

# Botswana Market Watch 10 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
13:30	<b>US</b>	CPI y/y	Jan	7.30%	7.00%
13:30	<b>US</b>	Initial jobless claims	Feb 5		238k
13:30	<b>US</b>	Real ave weekly earnings y/y	Jan		-2.30%
19:00	<b>US</b>	Monthly budget statement	Jan		\$-21,30bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Fed speak</b>	This week, the Fed's Mester and Bostic have both confirmed that rate hikes are on the way with each of this year's meetings in play and at least 3 rate hikes are anticipated	Nothing significant different to what the market is pricing in which means that market reaction has been limited	<b>3/5</b> (monetary policy)	The idea of tighter monetary policy is now understood and accepted as prudent. Despite this, growth expectations remain reasonably buoyant barring another Covid variant dealing the world another blow
<b>US Inventories</b>	Wholesale inventories rose a little faster than anticipated in Q4 which could allude to an easing in supply chain logistics and a stronger Q4 GDP print	Although not clear-cut, indications are that the economy is staging a strong recovery	<b>3/5</b> (economy)	All indications at this stage are that the economy will be able to cope with the tighter monetary policy, although consecutive hikes and a balance sheet reduction will eventually weigh
<b>BoE guidance</b>	BoE Chief Economist Pill has reiterated that the Bank is concerned about inflation expectations and that he favoured a steady-handed approach to hiking rates	Pill voted for a hike at the previous MPC, but not for a bolder 50bp hike as some members had requested	<b>4/5</b> (economy, politics)	The central bank is committed to tightening policy and raising interest rates in order to tackle inflation expectations and avoid having to respond more forcefully at a later stage if inflation is left unchecked

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>US Inflation</b>	Inflation will take centre stage on the US data calendar this week as investors try to gauge how sustained inflationary pressures have become	The strength of the outcome will have a bearing on the policy stance that the Fed will hold	<b>4/5</b> (economy, monetary policy)	Inflation has become the main theme of 2022. The stronger it becomes, the greater the probability that central banks will have to act with greater force, and so this data will be market moving
<b>Ukraine stand-off</b>	Despite French President Macron's efforts, tensions are running high. Russia is set to start military drills with Belarus while the UK is looking to send troops and sends a warning	The bulk of the EU is inclined to stand with Ukraine against Russia and so each action by Russia will be matched	<b>4/5</b> (geopolitics)	No clear solution in sight, but some conflict resolution efforts will have to be cleverly deployed to allow both sides to negotiate a position that would be a compromise to alleviate geopolitical fears on both sides
<b>US-Iran talks</b>	In another unwind of a trump policy, the Biden administration has urged Iran to revive the 2015 Iran nuclear agreement, but added that a deal needed to be struck in weeks	A quick deal would likely raise the probability of more production and help ease oil prices globally	<b>4/5</b> (markets, geopolitics)	It would also help the US regain some influence in the region and regain some control in what ia melting pot of geopolitical risk. The Biden administration continues to unwind many of Trump's decisions

## Highlights news vendors

**CNBC** - [From poisoning to coup, Putin has a 'spectrum of options' against Ukraine, think tank says](#)

**ALL AFRICA** - [Pressure Grows to End German Bundeswehr's Mali Mission](#)

**FT** - [Disney eases streaming fears with strong subscriber growth](#)

**SOUTH CHINA POST** - [Omicron cases crash in 'vital window' for Chinese city's outbreak battle](#)

**REUTERS** - [Fed hopes economy is on cusp of inflation slowdown as rate hikes loom](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.261344	1.268256	1.2856512	1.360733
BWPUSD	0.082848	0.093496	0.0844446	0.089198
GBPWP	16.254472	16.312192	15.902813	15.371104
BWPEUR	0.07852	0.078832	0.0741788	0.077316
JPYWP	10.3688	10.4104	9.795525	10.185175
USDZAR	14.616288	15.865512	14.958857	15.52226775
EURUSD	1.096992	1.188824	1.1227028	1.16310425
GBPUSD	1.29936	1.407744	1.3298138	1.377288

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0863	0.0002	1m	-2.613	-9.592794
BWPGBP	0.0638	0.0002	3m	-8.19975	-34.96079
BWPEUR	0.0755	0.0001	6m	-16.7505	-71.93499
BWPZAR	1.3123	-0.0208	12m	-36.4455	-197.6895

Forward Foreign Exchange

Dollar Index	95.524	0.03
EURUSD	1.1429	0.0007
GBPUSD	1.3532	0
USDJPY	115.54	0.05
USDNGN	416.25	0
USDZAR	15.2274	0.0206

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	1.549	0	SA 10y	9.235	-0.105
3y	4.75	0	US 10y	1.9452	-0.0198
5y	5.85	0	German 10y	0.22	-0.044
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0		186.5	-8.5

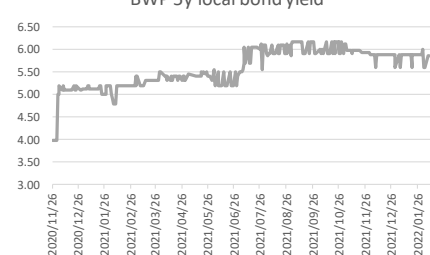
International Fixed Income

Equities	Close	Change	Commodities	Close	Change
VIX	19.96	-1.48	Gold	1832.4255	6.9406
Dow Jones	35768.06	371.65	Brent Crude	91.55	0.77
FTSE	7643.42	-6.4	3m Copper	10059	278
JSE All share	76690.92	410.96	LME Index	4821.6	114.1
Bots DCIBT	7084.38	0	1 carat index	6719	-476
Nigeria Index	47157.23	-146.15			

Spot BWP



BWP 5y local bond yield



BWP-ZAR



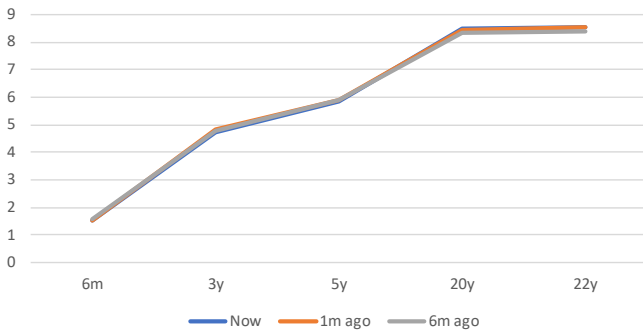
## Local and regional talking points

- Local news flow is on the thin side today however the Botswana's eastern neighbour namely South Africa will hold focus on a regional basis today.
- It will be a busy day on the calendar, with several data scheduled for release and the President delivering his State of the Nation Address (SONA). Mining and manufacturing data will be of interest as they highlight the country's potential to mine minerals whose prices have once again launched higher. At the same time, the SONA will offer an update on the political backdrop of the country. Whether these are market-moving or not is debatable, but for now, there is a lot of emphasis being placed on them, especially the SONA.

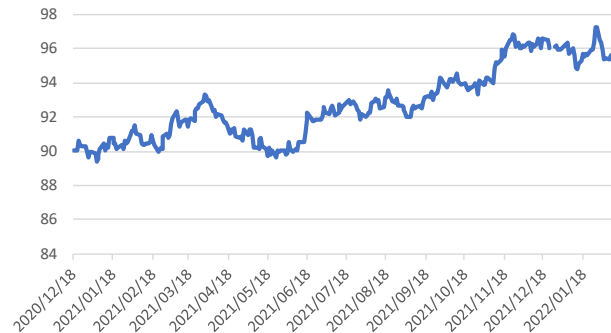
## Financial Market commentary

- Base metals rallied hard yesterday with dwindling inventory levels and supply fears dictating the mood and underpinning the bid tone. Copper cleared the \$10000/tonne mark yesterday and we have seen the market cement this position in the Asian session today, the 3m LME benchmark is currently quoted at \$10072.00/tonne as we head into the start of the EU session.
- Aluminium continues its march higher, the 3m LME contract hit a high of \$3278.00/tonne this morning but is currently trading flat at \$3264.00/tonne into the EU open. These levels were last seen 13 years ago and the threat is to the upside as energy prices and COVID-19 outbreaks curtail smelting activity in China at a time when inventory levels are at their lowest levels since 2008. As mentioned yesterday, aluminium is used in the electronics industry, auto industry and to some degree in construction so the impact of the elevated price will be felt across the value chain.
- Oil managed to halt its decline yesterday as official government data showed that US stockpiles dropped once again last week. The EIA reported that inventories in the US declined by 4.8mn barrels last week, a significant drop, especially when consensus was for a build of stockpiles. As a result, oil rebounded with the front-month Brent contract currently trading near \$91.50 per barrel. Focus is also on the US-Iran talks at the moment. Although no new details were revealed yesterday, White House Press Secretary Psaki suggested that a deal that addresses all concerns was within sight. If sanctions are lifted soon, Iran could add up to 1.5mn barrels per day of oil over the next few months, which could go a long way in reducing the market deficit.
- Moving on to the local FX market, equity markets have rallied to unwind most of their recent losses, the VIX has dipped back down to highlight an improvement in risk appetite, and commodity prices are surging at a time when oil prices are stabilising. It implies that market conditions have moved in the Pula's favour and that Botswana's terms of trade is improving. One possible stumbling block could be today's US inflation data and the implications for the Fed. However, one should add that a lot of the anticipated rise in inflation has been priced in, and the inflation data would need to rise substantially above expectations to generate a strong market response that would support the dollar.
- Thus, yesterday's close above the 0.0860 handle in the interbank market was warranted and we expect this gains to hold into the open today. As mentioned above the big data release today is US inflation and this will keep price action contained for the most part until the release is out of the way.

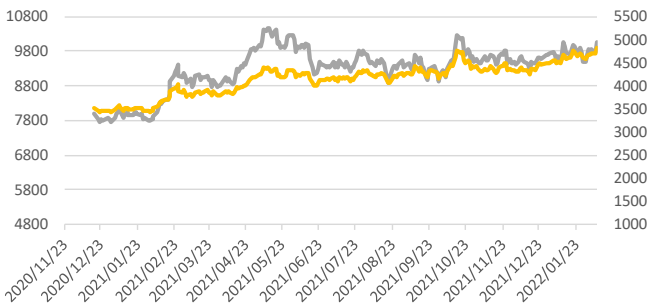
Botswana Yield Curve



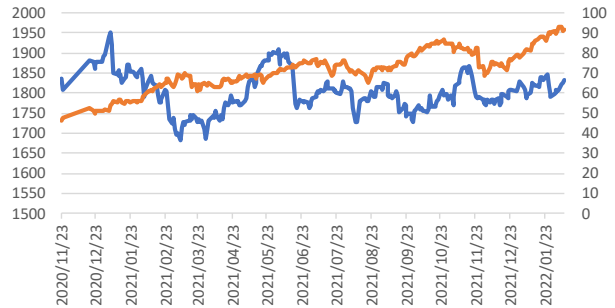
USD Index



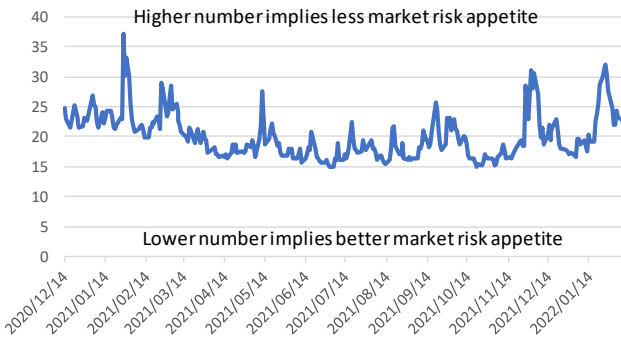
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



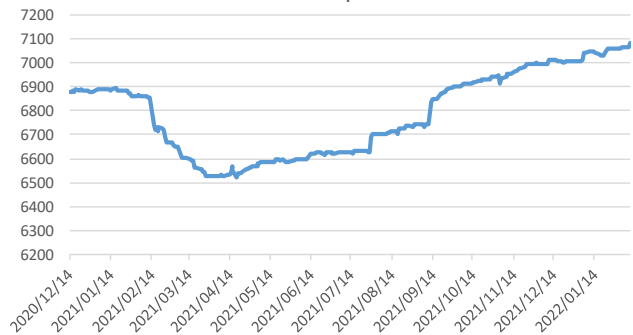
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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