

Botswana Market Watch

16 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
13:30	US	Advance retail sales m/m	Jan	1.80%	-1.90%
13:30	US	Retail sales ex. auto and gas	Jan	0.90%	-2.50%
14:15	US	Industrial production m/m	Jan	0.40%	-0.10%
14:15	US	Manufacturing production m/m	Jan	0.30%	-0.30%
15:00	US	Business inventories m/m	Dec	2.00%	1.30%
15:00	US	NAHB Housing market index	Feb	83,00	83,00
19:00	US	Fed FOMC Meeting Minutes	Jan 26		

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine	Early indications that Russia may be withdrawing some of its troops from the border were extremely well received yesterday and gave the markets something to cheer	Risk appetite improved considerably, and equity markets have posted solid gains	5/5 (geopolitics)	All eyes will be on Ukraine again today as investors look for further clues that the withdrawal of troops is indeed taking place to de-escalate tensions in a sustained manner.
Stock markets	Improved news flow from Ukraine had investors immediately start to price out the risk of further disruption in Europe through war	The Dow jumped more than 400pts while the Nasdaq was up more than 350pts	4/5 (markets)	Global stock market relief implies improved risk appetite, which should go a long way towards bolstering sentiment towards emerging markets
Chinese inflation	China's Jan CPI and PPI data missed expectations to the downside, with PPI the lowest in 6m while CPI dipped to 0.9% y/y	Weaker domestic growth saw inflation contained and could see PBoC loosen	3/5 (market)	Although China remains a highly indebted country, the central bank may look to ease policy a little more in a bid to support the sub-trend growth

Factors on the Radar	What happened?	Relevance	Importance	Analysis
FOMC minutes	Given the obsession with the rate trajectory in the US, the FOMC minutes this evening will offer a fresh perspective on the dynamics in the FOMC	It is unlikely that the minutes will support the notion that as much as a 50bp rate hike is on the cards	4/5 (economy, monetary policy)	Any sign that the Fed may hike but do so with due sensitivity to the economy and the USD is likely to come under renewed pressure as stock markets enjoy further relief
Ukraine standoff	Although Russia indicated that it would rebase troops away from the border, the US and other European countries expressed caution, especially as Ukraine suffered a cyber-attack yesterday	Tensions are still running high, and financial markets will need to assess whether they were too optimistic	5/5 (geopolitics)	The situation remains tense, and there is no evidence of a sustained withdrawal of troops to de-escalate the situation. Furthermore, the cyber-attack that took out Ukraine's banks potentially saw the threat move into a different realm
ECB dynamics	Two ECB board members yesterday made calls for the central bank to end its asset purchase programme amid buoyant inflationary pressures	The implication is that the ECB will, through 2022, likely join the ranks of CBs normalising policy	4/5 (economy, monetary policy, markets)	ECB board member Schnabel and French CB gov Villeroy de Galhau both favoured a reduction in asset purchases to respond to inflation and reduce reliance on such loose policy

Highlights news vendors

CNBC - [Emerging Asia's central banks seem unlikely to chase the Fed in raising rates, economists say](#)

ALL AFRICA - [Ethiopia Govt Votes to End State of Emergency](#)

FT - [Biden says there is still 'room for diplomacy' to solve Ukraine crisis](#)

SOUTH CHINA POST - [Xi says Hong Kong government must take 'main responsibility' in battling pandemic](#)

REUTERS - [Japan's economy rebounds on solid spending, Omicron clouds outlook](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.25184	1.261056	1.275964	1.353008
BWPUSD	0.08304	0.093496	0.0846403	0.089713
GBPWP	16.175536	16.288896	15.825585	15.349152
BWPEUR	0.079248	0.079768	0.0748665	0.078234
JPYWP	10.4	10.4728	9.825	10.246225
USDZAR	14.472	15.684552	14.811188	15.34522275
EURUSD	1.0896	1.180504	1.1151375	1.15496425
GBPUSD	1.300512	1.408992	1.3309928	1.378509

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0865	0.0002	1m	-2.6325	-10.62737
BWPGBP	0.0639	0.0001	3m	-8.04375	-36.91357
BWPEUR	0.0761	0.00	6m	-16.107	-75.59914
BWPZAR	1.3069	-0.0137	12m	-34.27125	-200.6701

Forward Foreign Exchange

Dollar Index	96.03	0.041
EURUSD	1.1349	-0.0007
GBPUSD	1.3546	0.0013
USDJPY	115.66	0.04
USDNGN	415.31	0
USDZAR	15.0718	-0.0363

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.55	0	SA 10y	9.205	-0.015
3y	4.35	0.26	US 10y	2.0434	0.0576
5y	6	0.11	German 10y	0.311	0.038
20y	8.5	0.04	Spread SA 5y vs Bots 5y bpts	174	-5
22y	8.55	0.02			

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	25.7	-2.63	Gold	1853.06	-17.2348
Dow Jones	34988.84	-171.89	Brent Crude	93.28	-3.2
FTSE	7608.92	-129.43	3m Copper	9968.5	48.5
JSE All share	75853.16	-617.79	LME Index	4773.2	13.7
Bots DCIBT	7099.5	0	1 carat index	6836	155
Nigeria Index	47064.82	-135.53			

Commodities

Local and regional talking points

- The January CPI reading rose to its highest level since March 2009 coming in at 10.6% year on year. This is a whopping 1.9% increase on the December 2020 reading which came in at 8.7%.
- One of the main drivers of the increase was transport prices which rose by 26.7% year on year.
- Sub categories such as the Operation of Personal Transport which includes the petrol pump prices rose by a massive 43.9% year on year.
- The question that will undoubtedly be doing the rounds today is whether or not the policy makers will respond by tightening monetary policy at the next Bank of Botswana meeting. Recall, that at the last meeting in early December 2020 the Monetary Policy Committee stated that it expected inflation to return to its target range of 3-6% by 3Q 2022. It will be interesting to see whether or not this outlook is revised at the next meeting. Many analysts globally are starting to talk about a structurally higher inflation period manifesting, and thus policy responses by Central Bank's around the world is going to be one of tightening.

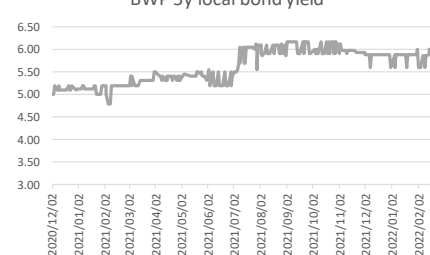
Financial Market commentary

- Early indications that Russia is softening its stance and starting to withdraw some of its troops gave markets something to cheer. There was very little for Russia to gain for going to war, economically, geopolitically or otherwise. However, President Putin has achieved to render Russia more relevant in geopolitics. He has brought NATO to the negotiating table from which he may indeed secure some concessions. The impact on financial markets has been swift and powerful and will hold implications for emerging markets more broadly.
- Global stock markets led by Wall St posted some solid gains. The VIX, otherwise known as the fear factor index, declined and the USD turned more offered as the safe-haven bid gradually dissipated. The ZAR was in two minds through the trading session. On the one hand, it wanted to respond to improved risk appetite, but on the other, it had to contend with commodity and gold prices retreating. In the end, despite the vastly improved news, the USD-ZAR ended the trading session only slightly firmer than it ended on Monday.
- Today, the focus will turn to the geopolitical developments in Ukraine for further evidence that Russia is indeed retreating and that investors were correct in pricing in improved risk appetite. Furthermore, it is a much busier data day with domestic inflation for Jan scheduled for release, followed in the afternoon by some key US data in the form of Jan's latest retail sales figures and the industrial and manufacturing data after that. However, given the obsession with the Fed's monetary policy path, the FOMC minutes may attract the most attention as investors look for further insight into the FOMC collective and whether a 50bp rate hike in March is even possible
- Moving over to the FX markets, as tensions ease in Ukraine and investors price out the prospect of a war, the safe-haven bid that has kept the USD well supported gradually dissipates. The greenback retreated through yesterday's trading session, and while the authorities may be cautious and sceptical of the Russian troop withdrawal from Ukraine's border, the VIX has retreated, equity markets have rallied, and market sentiment has improved considerably. The USD looks set to retreat a little further, especially if the FOMC minutes scheduled for this evening dampen expectations of a 50bp rate hike in March.
- Given this backdrop we expect a rather measured start for the local market. The ZAR remains anchored above the R15.00 handle and we expect the Pula to hold above the 0.0860 mark in the interbank market.

Spot BWP



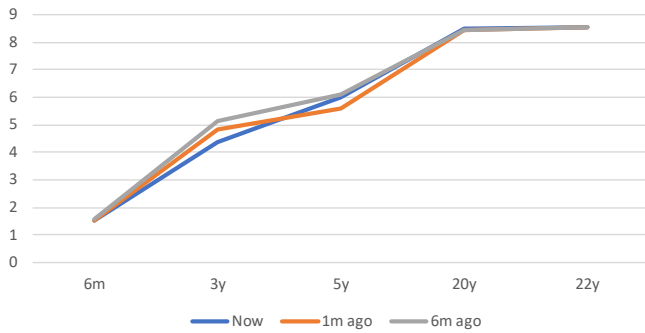
BWP 5y local bond yield



BWP-ZAR



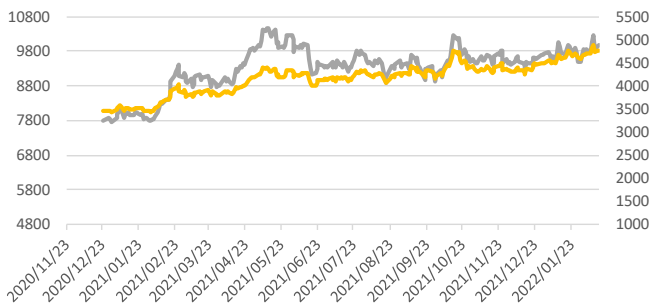
Botswana Yield Curve



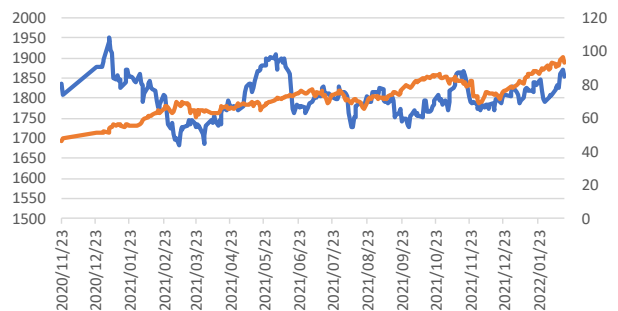
USD Index



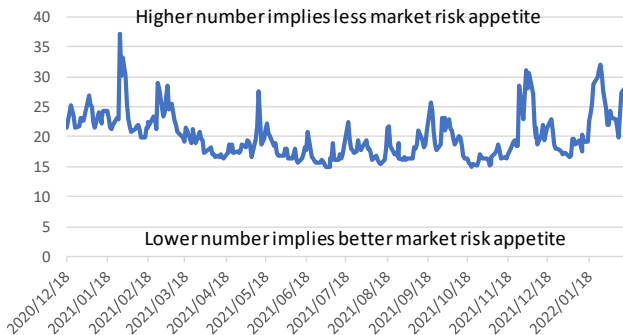
Base metals - Copper L_Hand axis LME Index R_Hand axis



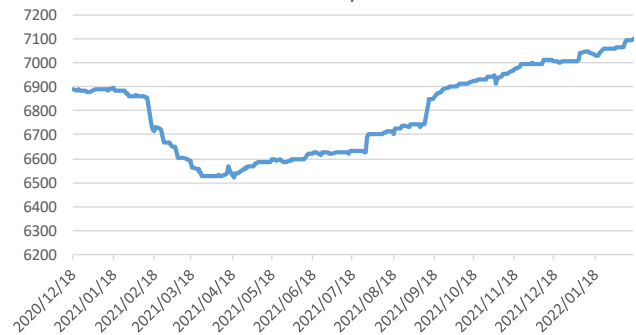
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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