

Botswana Market Watch

9 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
07:00	BW	Nothing on the cards			
12:00	GE	Trade balance	Dec		12,00bn
15:00	US	MBA mortgage applications	Feb 4		12.00%
15:00	US	Wholesale inventories m/m	Dec F	2.00%	2.10%
15:00	US	Wholesale sales m/m	Dec		1.30%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Global risk appetite	With stock markets back in the green ahead of some key earnings data and the VIX dropping in response, risk appetite has improved	EM currencies are performing better, with commodity currencies, in particular, doing well	4/5 (market)	Safe-haven markets may experience some volatility on this news, as global investors shrug off the threat of a tightening in monetary policy across many developed economies
US Trade deficit	The trade deficit recorded for 2021 as a whole will have made for some disturbing reading for the US as the deficit to China surged a further \$45bn.	China is falling far behind their phase one target of US purchases to help shrink the deficit	4/5 (economy)	This will likely result in fresh negotiations now that the pandemic is winding down, as the US will see this position as unsustainable and China as being uncooperative
Covid update	The WHO has indicated that the BA.2 sub-variant of Omicron will rise globally, but it is unclear at this stage whether it can re-infect those that have caught Omicron	It comes as a reminder that there are more variants that the world will need to navigate	2/5 (economy, politics)	Uncertainty in the global environment remains a key factor, and unfortunately, new variants will always pose a threat to any global improvement in mobility and economic activity

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	French President Macron appears to have taken a leading role in trying to de-escalate tensions with Russia, with Germany offering him their backing	Both Putin and Zelenskiy both support the 2014 peace deal, which is a good start	4/5 (geopolitics)	Any solution that might de-escalate the tensions will provide a significant boost to global risk appetite and remove a major geopolitical risk facing the broader EU economy
Commodity prices	Commodity prices excluding oil, especially industrial metal prices, have surged through the past ten working days and will bolster many commodity currencies	Also speaks to a global growth recovery and the boost that emerging markets may enjoy	4/5 (economy, markets)	This also suggests that countries exposed to these metals will be able to weather the inflation storm a little better if their currencies can take advantage of the improved terms of trade

Highlights news vendors

CNBC - [Putin weaponizing gas supplies to Europe will be 'deeply damaging' for Russia, says Dan Yergin](#)

ALL AFRICA - [Tigray Needs Aid Now, With or Without the Ethiopian Government's Consent](#)

FT - [US arrests two and seizes \\$3.6bn in cryptocurrency from Bitfinex hack](#)

SOUTH CHINA POST - [How China is reversing cultural openness with the West](#)

REUTERS - [Japan's COVID payouts strain lenders, expose BOJ policy flaws](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.267008	1.272296	1.2914243	1.36578
BWPUSD	0.082656	0.093496	0.0842489	0.088992
GBPWP	16.322176	16.383952	15.969052	15.438724
BWPEUR	0.078312	0.078624	0.0739823	0.077112
JPYWP	10.3272	10.3688	9.756225	10.144475
USDZAR	14.715264	15.961296	15.060153	15.6159795
EURUSD	1.097184	1.189032	1.1228993	1.16330775
GBPUSD	1.30176	1.410656	1.33227	1.380137

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0861	0.0002
BWPGBP	0.0636	0.0001
BWPEUR	0.0754	0.0003
BWPZAR	1.3206	0.0038

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.60325	-9.439367
3m	-8.1705	-34.63756
6m	-16.414125	-71.32685
12m	-34.714875	-195.4617

	Close	Change
Dollar Index	95.508	-0.135
EURUSD	1.143	0.0016
GBPUSD	1.3562	0.0021
USDJPY	115.37	-0.17
USDNGN	416.05	0
USDZAR	15.3384	-1E-04

Local Fixed income

Yield curve	Close	Change
6m	1.549	-0.002
3y	4.75	0.75
5y	5.85	0
20y	8.5	0.05
22y	8.55	0.05

International Fixed Income

	Close	Change
SA 10y	9.34	-0.02
US 10y	1.965	0.0455
German 10y	0.264	0.04
Spread SA 5y vs Bots 5y bpts	195	1

Equities

	Close	Change
VIX	21.44	-1.42
Dow Jones	35462.78	1.39
FTSE	7567.07	57.07
JSE All share	76090.52	473.56
Bots DCIBT	7064.19	0
Nigeria Index	47057.24	-76.53

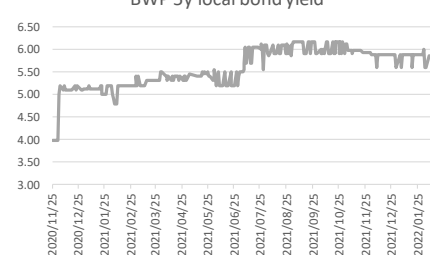
Commodities

	Close	Change
Gold	1825.4849	5.1749
Brent Crude	90.78	-1.91
3m Copper	9781	3.5
LME Index	4707.5	2.6
1 carat index	7195	214

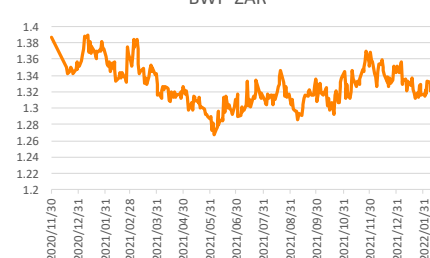
Spot BWP



BWP 5y local bond yield



BWP-ZAR



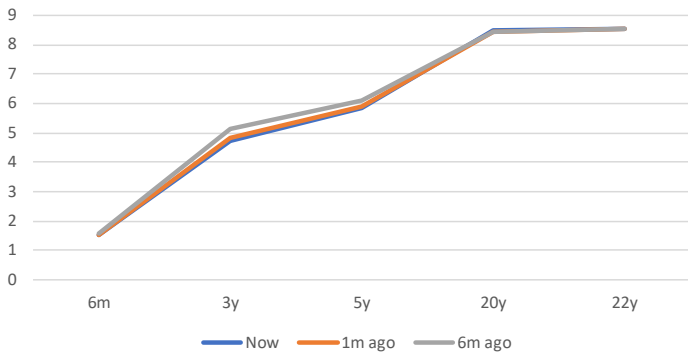
Local and regional talking points

- The government is moving ahead swiftly with its plans of self-sufficiency when it comes to its energy needs. The Energy Ministry yesterday issued an invitation for companies to pre-qualify for a program of building and operating a 200 megawatt concentrated solar power plant.
- Botswana Power Corporation will buy all the power produced in an offtake agreement which is part of the Integrated Resource Plan where the government aims to have 795 megawatts of new generation capacity by the year 2040.
- The aim is for at least 61% of new projects to be renewable including solar and wind plants, currently just 6% of the country's 600 megawatt generation capacity is supplied by renewable sources. The government has pledged to increase this to 36% by 2036.
- Regionally, it is not entirely clear what specific catalyst helped trigger the bout of appreciation on the ZAR, but there was at least some good news for the ZAR market to digest yesterday. For starters, Eskom appears to have called an end to load shedding and one can only hope that it will last this time. Loadshedding does tend to influence the value of the ZAR; however, just as important if not more important has been the recovery in commodity prices and the assistance it has given to boosting SA's terms of trade.

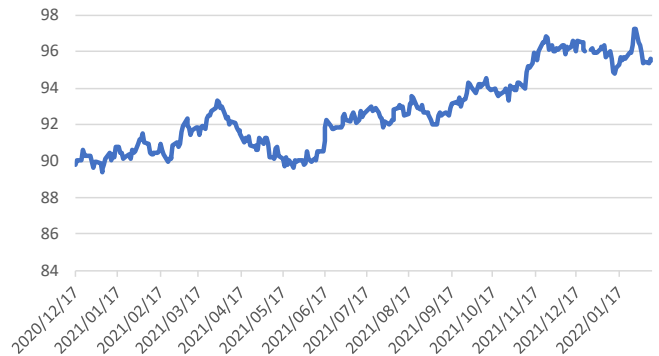
Financial Market commentary

- The CRB Industrials Metals index has surged in the past two weeks, which is difficult to ignore. Investors are concerned about the falling stockpiles in a number of key metals coupled with the tensions in Eastern Europe which has the potential to stretch supply chains once again.
- Aluminium is strongly bid with stockpiles falling to their lowest levels since 2007 at 767 700 tonnes. Supply constraints due to high energy costs is the major driver at present, while the Chinese strict no Covid policy is also having an impact on supply chains. Reuters reported - Aluminium production in the southwest Chinese city of Baise, which has gone into lockdown after recent COVID-19 outbreaks, remains stable though transportation disruptions are starting to weigh, the local industry association said on Tuesday. Aluminium is used in the electronics industry, auto industry and to some degree in construction so the impact of the elevated price will be felt across the value chain.
- Moving onto the energy markets specifically, Oil declined for a second session yesterday, only its second back-to-back drop this year, as geopolitical tensions eased and progress was alluded to in the US-Iran talks. As a result, Brent tested the \$90 per barrel level yesterday, but has since managed to rebound as API data once again reported that US stockpiles fell last week. Inventories declined by 2mn barrels nationwide, and another drop was reported at the key storage hub of Cushing. Traders will now look to the official EIA data for confirmation, which could give oil another boost and see its recent highs recaptured.
- One of the reasons that oil has rallied so sharply in recent months is the fact that US producers have been slow to ramp up output even with surging prices. Now, however, it is looking likely that they could kick into a higher gear. The EIA report released yesterday forecasts that output will average 12.6mn barrels a day in the US, representing a new all-time high. Two of the largest drilling companies in the US have also recently said that they would increase production by double digits in the Permian Basin this year. With this, the timing of the market's peak may be brought forward, and we could see a shift to oversupply sooner than previously expected.
- Ahead of the U.S. inflation data tomorrow, the USD remains in consolidative mode, not favouring any clear-cut direction. Although risk appetite has returned, the rise in UST yields seems to have investors comfortable that the USD is not about to collapse. The outcome of tomorrow's data will be key. A strong rise in inflation will spark concerns the Fed may need to be more aggressive, although, to some degree, much of that has already been priced in. For now, the market is expected to continue trading in a range.

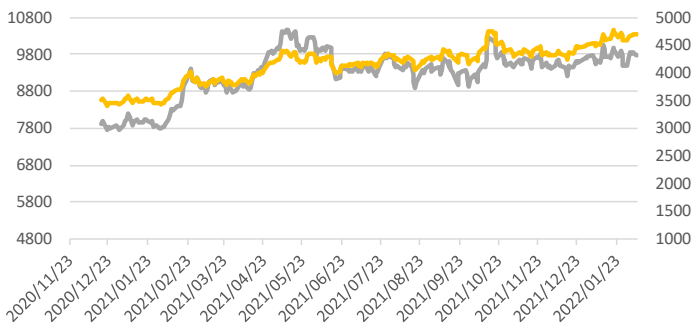
Botswana Yield Curve



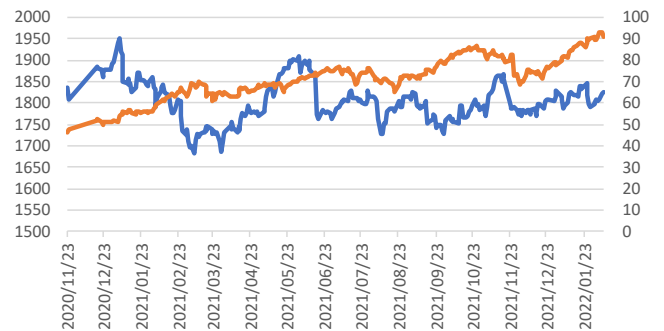
USD Index



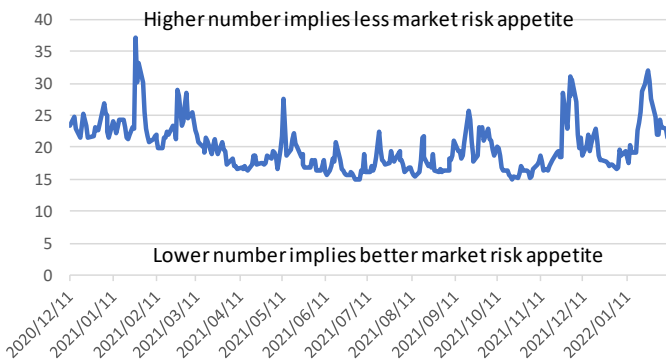
Base metals - Copper L_Hand axis LME Index R_Hand axis



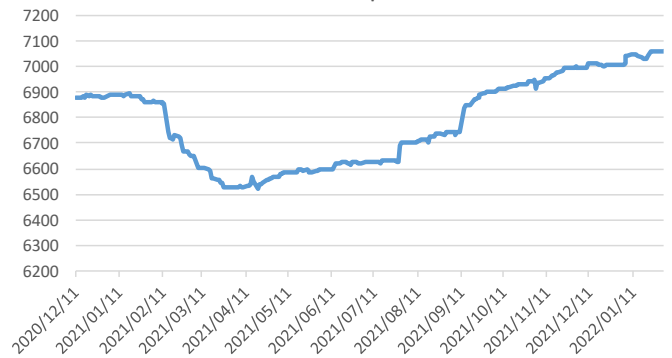
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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