

Botswana Market Watch 28 January 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
08:00	BW	BWP 500 of each tenor on offer 91, 192 and 364 Day Bills			
08:00	BW	BWP200m 5.5% 2027 Bonds on offer			
08:00	BW	BWP200m 7.75% 2031 Bonds on offer			
08:00	BW	BWP100m 6% 2040 Bonds on offer			
13:30	US	BLS Employment cost index q/q SA	4Q	1.05%	1.30%
13:30	US	PCE core y/y	Dec	4.80%	4.70%
15:00	US	Michigan consumer confidence	Jan F	68,80	68,80

Factors Overnight	What happened?	Relevance	Importance	Analysis
US GDP	The Q4 US GDP advance reading grew much stronger in Q4 at 6.9% than market expectations of 5.5% and the prior reading of 2.3%. This helped GDP for 2021 to rise to 5.7%	The US economy is performing well, the Omicron variant notwithstanding. Will help support corporate earnings	3/5 (economy)	For all the anticipated headwinds, the US economy is performing well, the data is strong, the economy is headed for full employment, and earnings show that. The biggest risk is inflation, but this too should prove temporary.
UK retail	British retailers have reported an improvement in sales y/y but still consider the outcome a disappointment with sales dropping below seasonal norms due to the Omicron variant	Omicron is just one factor, while the rise in inflation will become a further constraint to economic growth	3/5 (economy)	Omicron and inflation will both be temporary challenges to growth, and the current disappointment will give way to improved performances as the year rolls on regardless of any monetary policy tightening that may be announced
Oil price	Oil prices have had an impressive weak, assisted by robust demand, weak inventory levels and the background geopolitical tensions concerning Ukraine	Oil prices are trading close to 7yr highs as they notch up their 6th weekly gain to bolster inflation	4/5 (markets)	The trend remains overwhelmingly bullish for now, and that is unlikely to change in the near term. OPEC+ will persist with their gradual increase in production to keep prices elevated

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Wall St futures	Although it has been a wild ride on Wall St and the VIX spiked to reflect much higher volatility, the futures have turned positive and are pointing to a stronger start	Corporate America has produced some stellar earnings results to boost sentiment	4/5 (market)	For all the concern about what the Fed will do and the liquidity it will drain, companies are still producing impressive results that justify the expensive earnings multiples
IMF - Japan	The IMF today urged Japan to scale back its emergency pandemic support programme and consider raising taxes on capital and property income	The advice comes as a warning to Japan to look at ways of cutting its huge debt levels	4/5 (economy)	Japan's fiscal position is unsustainable, made that much more challenging by the ageing population and the rising medical costs that are being funded out of the fiscus. Reforms urgently needed
Ukraine conflict	Russia and the US are talking through diplomatic channels; however, the two sides are far apart, with Russia saying the US is ignoring its main concerns	The door for open diplomacy remains open, and while that is the case, an invasion is unlikely	5/5 (geopolitics, markets)	Ukraine, for its part, expects that the diplomacy efforts will continue for the next two weeks. This should offer some relief that efforts to avoid a war are being explored and could well succeed.



Highlights news vendors

CNBC - [Another major Chinese tech firm expands use of the country's digital currency](#)

ALL AFRICA - [U.S.-Chinese Competition Escalates Cold War in Africa](#)

FT - [Apple's revenue hits another record as it navigates supply chain crunch](#)

SOUTH CHINA POST - ['Greatest potential': China's appetite for high-end foreign food is growing](#)

REUTERS - [Russia, U.S. keep door open to Ukraine diplomacy, but big gaps remain](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.273536	1.279968	1.2980781	1.373299
BWPUSD	0.08256	0.093496	0.084151	0.088889
GBPWP	16.151928	16.20944	15.802487	15.27428
BWPEUR	0.080184	0.080496	0.0757508	0.078948
JPYWP	10.3168	10.3584	9.7464	10.1343
USDZAR	14.808	16.067376	15.155063	15.7197645
EURUSD	1.070688	1.160016	1.0957823	1.1349195
GBPUSD	1.286688	1.394016	1.3168448	1.363857

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.086	-0.0006	1m	-2.50575	-8.135261
BWPGBP	0.0642	-0.0001	3m	-7.57575	-31.12414
BWPEUR	0.0772	0.0002	6m	-16.930875	-64.08578
BWPZAR	1.3295	0.0107	12m	-35.904375	-188.083

Forward Foreign Exchange

	Close	Change		Close	Change
Dollar Index	97.14	-0.115			
EURUSD	1.1152	0.0009			
GBPUSD	1.3402	0.0017			
USDJPY	115.38	0.04			
USDNGN	414.99	0			
USDZAR	15.4292	-0.0304			

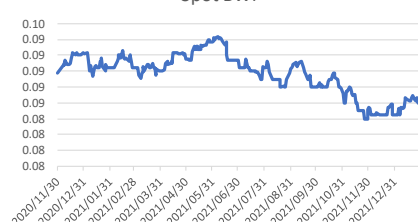
Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.551	0.001056	SA 10y	9.335	-0.015
3y	4.25	0	US 10y	1.803	-0.0697
5y	5.89	0	German 10y	-0.057	0.014
20y	8.46	0	Spread SA 5y vs Bots 5y bpts	184.5	1.5
22y	8.53	0			

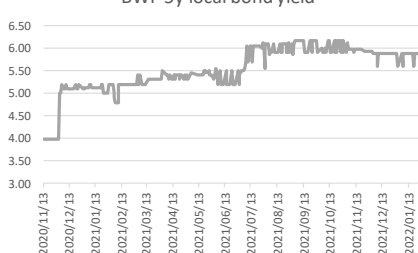
International Fixed Income

Equities	Close	Change	Commodities	Close	Change
VIX	30.49	-1.47	Gold	1796.51	-21.6071
Dow Jones	34160.78	-129.64	Brent Crude	89.34	-0.62
FTSE	7554.31	98.32	3m Copper	9782	-134.5
JSE All share	73504.04	1482.52	LME Index	4680.8	-34.3
Bots DCIBT	7059.82	0	1 carat index	6296	38
Nigeria Index	46009.23	590.48			

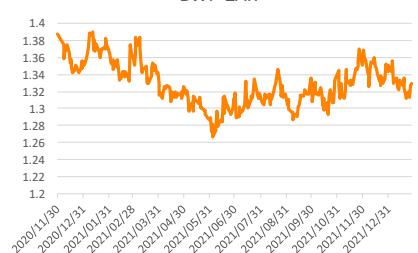
Spot BWP



BWP 5y local bond yield



BWP-ZAR



Local and regional talking points

- South Africa's MPC decision and statement could be described as a more dovish hike. Although it met market expectations of a 25bp hike, year-end repo estimates for the year were revised lower in the Quarterly Projection Model (QPM) despite near-term inflation being revised higher, while growth estimates were also lowered. SARB Gov Kganyago indicated that the SARB would look through the temporary price shock and made it clear that while headline inflation was high and rising, core inflation was still low and comfortably below the midpoint of the inflation target range. If anything, investors would be forgiven for believing that the SARB might be able to keep monetary policy more accommodative than what is reflected in the QPM. On the forecasts of the QPM, Kganyago added that it was but just one input into the MPC meeting and did not dictate what decisions the committee should make.

- Locally, the news flow centred around mining. De Beers has increased its rough diamond production by 15% y/y for 4Q 2021 to 7.7mn carats as demand levels recovered strongly. The company's Botswana operations increased 23% to 5.2 million carats for the quarter which was mainly as a result of the planned treatment of higher-grade ore at Jwaneng.

Financial Market commentary

- The bullish bias in global commodity prices remains intact despite the recent surge in the USD. Prices for a wide array of commodities have continued to rise this week as miners, farmers and drillers struggle to keep up with soaring demand as the global economic recovery heats up. For context, the Bloomberg Commodity Index, which is often used as a proxy for global commodity prices, hit a fresh high on Thursday, bringing the year-to-date gains for commodities to 7.3%. Since its lows at the onset of the Covid-19 pandemic, commodity prices have risen by almost 80%.

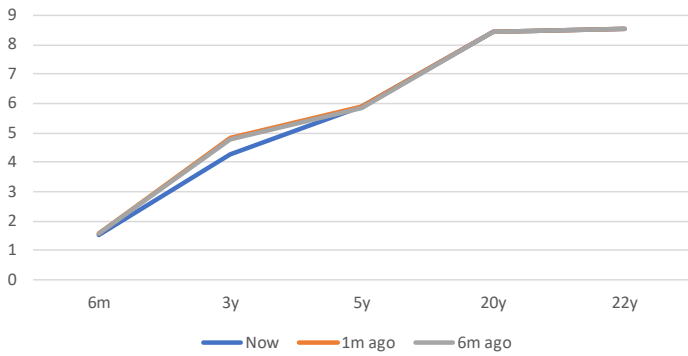
- Energy and non-energy prices have hit multi-year highs this year as demand in both sub-sectors continues to outstrip supply. While there is a risk for a correction lower in commodity prices this year, given that the global economic recovery remains robust against the backdrop of major supply constraints across most commodity sub-sectors, we expect commodity prices to remain elevated in the year ahead. This will undoubtedly underpin inflation the world over. That said, we do see a risk for a moderation in commodity prices in 2023, especially if demand cools on the back of the tighter monetary policy conditions with central banks across the world tightening policy. Moreover, global manufacturing could experience a slowdown next year as the combination of elevated commodity prices, rising interest rates, capacity constraints, energy shortages and supply chain issues weigh on the sector. Whether this unfolds next year remains to be seen. For now though, we remain bullish on commodities.

- The past week has been a kind one for the USD. It has surged impressively following the FOMC decision and statement, which confirmed that the Fed would complete its taper by March and could start lifting rates around the same time. Add to that the strong data and earnings results, and there are no downside risks to growth or employment that the Fed has to worry about, implying that the USD could still rally further. Technically, it has smashed through the prior highs achieved in Nov and Dec of 2021 and is now trading at the highs last seen in July 2021. It appears to be an important technical break that opens the door for more such gains in the future.

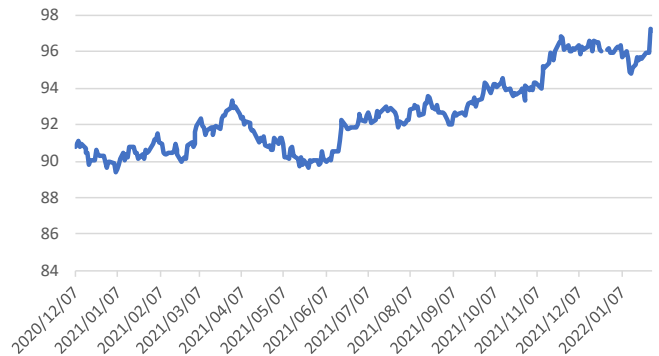
- In terms of local FX markets we have seen the BWP-USD drift lower with the pair settling at 0.0860. Further pressure into the weekend cannot be ruled out and thus we expect a measured start to the day.

- On the fixed income front it is going to be a busy day with Gaborone coming to market with a range of bills out to one year and 2027, 2031 and 2040 bonds. What will be interesting to see is the investor appetite for the longer dated paper and whether or not the government manages to fill the full allocation.

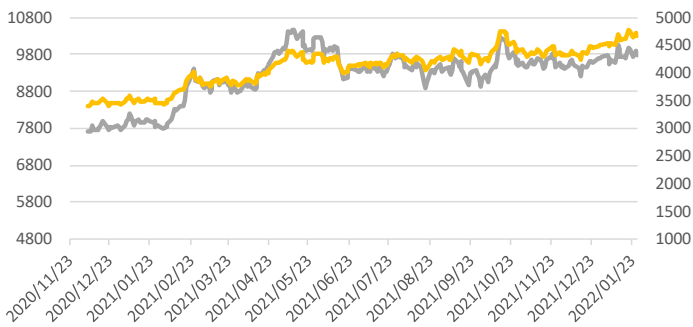
Botswana Yield Curve



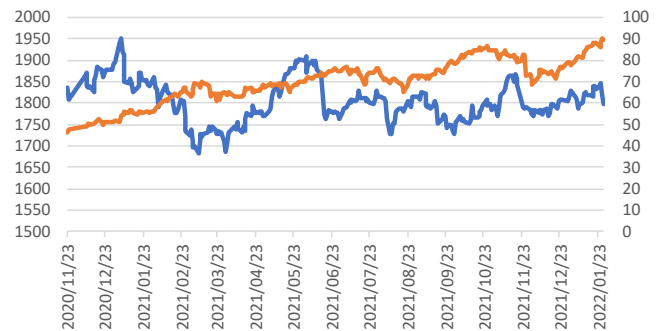
USD Index



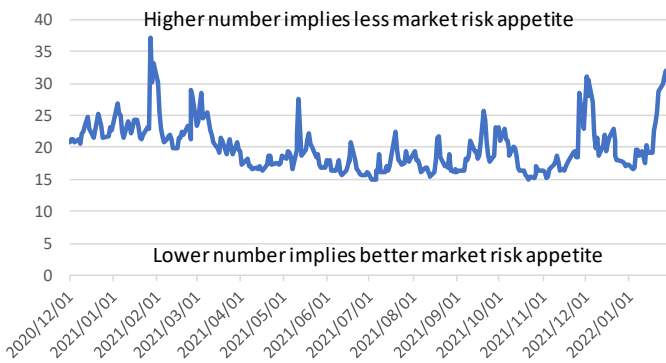
Base metals - Copper L_Hand axis LME Index R_Hand axis



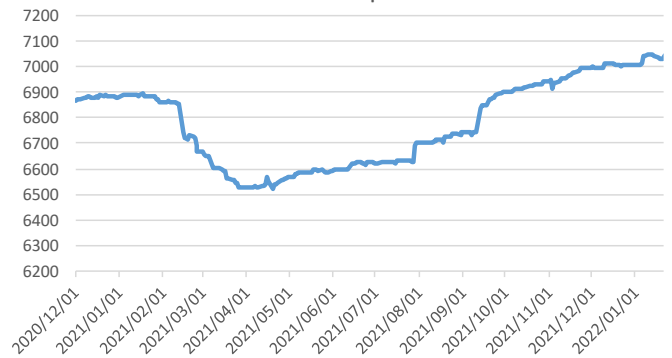
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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