

# Botswana Market Watch

## 4 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
<b>07:00</b>	<b>GE</b>	Factory orders y/y	Dec	2.40%	1.30%
<b>09:00</b>	<b>EC</b>	ECB Survey of Professional Forecasters			
<b>09:30</b>	<b>GB</b>	PMI construction	Jan	54.30	54.30
<b>10:00</b>	<b>EZ</b>	Retail sales y/y	Dec	5.30%	7.80%
<b>12:15</b>	<b>UK</b>	BOE's Broadbent and Pill speak			
<b>13:30</b>	<b>US</b>	Change in nonfarm payrolls	Jan	178k	199k
<b>13:30</b>	<b>US</b>	Unemployment rate	Jan	3.90%	3.90%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US labour market</b>	In contrast to the ADP data on Wed which showed a sharp decline in jobs, the jobless claims data continued to decline as the labour market tightens	The effects of Omicron have subsided quickly, and labour market data will improve	<b>3/5</b> (economy)	Although one needs to guard against turning too complacent, the latest jobless claims numbers suggest that the labour market is still tightening and will help support GDP through consumption
<b>ECB</b>	The ECB kept rates unchanged but indicated that inflation risks were tilted to the topside and that a 2022 rate hike was likely	Although no move was announced this time, March becomes a key meeting	<b>4/5</b> (economy, monetary policy)	The ECB's acknowledgement of the rising inflation risks is a strong departure from the "temporary" view of inflation. Markets moved to adjust.
<b>BoE</b>	As anticipated, the BoE hikes rates a further 25bp; however, four out of nine MPC members voted for a 50bp hike	BoE expects inflation to continue rising to 7.25% in Apr, keeping it hawkish	<b>4/5</b> (economy, monetary policy)	Indications that a push for an even stronger rate hike has helped the BoE record stronger gains. Government bonds came under pressure as a result

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Non-farm payrolls</b>	Today's non-farm payrolls data is the main data event of the week and holds market-moving potential. Investors wait to see how much Omicron impacted	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>	Tensions continue to run high, and the US is now warning of the prospect that Russia may use propaganda and stage a video to garner domestic support for a war	The risk remains that Russia will invade, although it remains difficult to see the upside for Russia	<b>4/5</b> (geopolitics)	Russia heading into war with NATO not only taps human and financial resources but will prompt a wave of sanctions, and there is a chance that its efforts will have been for nothing
<b>Oil prices</b>	Any reprieve in oil prices proved to be temporary, as a combination of a weaker USD and concerns of production disruptions in the US ahead of a storm boosted prices	This will do little to calm fears of policy normalisation, and the banks will feel encouraged to continue tightening	<b>5/5</b> (market, monetary policy)	The degree of backwardation has intensified to reflect the strength of the recent rally in the spot price of oil. Inflation concerns will now intensify, and this will impact both rate hike and growth expectations

### Highlights news vendors

- CNBC** - [Hong Kong's Hang Seng index soars 3% in Friday return to trade as Asia-Pacific stocks rise](#)
- ALL AFRICA** - [What Caused the Coup in Burkina Faso?](#)
- FT** - [Meta's perfect storm: fleeing users and Apple privacy changes hit ads business](#)
- SOUTH CHINA POST** - [How will EU, US infrastructure plans affect China's belt and road strategy?](#)
- REUTERS** - [Analysis: OPEC+ meets quickly, sticks to script, dodges debate on geopolitics](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.262304	1.271616	1.2866297	1.364338
BWPUSD	0.082848	0.093496	0.0844446	0.089301
GBPWP	16.288168	16.402568	15.93578	15.456266
BWPEUR	0.078208	0.078832	0.073884	0.077316
JPYWP	10.3064	10.3792	9.736575	10.15465
USDZAR	14.61744	15.85528	14.960036	15.51249975
EURUSD	1.10112	1.193296	1.1269275	1.1674795
GBPUSD	1.30656	1.415544	1.3371825	1.38491925

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0863	0.0001
BWPGBP	0.0635	0
BWPEUR	0.0754	-0.0008
BWPZAR	1.3168	0.0002

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.6325	-9.006817
3m	-8.502	-34.31497
6m	-17.32575	-70.11274
12m	-37.596	-193.2405

Dollar Index

	Close	Change
EURUSD	1.147	0.0032
GBPUSD	1.3606	0.0011
USDJPY	114.86	-0.09
USDNGN	415.54	0
USDZAR	15.2247	-0.0294

Local Fixed income

Yield curve	Close	Change
6m	1.549	-0.002
3y	4.09	0.09
5y	5.6	0
20y	8.5	0.05
22y	8.55	0

International Fixed Income

	Close	Change
SA 10y	9.225	-0.035
US 10y	1.836	0.0645
German 10y	0.155	0.12
Spread SA 5y vs Bots 5y bpts	202.5	-1

Equities

	Close	Change
VIX	24.35	2.26
Dow Jones	35111.16	224.09
FTSE	7528.84	47.22
JSE All share	75021.67	301.57
Bots DCIBT	7062.63	1.06
Nigeria Index	47329.8	-180.55

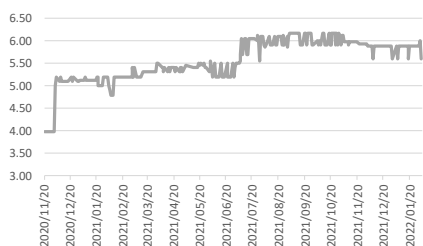
Commodities

	Close	Change
Gold	1804.4047	-2.0929
Brent Crude	91.11	1.64
3m Copper	9832.5	-7
LME Index	4677.2	12.4
1 carat index	7324	27

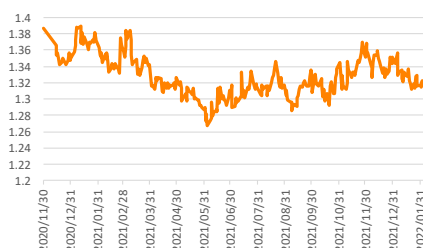
Spot BWP



BWP 5y local bond yield



BWP-ZAR



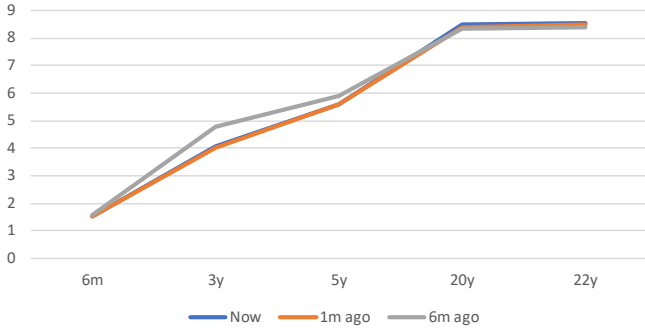
## Local and regional talking points

- Data has been on the thin side this week which has resulted in the local markets looking offshore for direction with the focus yesterday being squarely in the central bank activity in Europe while earlier in the week there was sufficient Fed chatter to keep the markets on their toes as to how aggressive the Fed would be when it came to monetary policy.
- Yesterday the statements accompanying the ECB and BOE statements turned a little more hawkish than anticipated. It is no longer just the Fed that is looking to normalise, and some policy divergence that many expected was priced back out of the market. The BoE hiked rates by a further 25bp marking this the second consecutive rise, while the ECB kept its rates unchanged. However, both tilted their guidance more hawkish.
- This does bring the Bank of Botswana into the spotlight again. South Africa has recently hiked by 25 bpts even in the face of a slowing economic outlook, and some may be questioning whether or not the Bank of Botswana will follow suit at the next meeting given the latest developments out of the EU.

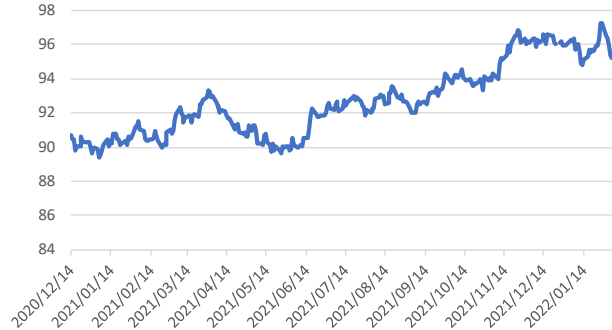
## Financial Market commentary

- Gold has remained anchored above the \$1800.00/oz level entering the final day of trade for the week with all eyes on the US jobs data later today. The metal is set for a weekly gain with a weaker dollar and tensions surrounding the Ukraine underpinning the bullish tone.
- As it stands the dollar index is set for its largest weekly drop since March 2020 quoted just above 95.20 into the EU open while the United States has stated that Russia has formulated several options as an excuse to invade the Ukraine, which could include the use of a propaganda video showing a staged attack. Analysts and economists alike are warning of a severe impact to global financial markets should Russia invade as it will force the hand of the United States ringing in a period of massive instability.
- Oil prices climbed sharply yesterday, with Brent nearing \$91.50 per barrel while WTI hit a fresh seven-year high to reach \$91 per barrel itself. This has put the market on track for a seventh straight weekly gain as investors continue to doubt that OPEC+ will reach its production quotas against a backdrop of strong demand and rising geopolitical tensions. Some recent outperformance by WTI over Brent, however, has been due to freezing weather conditions in Texas, which has impacted the supply of the US benchmark.
- Although the outlook for the market remains bullish over the near term, as evidenced by widening spreads across the futures curve that is in backwardation, warnings are starting to come that the rally may be overdone.
- Moving onto the United States, While U.S. firms have struggled with hiring and labour shortages in recent months, the emergence of the Omicron variant seemed to add to the pressure in the U.S. economy as 199k jobs were added according to December's NFP print, a poor showing compared to the 450k expected. However, this temporary impact didn't concern too many FOMC members as a drop in the unemployment rate, and wage growth signalled a continued recovery towards full employment in the wake of the COVID-19 pandemic.
- The January reading could incur another drop in hiring, as the impact of the Omicron variant is captured. Nevertheless, it is unlikely to sway hiring momentum, while the Fed's recent policy statement noted substantial job gains and a satisfactorily tight labour market. With a swift rebound from Omicron, the Fed should stick to its recent policy guidance and begin hiking rates starting in March. The pace of monetary tightening after that will ultimately depend on inflation and the economy's resilience.
- In terms of the local FX market, we expect the BWP to hold its position above 0.0860 with the potential for further gains not out of the question should the US NFP underwhelm

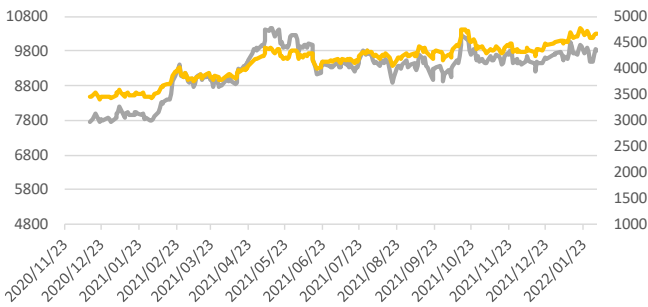
Botswana Yield Curve



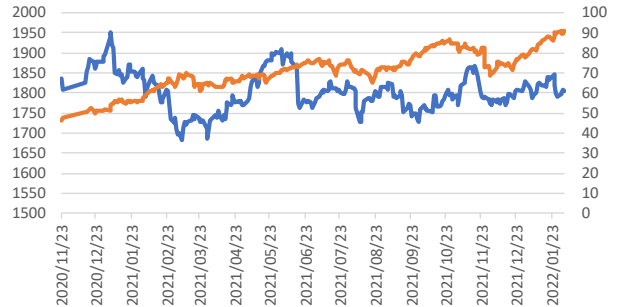
USD Index



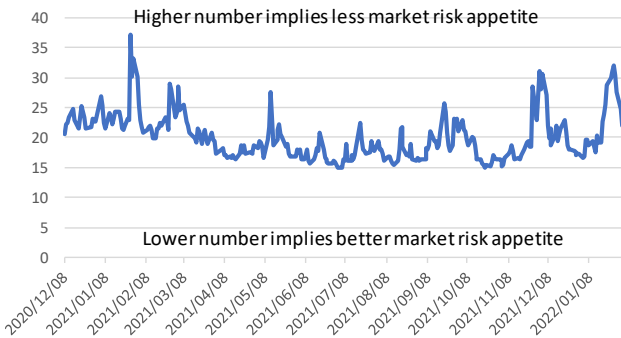
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



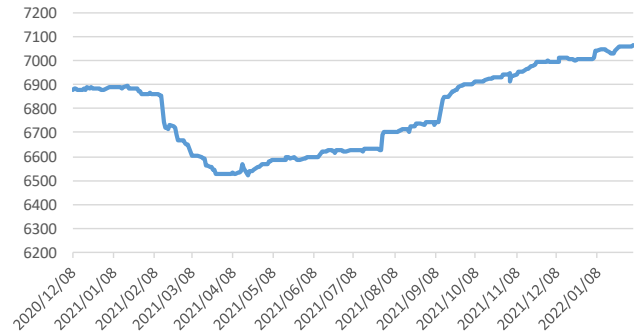
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

Mogamisi Nkate  
Phillip Masalila  
Kefentse Kebaetse  
Mompoloki Keseabetswe  
Amogelang Themba  
Tshwanelo Bogale  
Pearl David

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