

Botswana Market Watch

7 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
07:00	GE	Industrial production wda y/y	Dec	-3.50%	-2.40%
09:30	EZ	Sentix investor confidence index	Feb	15,75	14,90
20:00	US	Consumer credit	Dec	\$25,00bn	\$39,99bn
Factors Overnight		What happened?	Relevance	Importance	Analysis
US labour market	Non-farm payrolls data released last week Friday beat expectations and bucked the Omicron trend by rising 467k in January	Employment was not only strong, but spread across all sectors of the economy	3/5 (economy)	The data only strengthens the argument for the Fed to tighten policy. The data confirmed that there is enough resilience in the economy for the Fed to lift rates without derailing the economy	
EZ retail sales	Retail sales were much weaker than expected in December despite the Christmas festive season	A record rise in inflation and Omicron dented demand and disposable income	4/5 (economy, monetary policy)	Weak demand will restrict the degree of monetary tightening the ECB is likely to implement. Only persistently high inflation will force the ECB's hand	
Oil Prices	Oil prices have continued their surge higher and broken through \$93 pb. This is a fresh seven-year high, and the rally has now extended for the seventh consecutive week	Inflation will be a feature throughout 2022, and the longer inflation rises, the greater the pressure on central banks	5/5 (economy, markets, monetary policy)	Central banks might argue that they do not control oil prices directly and that raising rates will do little to calm cost-push inflation. However, they will want to contain any second-round effects to inflation	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
US Inflation	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	4/5 (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	
Ukraine stand-off	The US this weekend indicated that Russia could invade Ukraine any day now but that the window of opportunity for a diplomatic solution remains open	The risk remains that Russia will invade, although it remains difficult to see the upside for Russia	4/5 (geopolitics)	Russia heading into war with NATO not only taps its human and financial resources but will prompt a wave of sanctions, and there is a chance that its efforts will have been for nothing	
BoE on wage inflation	BoE Governor Bailey has expressed fear that inflation will be out of control if there is no wage constraint	The Bank has lifted rates twice and will not hesitate to do more if needed	4/5 (monetary policy)	This also reflects how much more entrenched inflationary pressures are becoming and why the central bank will try to dissuade high wage settlements	

Highlights news vendors

CNBC - [Singapore property prices are set to keep climbing in 2022, but at a slower pace](#)

ALL AFRICA - [Tunisian President Dissolves Supreme Judicial Council](#)

FT - [EU draws up contingencies in case Ukraine crisis hits energy supplies](#)

SOUTH CHINA POST - [1MDB trial of ex-Goldman Sachs banker Roger Ng finally set to begin in US](#)

REUTERS - [France's Macron flies to Moscow in high-risk diplomatic mission](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.27776	1.288512	1.3023835	1.382466
BWPUSD	0.082656	0.093496	0.0842489	0.089404
GBP/BWP	16.224936	16.342872	15.873916	15.400014
BWPEUR	0.078312	0.078832	0.0739823	0.077316
JPY/BWP	10.3168	10.3896	9.7464	10.164825
USDZAR	14.840736	16.100656	15.188566	15.7523245
EURUSD	1.097664	1.189552	1.1233905	1.1638165
GBPUSD	1.298496	1.40712	1.3289295	1.3766775

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0861	-0.0002
BWPGBP	0.0636	0.0001
BWPEUR	0.0752	-0.0002
BWPZAR	1.3331	0.0179
Dollar Index	95.57	0.085
EURUSD	1.1435	-0.0011
GBPUSD	1.3524	-0.0005
USDJPY	115.26	0.06
USDNGN	415.7	0
USDZAR	15.4614	-0.0222

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.364375	-9.146588
3m	-8.62875	-34.31497
6m	-16.560375	-70.11274
12m	-34.89525	-193.9802

Local Fixed Income

Yield curve	Close	Change
6m	1.551	0.002
3y	4	-0.09
5y	5.6	0
20y	8.45	-0.05
22y	8.5	-0.05

International Fixed Income

	Close	Change
SA 10y	9.325	0.1
US 10y	1.9157	0.0797
German 10y	0.208	0.053
Spread SA 5y vs Bots 5y bpts	210	7.5

Equities

	Close	Change
VIX	23.22	-1.13
Dow Jones	35089.74	-518.17
FTSE	7516.4	-54.16
JSE All share	75206	-169.07
Bots DCIBT	7064.19	1.58
Nigeria Index	47279.92	399.14

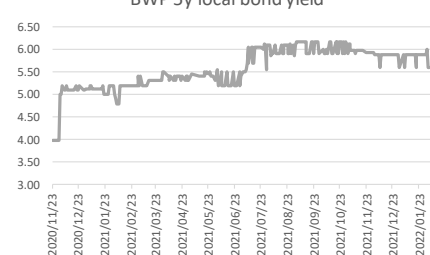
Commodities

	Close	Change
Gold	1807.494	3.0893
Brent Crude	93.27	2.16
3m Copper	9841.5	9
LME Index	4691.4	14.2
1 carat index	7232	-92

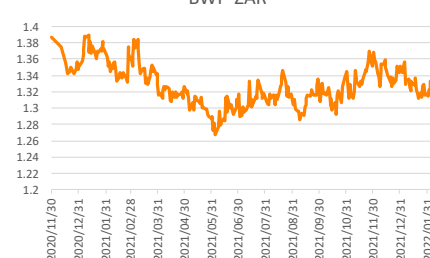
Spot BWP



BWP 5y local bond yield



BWP-ZAR



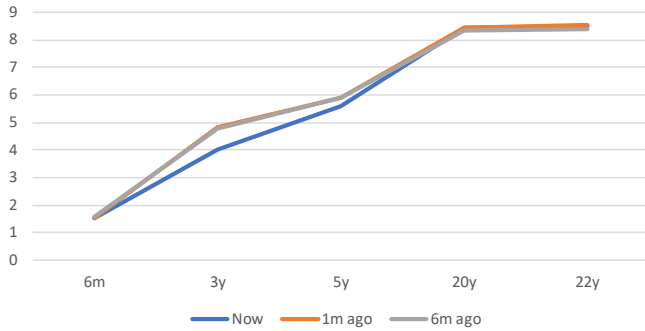
Local and regional talking points

- After a massive outcry both locally and internationally, the Ministry of Defence, Justice and Security will reintroduce in Parliament as significantly watered down version Criminal Procedure and Evidence Bill. Local news vendor MMEGI has established that the justice ministry has made several amendments to the original Bill, which it will present to legislators soon. The changes will see the removal of a clause that allowed heads of investigative authorities to grant their officers the right to go undercover and/or intercept people's communications without the need for a warrant if waiting for a court's authorisation would delay the investigation.
- In other news, Xinhua reported the following - Botswana has embarked on a project to offer start-up wildlife stock to farmers, for keeping within their agricultural holdings. Tuduetso Pretty Nkunyane, the spokesperson for the Ministry of Environment, Natural Resources Conservation and Tourism on Friday said the animals will remain government property. "And after successful breeding of the animals, the applicant would be expected to donate to another authorised farmer or government, the same number of animals that they would have received as start-up animals," said Nkunyane in a statement.

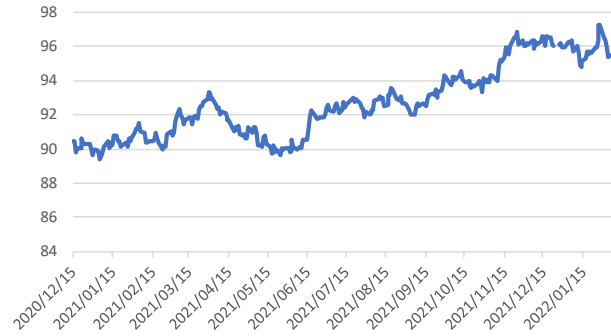
Financial Market commentary

- Financial markets are keeping a close eye on developments in Eastern Europe. White House national security adviser Jake Sullivan warned yesterday that Moscow could invade the Ukraine within days or weeks. Reuters reported - "We are in the window. Any day now, Russia could take military action against Ukraine, or it could be a couple of weeks from now, or Russia could choose to take the diplomatic path instead," Sullivan told the "Fox News Sunday" program. Sullivan made the comments in television interviews after two U.S. officials on Saturday said Russia, which seized Crimea from Ukraine in 2014, has in place about 70% of the combat power it believes it would need for a full-scale invasion of Ukraine.
- Investors across the globe are well aware that should Russia invade the Ukraine we will see an extraordinary period of volatility in global asset prices with commodities such as natural gas rising sharply which would have a knock-on effect to inflation, which is already a structural issue for many countries around the world.
- Keeping with energy, Oil continues with its advance with the front-month Brent contract trading above \$93.50 this morning, extending its seven-week bullish run as fundamentals remain supportive. The commodity could receive a boost from the return of Chinese and some other Asian markets this week, following the lunar new year holiday period. Furthermore, the EIA, OPEC, and IEA will all be presenting their monthly outlooks this week, which will likely show that the shift towards a surplus is being pushed out as demand has remained robust while supply levels remain tight.
- One factor to keep an eye on regarding supply, however, is Iran. Last week, US Secretary of State Blinken signed several sanctions waivers, a step forward in removing the broader restrictions on Iran that include its export of oil. There is still some way to go before this is achieved, but it does suggest that greater supply could be coming to the market over the next few months. Until then, OPEC+ will continue to struggle to meet their output targets, keeping the market in a deficit and prices heading towards \$100 per barrel.
- Looking at the day ahead we have nothing out locally from a data perspective. Out of the EU we have the German Industrial Production figures and then the EU Sentix Investor Confidence Reading. It will be a quiet start to the trading week for the U.S., with the most important data scheduled for Thursday only. Thursday will see the latest inflation data released, and it will offer investors fresh perspective on how strongly the Fed will need to respond. Investors are anticipating a rise in inflation to 7.3% from 7.0%, near the top of the inflation cycle. Nevertheless, it is far enough from the 2% target that the Fed will need to hike several times this year
- In terms of the local FX market, we expect the BWP to pivot around the 0.0860 mark as we enter the start of the week. Investors will be extremely cautious given the broader macro backdrop and this could result in spreads widening out.

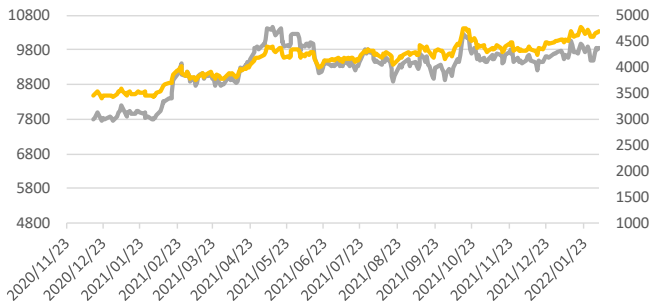
Botswana Yield Curve



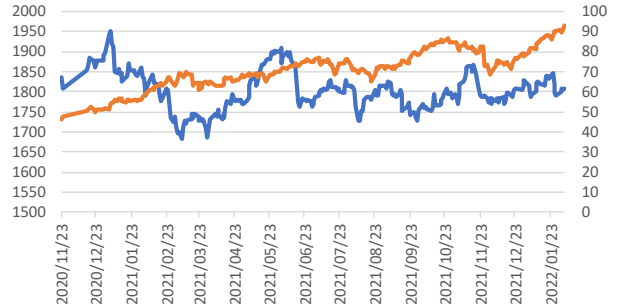
USD Index



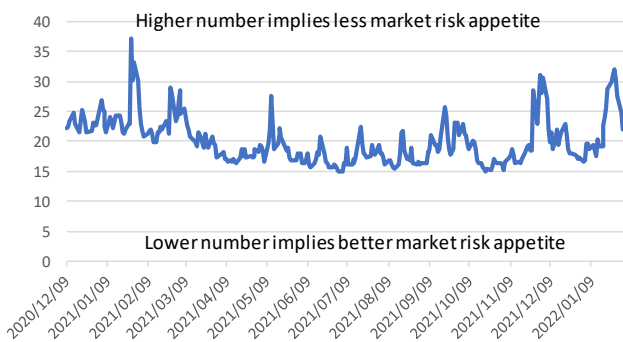
**Base metals - Copper L_Hand axis LME Index
R_Hand axis**



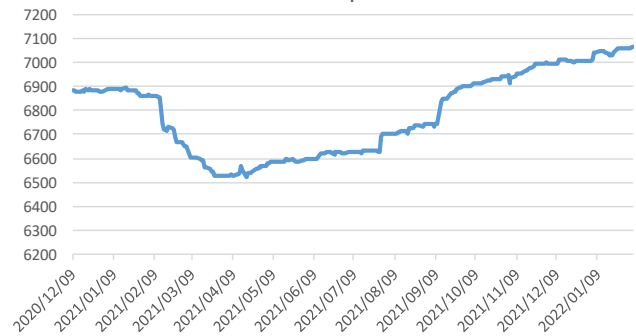
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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