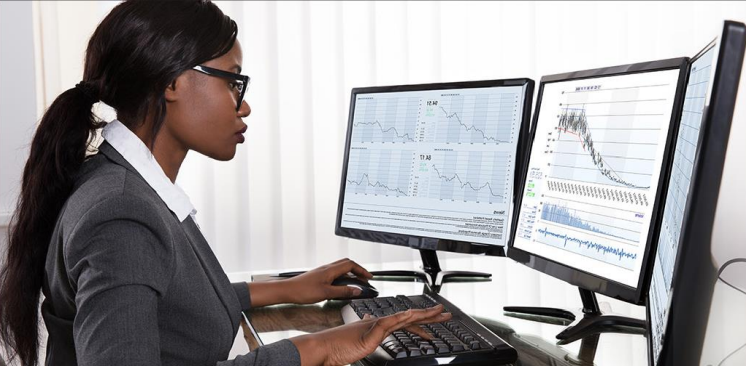


# Botswana Market Watch

## 3 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
12:00	<b>GB</b>	BoE asset purchase target	Feb	875bn	875bn
12:00	<b>GB</b>	BoE bank rate	Feb 3	0.50%	0.25%
12:45	<b>EZ</b>	ECB deposit facility rate	Feb 3	-0.50%	-0.50%
12:45	<b>EZ</b>	ECB rate announcement	Feb 3	0.00%	0.00%
13:30	<b>US</b>	Initial jobless claims	Jan 29		260k
15:00	<b>US</b>	Durable goods orders m/m	Dec F		-0.90%
15:00	<b>US</b>	ISM non-manufacturing composite PMI	Jan	59,60	62,00
15:00	<b>US</b>	Factory orders	Dec	0.10%	1.60%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Wall St</b>	For the fourth consecutive day, Wall St posted some decent gains to take equity markets back into familiar territory	For all the concerns of monetary tightening, earnings remain supportive	<b>3/5</b> (markets)	Risk appetite has also improved alongside the improved equity market performance, and this should assist riskier markets at the margin
<b>US Private sector payrolls</b>	ADP data yesterday surprised strongly to the downside, recording a drop of 301k vs expectations of growth of 200k	The data shows the economy is not yet out of the woods and will suffer setbacks	<b>4/5</b> (economy)	It will go some way to moderating expectations for the all-important non-farm payrolls data scheduled for release on Friday
<b>OPEC +</b>	OPEC+ stuck to its 400k bpd target of monthly increases. The market took a breather and retreated slightly	The market reaction must be seen together with the weak US labour data	<b>3/5</b> (geopolitics)	Although it's a relief the oil price has not cruised any higher, OPEC's stance will help keep prices buoyant, which will detract from growth at the margin
Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>US Labour data week</b>	Focus today will shift to the weekly jobless claims for further perspective that is a little more current and which will further influence expectations for NFP	Although the labour market is tightening, the data still holds the potential to disappoint	<b>4/5</b> (economy)	The trend in the labour market is an improving one. It will likely support the argument for rate hikes, although just how supportive will likely determine the strength of USD's performance
<b>Ukraine stand-off</b>	President Biden has ordered nearly 3,000 troops to Eastern Europe to bolster the NATO stance against Russia	The West still fears that Russia is planning an invasion and raised the stakes	<b>4/5</b> (geopolitics)	Russia stands to be the big loser in all this. Russia vs NATO is not appetising, let alone all the sanctions that would impact the economy heavily
<b>ECB and BoE</b>	While the BoE is expected to announce back-to-back interest rate hikes following its hike in Dec, the ECB will be more cautious amid a struggling economy	Inflationary pressures are running hot, and the BoE will respond. However, the ECB has less room to manoeuvre	<b>5/5</b> (monetary policy)	Growth in the EZ remains pedestrian and has been negatively affected by Omicron. The ECB is unlikely to announce any major changes. The BoE, on the other hand, will look to further normalise policy with a hike

### Highlights news vendors

**CNBC** - [A Russian invasion of Ukraine could send shockwaves through financial markets](#)

**ALL AFRICA** - [Why Do Neglected Tropical Diseases Suffer Low Priority?](#)

**FT** - [Investors wipe almost \\$200bn from value of Facebook owner Meta](#)

**SOUTH CHINA POST** - [Will the Beijing Winter Olympics spur a snow sports boom in China?](#)

**REUTERS** - [Fed nominees say inflation is 'grave threat,' vow to fight](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.272192	1.282176	1.2967082	1.375668
BWPUSD	0.082752	0.093496	0.0843467	0.089507
GBP/BWP	16.251768	16.366168	15.900167	15.421966
BWPEUR	0.079248	0.079872	0.0748665	0.078336
JPY/BWP	10.2544	10.3272	9.68745	10.103775
USDZAR	14.758272	16.002168	15.104169	15.65596725
EURUSD	1.085088	1.175928	1.1105198	1.15048725
GBPUSD	1.302144	1.41076	1.332663	1.38023875

Interbank Spot Foreign Exchange

	Close		Change	
BWPUSD	0.0862	0	1m	-8.611707
BWPGBP	0.0635	-0.0002	3m	-8.3265
BWPEUR	0.0762	-0.0003	6m	-17.16975
BWPZAR	1.3219	0.0054	12m	-36.04575

Forward Foreign Exchange

	Close		Change	
BWPUSD	0.0862	0	1m	-8.611707
BWPGBP	0.0635	-0.0002	3m	-8.3265
BWPEUR	0.0762	-0.0003	6m	-17.16975
BWPZAR	1.3219	0.0054	12m	-36.04575

Dollar Index

	Close	Change
EURUSD	1.1305	0.0002
GBPUSD	1.3564	-0.0013
USDJPY	114.42	-0.02
USDNGN	415.33	0
USDZAR	15.3734	0.0394

Local Fixed income

Yield curve	Close	Change	Close	Change
6m	1.551	0	SA 10y	9.26
3y	4	-0.35	US 10y	1.7715
5y	5.6	-0.4	German 10y	0.035
20y	8.45	-0.05	Spread SA 5y vs Bots 5y bpts	203.5
22y	8.55	0		32

International Fixed Income

Commodities	Close	Change
Gold	1806.4976	5.8457
Brent Crude	89.47	0.31
3m Copper	9839.5	143
LME Index	4664.8	23.5
1 carat index	7297	14

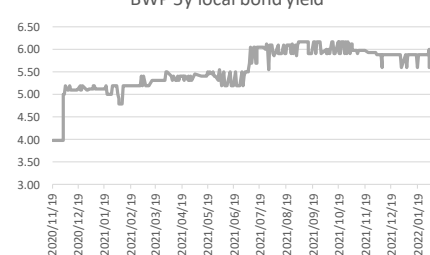
Equities

	Close	Change
VIX	22.09	0.13
Dow Jones	35629.33	273.38
FTSE	7583	71.41
JSE All share	75190.74	584.61
Bots DCIBT	7061.05	0.17
Nigeria Index	46930.66	486.54

Spot BWP



BWP 5y local bond yield



BWP-ZAR



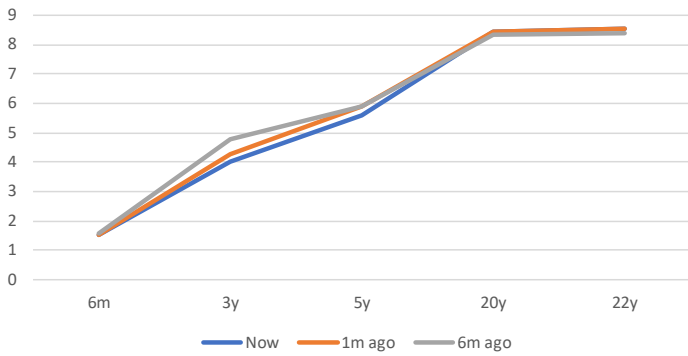
## Local and regional talking points

- News on the mining front from Mining Weekly is that a *recently completed geological mapping programme at Bezant Resources' 100%-owned high-grade Kanye manganese project, in Botswana, indicates that the target horizon hosting high-grade manganese may extend continuously for at least 4 km between the Lotlware and Moshaneng prospects.* Although it is early days for the project, there is hope that the region will yield a viable project which can be tapped and thus further underpin the strategic need to diversify the country's mining sector.
- In other news related to the mining sector, MMEGI reported that A \$4 million (P47 million) deal for the sale of the mothballed Ghaghoo Mine in Gantsi District has run into trouble after one of the partners in the joint venture behind the takeover pulled out. Okwa Diamonds, owned 10% by Botswana Diamonds (BOD) with the balance held by VAST Resources, announced its plans to take over Ghaghoo last August from Gem Diamonds. The operation, which was the country's first underground diamond mine, was placed under care and maintenance in February 2017 due to depressed diamond prices. At least 250 workers had their contracts terminated as a result.

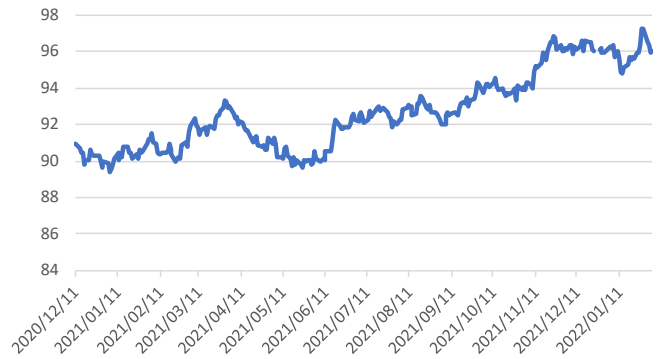
## Financial Market commentary

- Notwithstanding another positive day on Wall St, the BWP failed to build on recent gains as investors prepared for the combination of labour market data out of the US and the ECB's decisions and the BoE today. These are market-moving developments, and given the magnitude of appreciation seen recently, there was bound to be consolidation.
- A case in point was the private sector ADP payrolls data yesterday, which reflected a drop of 301k in Jan due to the government reaction to Omicron and the fearmongering that once again affected mobility and economic activity. Ahead of the key non-farm payrolls data later, this is an important release as it suggests that the official stats may have also been significantly affected. Given the hawkish expectations priced in, any indications of a softer economy that may help limit the inflation pass-through could impact equity, bond and FX markets.
- But today, the focus will turn to the guidance given by the ECB and the BoE. While the latter is expected to lift rates by a further 25bp in its second consecutive rate hike, the former is expected to play it cool and remain ultra-supportive as it seeks to promote GDP growth. These outcomes are priced in, but what is less known is the guidance and communication they will offer.
- Moving onto the energy markets, Oil has edged lower this morning, with a rebounding USD weighing marginally on the commodity. As such, we have Brent back below the \$90 per barrel handle but not showing much in the way of any notable downside momentum. The market remains supported after yesterday's OPEC+ announcement yielded no surprises as they opted for another 400k barrel per day increase for March. There are still doubts that this level of output can be achieved following months of underperformance from several members of the cartel. Therefore, demand is expected to continue to exceed supply over the near term, suggesting that prices will likely rise above the \$90 per barrel mark and make their way towards \$100 over the next few weeks.
- The current market structure corroborates our bullish outlook on oil, with Brent's prompt timespread now trading at over \$1.35 per barrel in backwardation. Levels such as this have typically seen oil at well over \$100 per barrel, suggesting that the market still has some upside to it.
- We expect the Bank of Botswana to keep a close eye on developments in the commodity markets given the impact on inflation. The current trajectory for energy costs remains to the upside which will underpin inflation pressures in the short and medium term.

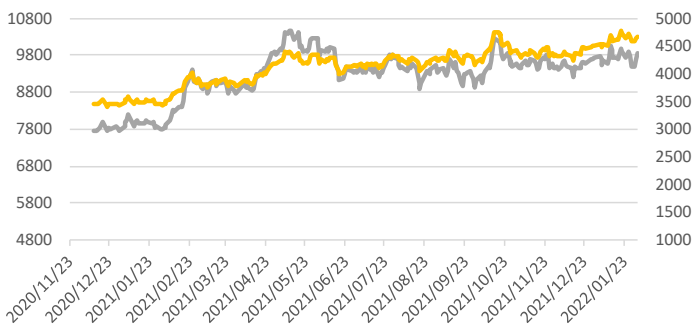
### Botswana Yield Curve



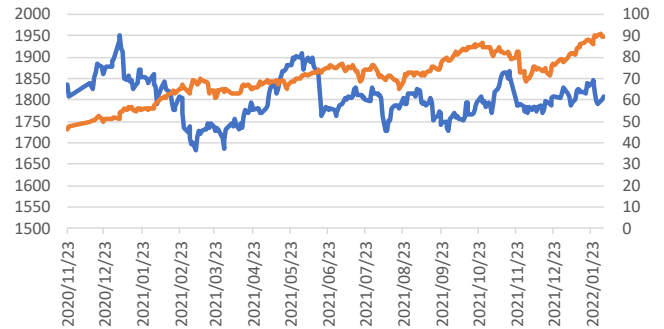
### USD Index



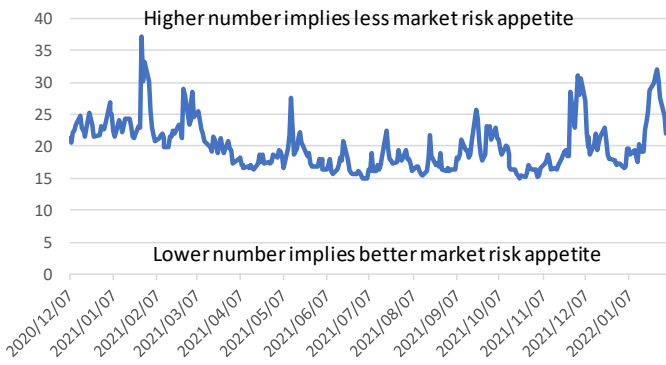
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



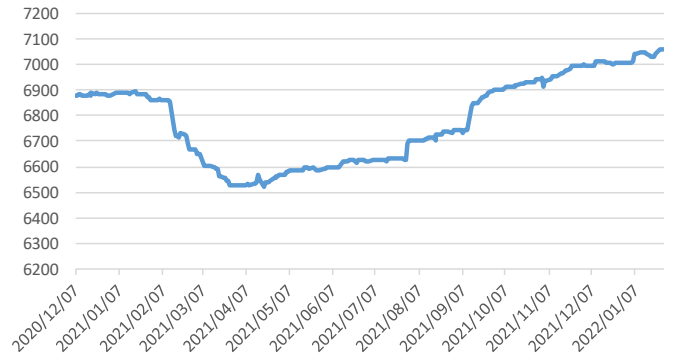
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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