

Botswana Market Watch

26 January 2022



| GMT | Country | Data event or release | Period | Market Exp | Previous |
|-------|-----------|-----------------------------------|--------|------------|------------|
| | BW | Nothing due for release | | | |
| 12:00 | US | MBA mortgage applications | Jan 21 | | 2.30% |
| 13:30 | US | Wholesale inventories m/m | Dec P | 1.40% | 1.40% |
| 13:30 | US | Advance Goods Trade Balance | Dec | -\$95,50bn | -\$97,80bn |
| 15:00 | CA | Canada central bank rate decision | Jan 26 | 0,25% | 0,25% |
| 15:00 | US | New home sales | Dec | 770k | 744k |
| 19:00 | US | FOMC rate decision | Jan 26 | 0,25% | 0,25% |

| Factors Overnight | What happened? | Relevance | Importance | Analysis |
|----------------------------------|---|---|----------------------------------|---|
| German business sentiment | Notwithstanding the impact of the Omicron variant and fresh restrictions, the Ifo business sentiment index jumped in Jan to 95.7, the first improvement in seven months | Easing supply chain bottlenecks have more than offset the impact of Omicron and Russia-Ukraine tensions | 3/5 (economy) | This implies that Europe's powerhouse economy is starting the year on a firmer footing. This is also good news for the global economy that has been hamstrung by disruptions in supply chains that have constrained growth |
| Global stocks | It was another very volatile day on Wall St yesterday with stocks again under major pressure, although again, it was important to note the strong recovery off the intra-day lows | Bargain hunting remains a feature of this market, and good earnings results will likely reaffirm such behaviour | 4/5 (economy, markets) | Microsoft produced some strong results yesterday with other tech companies due to report in the coming days. More good results will see investors adopt a longer-term view and use any volatility to build their positions |
| IMF growth forecasts | The IMF cut growth forecasts for the US, China and the global economy as the effects of the Omicron variant and the government responses impact mobility amid restrictions | Global growth is to expand 4.4% in 2022, while the US is to expand 4.0% in 2022 after growing 5.6% in 2021 | 4/5 (economy) | Forecasts across most jurisdictions have been reduced on account of Omicron, although the sensitivity of economies to the latest variant is significantly lower than with previous variants, as tech has helped mitigate the full effects |

| 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, monetary policy) | The tone that the FOMC will use will drive the market reaction. Any show of sensitivity to growth and the stock market will respond with a surge to undo some of the recent sell-off |
| Evergrande | Evergrande will today hold an investors call at 13h00 GMT joined by its advisors. The company may announce a strategy for debt restructuring | It remains a source of concern and could have systemic consequences unless restructured | 3/5 (economy, markets) | Such a restructuring will help shift this risk issue to the sidelines and allow investors to focus on the broader macro backdrop, which has been weaker but countered by some rate cuts recently |
| Ukraine conflict | Again the US has warned Russian President Putin to back down and de-escalate tensions, while the US and EU appear to be close to agreeing to financial sanctions on Russia over Ukraine | The united front between EU and the US will cause Putin to reassess, but he will want to negotiate not back down | 5/5 (geopolitics, markets) | The countermeasures will be devastating to Russia, although, without energy security, the EU will need to acknowledge the predicament it finds itself in and the need to secure energy from elsewhere |

Highlights news vendors

CNBC - [The Fed is likely to signal a March interest rate hike and that further policy tightening is coming](#)

ALL AFRICA - [Weakened Tropical Storm Ana Makes Landfall in Mozambique](#)

FT - [US warns of fragile chip supply as inventory falls to just five days](#)

SOUTH CHINA POST - [Crypto tycoons entrust digital assets to 'gamefi' services in the metaverse](#)

REUTERS - [Asian shares cautiously higher as investors await Fed policy update](#)

Corporate Foreign Exchange

| | CUSTOMER | | CUSTOMER | |
|--------|-----------|-----------|-----------|-------------|
| | BUY | SELL | BUY | SELL |
| | CASH | CASH | TT | TT |
| BWPZAR | 1.261248 | 1.271808 | 1.2855533 | 1.364544 |
| BWPUSD | 0.082752 | 0.093496 | 0.0843467 | 0.089198 |
| GBPWP | 16.184688 | 16.298568 | 15.834539 | 15.358266 |
| BWPEUR | 0.079248 | 0.079872 | 0.0748665 | 0.078336 |
| JPYBWP | 10.2024 | 10.2752 | 9.638325 | 10.0529 |
| USDZAR | 14.631456 | 15.872792 | 14.974381 | 15.52939025 |
| EURUSD | 1.085184 | 1.17572 | 1.110618 | 1.15028375 |
| GBPUSD | 1.296768 | 1.404936 | 1.327161 | 1.37454075 |

Interbank Spot Foreign Exchange

| | Close | | Change | |
|--------|--------|---------|------------|-----------|
| | BWPUSD | BWPZAR | 1m | 3m |
| BWPUSD | 0.0862 | -0.0002 | -2.8665 | -8.955483 |
| BWPGBP | 0.0638 | -0.0003 | -7.7805 | -30.80857 |
| BWPEUR | 0.0763 | 0 | -17.379375 | -62.88911 |
| BWPZAR | 1.3127 | -0.0053 | -37.425375 | -185.1518 |

Forward Foreign Exchange

| | Close | | Change | |
|--------|--------|---------|------------|-----------|
| | BWPUSD | BWPZAR | 1m | 3m |
| BWPUSD | 0.0862 | -0.0002 | -2.8665 | -8.955483 |
| BWPGBP | 0.0638 | -0.0003 | -7.7805 | -30.80857 |
| BWPEUR | 0.0763 | 0 | -17.379375 | -62.88911 |
| BWPZAR | 1.3127 | -0.0053 | -37.425375 | -185.1518 |

Dollar Index

| | Close | Change |
|--------------|---------|--------|
| Dollar Index | 95.956 | 0.008 |
| EURUSD | 1.1304 | 0.0005 |
| GBPUSD | 1.3507 | 0.0011 |
| USDJPY | 113.86 | 0 |
| USDNGN | 414.62 | 0 |
| USDZAR | 15.2412 | 0.0229 |

Local Fixed Income

| Yield curve | Close | Change | SA 10y | US 10y | German 10y |
|-------------|-------|--------|--------|--------|------------|
| 6m | 1.549 | 0 | 9.36 | 0.06 | 1E-04 |
| 3y | 4.83 | 0.58 | 1.776 | 0.017 | |
| 5y | 5.89 | 0 | -0.081 | | |
| 20y | 8.46 | 0 | | | |
| 22y | 8.53 | 0 | | | |

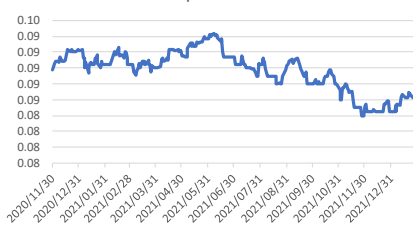
International Fixed Income

| | Close | Change |
|------------------------------|-------|--------|
| Spread SA 5y vs Bots 5y bpts | 185 | 7 |

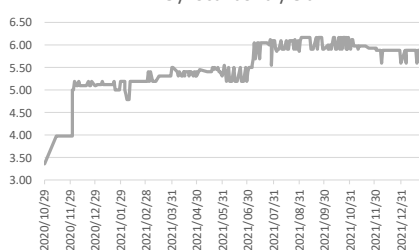
Equities

| | Close | Change | Commodities | Close | Change |
|---------------|----------|---------|---------------|---------|--------|
| VIX | 31.16 | 1.26 | Gold | 1847.56 | 4.5 |
| Dow Jones | 34297.73 | 99.13 | Brent Crude | 88.2 | 1.93 |
| FTSE | 7371.46 | -196.98 | 3m Copper | 9801 | 73 |
| JSE All share | 72314.81 | -2670.5 | LME Index | 4668.6 | 23.8 |
| Bots DCIBT | 7058.78 | 19.16 | 1 carat index | 6258 | 208 |
| Nigeria Index | 45939.51 | -29.08 | | | |

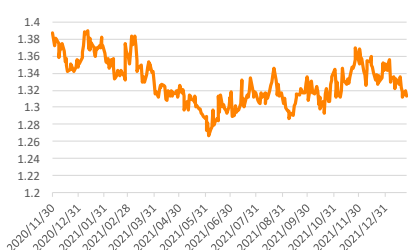
Spot BWP



BWP 5y local bond yield



BWP-ZAR



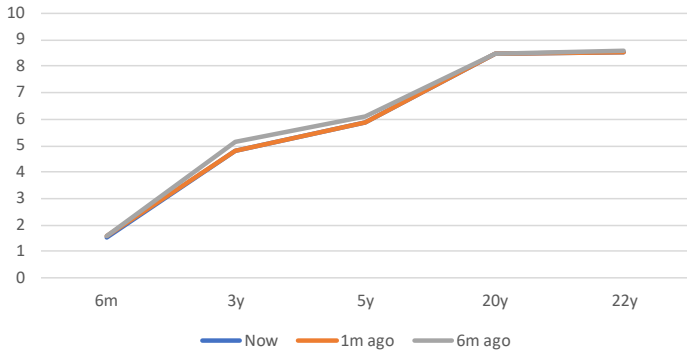
Local and regional talking points

- With no data due for release this week the local investment community has taken direction from broader macro themes and without a doubt the highlight of the week has to be the FOMC meeting this evening. The expectation is that the Fed will reaffirm that it will end its QE taper by March and could raise interest rates at the same meeting. It would be a strong move by the Fed but shouldn't come as much of a surprise as various FOMC members have repeatedly telegraphed it
- Investors have priced in much of this more hawkish action by the Fed, and the outside risk is that the Fed might signal some caution in its approach rather than surprise with an even more hawkish-than-expected statement.
- How this influences the domestic debt markets will be watched closely. Gaborone is coming to the debt capital markets with a series of bond and bills this Friday, should the Fed be exceptionally hawkish we may find that the yield demanded by investors rises in order to compensate for the rise in US rate expectations.

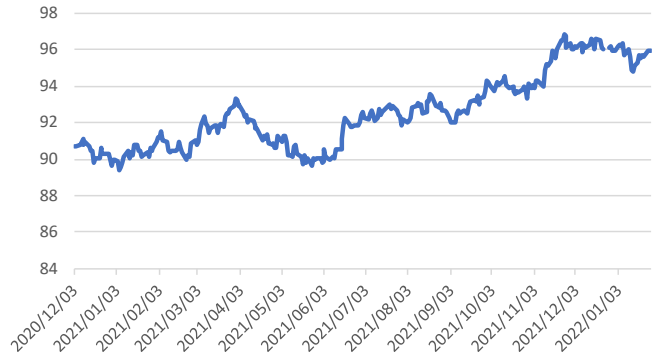
Financial Market commentary

- Equity markets have already been through a significant bout of volatility as investors position for a slowdown. Although as tech companies now report, they could still impress with their results. On the contrary, Microsoft comfortably beat expectations to the upside as tech remains core to future business operations. Furthermore, the wild ride seen on Wall St yesterday again did not result in a massive slump. The market rallied strongly off its lows to reiterate that there is still some bargain hunting demand on any dips.
- Lest we forget, the Fed feels comfortable enough to tighten because the FOMC feels that the economy is strong enough to withstand such tightening. The labour market is tight, and full employment is in sight, implying that consumptive demand will remain well supported. Stock futures in the US are once again in the green, and risk appetite has returned to some degree to help EM currencies stabilise ahead of the FOMC decision and statement.
- Moving over to the energy markets, Oil rebounded strongly yesterday and is holding onto those gains in early trade this morning, with focus remaining on the demand/supply imbalance and the tensions between Russia and Ukraine. The Brent front-month contract is trading just below \$88 per barrel this morning after rallying by 3% yesterday to recover all of Monday's losses. The rally was bolstered by API data showing a 875k drawdown for US crude inventories which, if confirmed today by the official data, will mark the eighth decline in nine weeks. The drop in inventories came despite expectations for a build of 1mn barrels, according to the consensus of forecasts submitted to Bloomberg, highlighting how demand has remained resilient despite concerns over the robustness of the economic recovery and high levels of inflation
- It was interesting to note the behaviour of the trade-weighted USD yesterday. It was unable to sustain its intra-day surge. Ahead of the FOMC statement, there is a lot of hawkishness already priced into the USD, and it is far from guaranteed that some hawkish comments on their own will be enough to drive the USD to fresh highs. The price behaviour suggests there is some apprehension, which might also point to a slight reduction in overall levels of risk aversion and a reduced need for rotation to safety.
- Locally, the Pula has slipped but is still marked above the 0.0860 level which is providing strong technical support for now.
- The ZAR has stabilised just ahead of the R15.20 mark and we expect both the Pula and the ZAR to trade cautiously today with investors sidelined for the most part ahead of the FOMC.

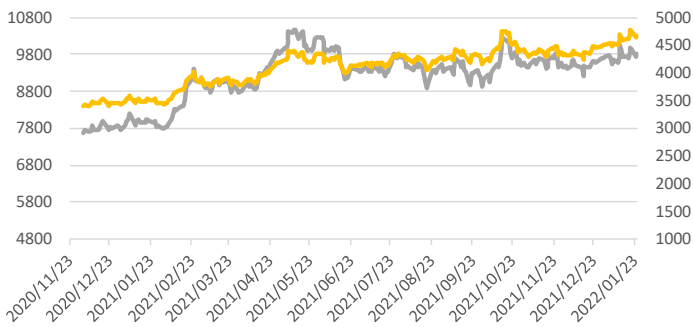
Botswana Yield Curve



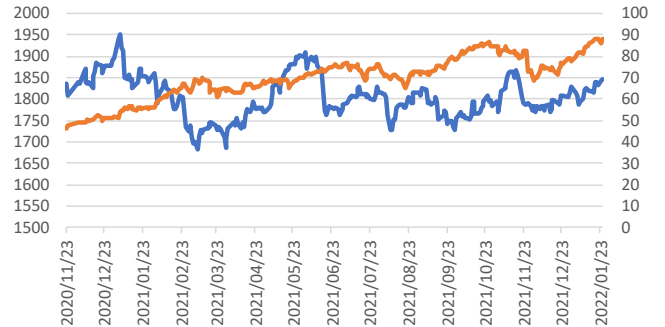
USD Index



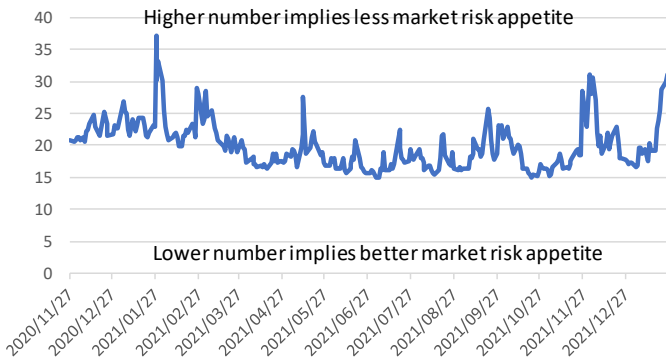
Base metals - Copper L_Hand axis LME Index R_Hand axis



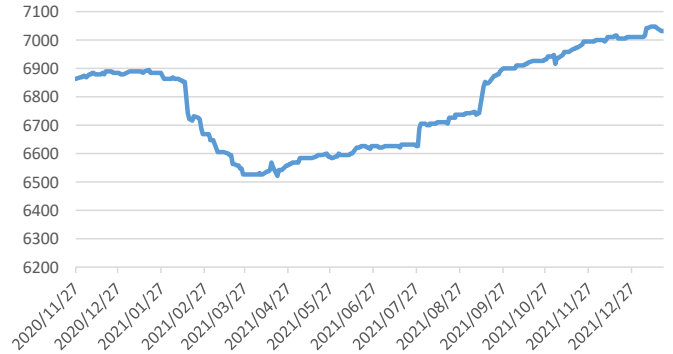
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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