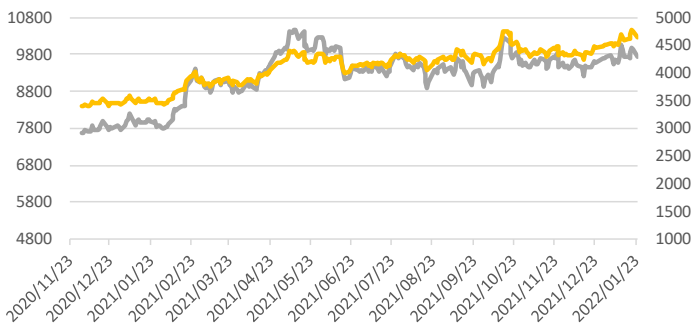
Botswana Yield Curve



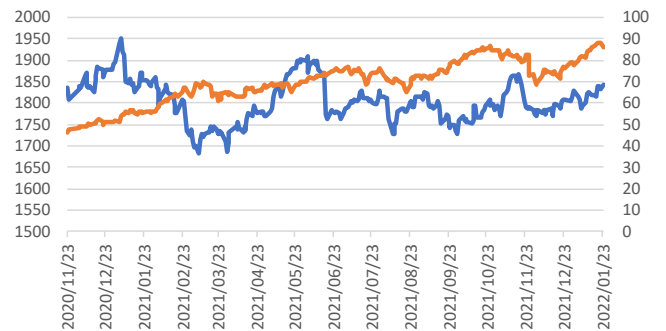
USD Index



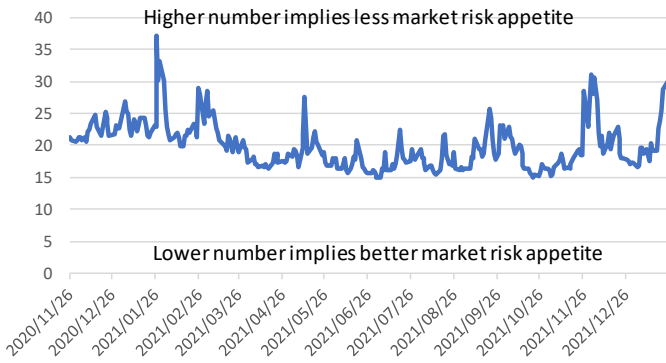
Base metals - Copper L_Hand axis LME Index
R_Hand axis



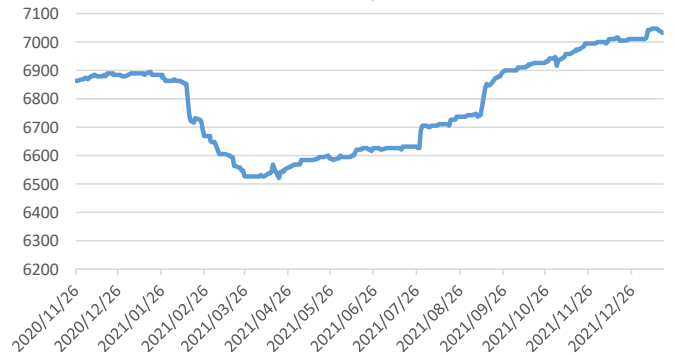
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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