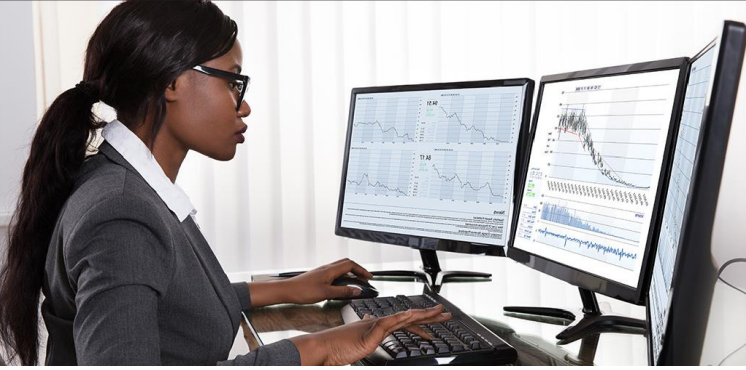


Botswana Market Watch 8 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	Botswana to sell BWP5bn of 7-Day certificates			
13:30	US	Trade balance	Dec	-\$83,00bn	-\$80,20bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Japan Household spending	Household spending fell 0.2% m/m weaker than expectations and the fifth consecutive month of decline. Real wages dropped 2.2% y/y in Dec	Consumptive demand remains weak, and the surge in Covid infections has further dampened demand	4/5 (economy)	This is the largest drop in real wages since May 2020 and reflects how some of the momenta behind consumption spending has dipped. This will impact profit margins and BoJ policy
UK Consumption	Data from the BRC shows that although Jan consumer spending rose 7.4% vs Jan 2019, high fuel prices and Omicron dampened consumptive demand	Consumption is still recovering but will do so at a more gradual pace as the base starts to normalise	3/5 (economy)	That consumptive demand responded negatively to high fuel prices, and inflation is to be expected. However, it is still growing, and demand is steadily normalising
Japanese – US tariffs	US and Japan reached a deal to cut tariffs on Japanese steel implemented by former President Trump on approximately 1.25mn metric tonnes per annum	This is another step by the US to repair international relations and negotiate terms in the USs' interests	2/5 (economy, politics)	In renegotiating, the Biden administration will not completely reverse back to original tariff agreements but will use the opportunity to ensure a better agreement all around

Factors on the Radar	What happened?	Relevance	Importance	Analysis
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Highlights news vendors

CNBC - [Seven hikes? Fast-rising wages could cause the Fed to raise interest rates even higher this year](#)

ALL AFRICA - [Around 10 Million People Living With HIV are Still Not on Antiretroviral Therapy](#)

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SOUTH CHINA POST - [US Cold War mentality informs tech competitiveness bill, China says](#)

REUTERS - [Biden pledges end to Nord Stream 2 if Russia invades Ukraine](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.27968	1.289952	1.3043405	1.384011
BWPUSD	0.082464	0.093496	0.0840532	0.089198
GBPWP	16.269656	16.38572	15.917668	15.44039
BWPEUR	0.078104	0.078728	0.0737858	0.077214
JPYWP	10.3064	10.3792	9.736575	10.15465
USDZAR	14.89728	16.155464	15.246435	15.80594675
EURUSD	1.09728	1.188824	1.1229975	1.16310425
GBPUSD	1.299072	1.407536	1.329519	1.3770845

Interbank Spot Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0859	-0.0002	1m	-9.290704
BWPGBP	0.0635	-0.0001	3m	-34.31497
BWPEUR	0.0751	-0.0001	6m	-71.32685
BWPZAR	1.3323	0.0104	12m	-194.7206

Forward Foreign Exchange

Dollar Index

	Close	Change
EURUSD	1.143	-0.0012
GBPUSD	1.3531	-0.0003
USDJPY	115.35	0.23
USDNGN	415.88	0
USDZAR	15.5175	0.0075

Local Fixed income

Yield curve	Close	Change	SA 10y	US 10y	German 10y	Spread SA 5y vs Bots 5y bpts
6m	1.551	0	9.36	1.9195	0.224	194
3y	4	0	0.035	0.0038	0.016	-16
5y	5.85	0.25				
20y	8.45	0				
22y	8.5	0				

International Fixed Income

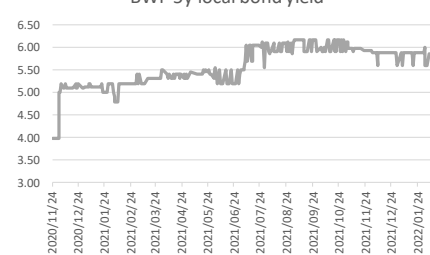
Equities

	Close	Change	Commodities	Close	Change
VIX	22.86	-0.36	Gold	1820.31	12.816
Dow Jones	35091.13	-21.42	Brent Crude	92.69	-0.58
FTSE	7573.47	-12.44	3m Copper	9777.5	-64
JSE All share	75679.56	184.33	LME Index	4704.9	13.5
Bots DCIBT	7064.19	1.56	1 carat index	6981	-251
Nigeria Index	47203.39	-49.88			

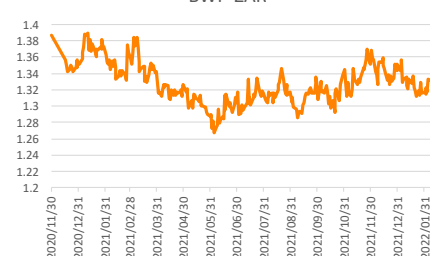
Spot BWP



BWP 5y local bond yield



BWP-ZAR



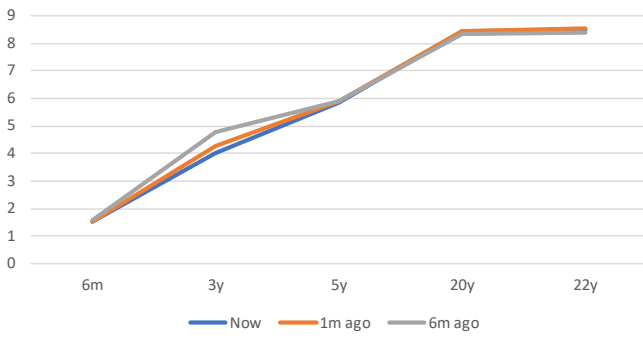
Local and regional talking points

- Governments across the globe have been forced to reassess spending patterns and the allocation of capital in a COVID-19 world where spending has blown out over the past two years in an effort to fight the virus. Botswana is no different in this regard.
- The government is looking at various options to trim its liabilities with proposals including reducing the civil service wage bill and cutting support to parastatals and councils. As the Finance Minister Peggy Serame delivered her maiden budget speech yesterday there was an overarching message that there is a pressing need for reform and the need to narrow the budget deficit which is predicted to reach BWP6.98bn in the 2022-2023 financial year.
- She highlighted the civil service wage bill saying that in the 2020-2021 financial year it amounted to more than 16% of GDP compared to the more acceptable 10% recorded by comparator nations.
- In addition, the government support for parastatals amounted to BWP4.08bn in 2020-2021. The FinMin aims to trim parastatal subventions by BWP60m in the upcoming year, while local authorities will receive BWP170m less.
- Under the proposed 2021-2022 budget, the Ministry of Health and Wellness has been allocated the largest share of the recurrent budget at BWP10.01 billion to cater for pandemic related cost.
- Responses to the budget proposals are expected to take place through the course of the week.

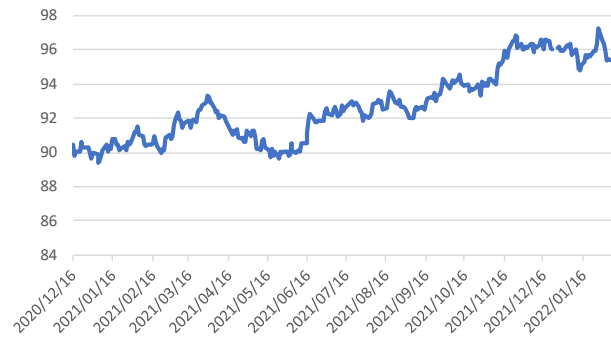
Financial Market commentary

- Gold remains committed to the topside with all eyes on developments in the Ukraine as the geopolitical tensions ramp up sharply. For now, gold is taking almost all of its direction from this given the magnitude of a fall out in the region and this is unlikely to fade anytime soon. The yellow metal is currently trading just north of the \$1820.00/oz mark as we head into the EU open and the expectation is that the bullish undertone spills over and investors find comfort in the hedge characteristics of gold.
- Moving over to the energy markets, Oil prices dipped yesterday in what was only their seventh daily loss this year so far as the rally seems to be running out of a bit of steam. The front-month Brent contract fell from a high of \$94 per barrel to around \$92.50, where it is currently trading this morning, as focus is now turning to the Iran nuclear talks. There has been some optimism of late that progress will be made between the US and Tehran, which could raise speculation that Iranian supply will be returning to the market fairly soon if this optimism continues.
- Given how frothy prices are at the moment, any positive news from Iran, or indeed the Russia-Ukraine situation, could spark some profit-taking in the market over the near term. Expectations of profit-taking, however, do not suggest that the market has run out of legs just yet. The market is still exceptionally tight, while Saudi Arabia has signalled confidence in it by raising its prices for March for the product it ships through to Asia. This bullish outlook will also most likely be affirmed today by the release of the EIA, OPEC, and IEA monthly outlook reports this week.
- Looking at the day ahead we have the standard Tuesday &-Day auction to contend with where paper to the value of BWP5bn will be on offer. Internationally its rather quiet with only the trade data out of the United States on the cards.
- The US Trade Balance is expected to reflect another hefty trade deficit of more than \$83bn. The strength of the U.S. economy and credit cycle as well as the powerful fiscal stimulus package will keep domestic demand strong enough to promote imports. This remains a key constraint to the USD over the longer term, as will the budget deficit unless tackled.
- In terms of the local FX market, we expect the BWP to pivot around the 0.0860 mark for now. As mentioned yesterday, investors will be extremely cautious given the broader macro backdrop and this could result in spreads widening out.

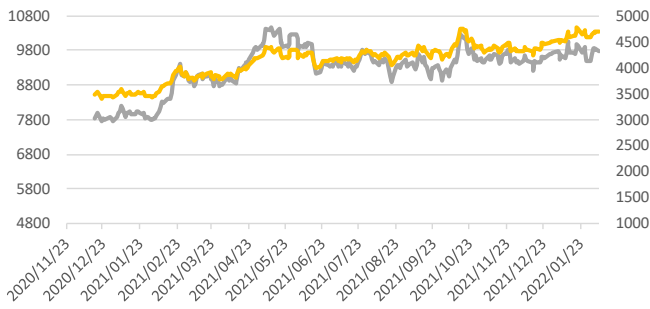
Botswana Yield Curve



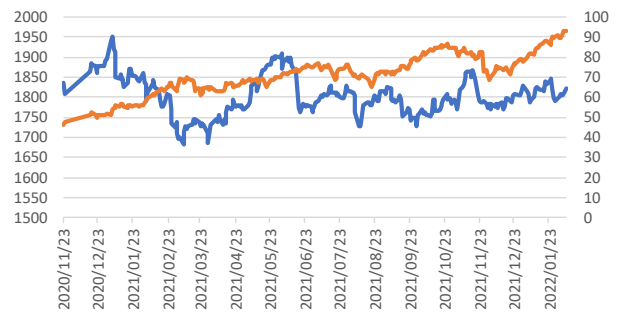
USD Index



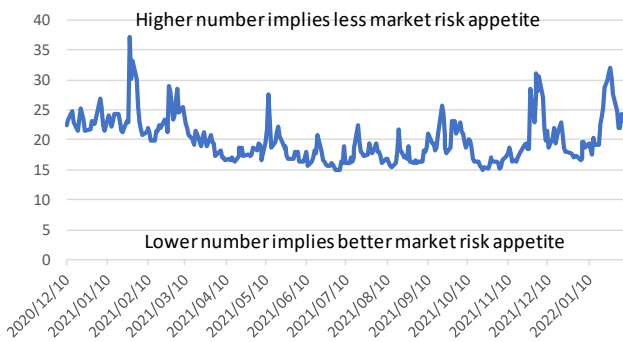
Base metals - Copper L_Hand axis LME Index R_Hand axis



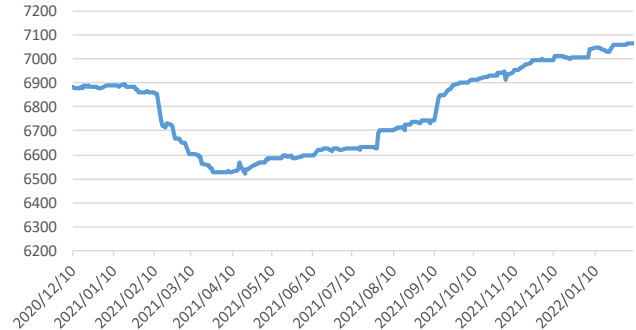
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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