

Botswana Market Watch 1 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	BWP6.4bn 7-Day Certificates on offer			
08:55	GE	Markit/BME manufacturing PMI	Jan F		60,50
09:00	EZ	Markit/BME manufacturing PMI	Jan F	59,00	59,00
09:30	GB	Markit manufacturing PMI	Jan F	56,90	56,90
09:30	GB	Net consumer credit	Dec	0,66bn	1,20bn
09:30	GB	M4 money supply y/y	Dec		6.90%
10:00	EZ	Unemployment rate	Dec	7.10%	7.20%
14:45	US	Markit PMI manufacturing	Jan F		55,00

Factors Overnight	What happened?	Relevance	Importance	Analysis
Wall St	It was another very powerful day on Wall St that helped unwind more of the losses recently sustained after the most recent FOMC meeting	Investors responded positively to some Fed speakers walking back some of the hawkish stance	4/5 (monetary policy, markets)	In making Fed monetary policy more data-driven, the Fed is leaving the door open for a tightening that could be a little more sensitive to growth dynamics than was previously thought
Japan factory growth	Japan's manufacturing activity growth accelerated to an 8-yr high in Jan on stronger output and fresh demand through new orders, although price pressures remained high	Supply chain disruptions were forcing companies to hold more raw material in stock to mitigate disruptions	4/5 (economy)	Although supply chain disruptions remain prevalent, there are signs that the global economy is opening up and will generate stronger levels of growth if left to recover. The risk is that there are more Covid related disruptions
RBA	The RBA kept its benchmark rate at a record low of 0.1% on Tue but ended it's a\$275bn bond-buying programme in line with market expectations	The RBA was at pains to point out that it remained patient and was in no rush to lift interest rates	3/5 (monetary policy)	The RBA will not lift rates until inflation is sustainably above the central bank's 2-3% target range, which means that policy will remain accommodative for a while to come

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US Labour data week	As we head into the new month of Feb, the latest round of the US labour data will be released. The labour market overall appears to be improving	Although the labour market is tightening, the data still holds the potential to disappoint	4/5 (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
Fedspeak	The outlook for US monetary policy may not be as inflexible as the FOMC statement implied. The comments walked back the Fed's more hawkish stance	Fed speakers indicated that a Mar rate hike is likely, but that the roadmap is still unclear	4/5 (monetary policy)	The Fed wants to use the economic upswing to end QE and normalise rates to some degree. No direct mention of shrinking the balance sheet, although that remains an objective
ECB and BoE	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	5/5 (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 - [Stocks rally to end a dismal January, but S&P 500 still posts worst month since March 2020](#)

ALL AFRICA - [Mali Expels French Ambassador As Tensions Mount](#)

FT - [US stock markets endure worst January since global financial crisis](#)

SOUTH CHINA POST - [How commuter hub Yanjiao became a microcosm of China's property sector downfall](#)

REUTERS - [Turkish cenbank to determine maximum interest rate on converted lira deposits - gazette](#)

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.26576	1.27536	1.2901523	1.368355
BWPUSD	0.082176	0.093496	0.0837596	0.088889
GBP/BWP	16.218904	16.337464	15.868014	15.394918
BWPEUR	0.079248	0.079768	0.0748665	0.078234
JPY/BWP	10.2336	10.3064	9.6678	10.083425
USDZAR	14.786784	16.028168	15.133349	15.68140475
EURUSD	1.078752	1.168752	1.1040353	1.1434665
GBPUSD	1.290528	1.398488	1.3207748	1.36823225

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0856	0.0011	1m	-2.613	-8.366789
BWPGBP	0.0636	0.0006	3m	-8.33625	-32.39282
BWPEUR	0.0762	0.0004	6m	-16.85775	-66.48784
BWPZAR	1.3166	-0.0105	12m	-35.719125	-189.5529

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0856	0.0011	1m	-2.613	-8.366789
BWPGBP	0.0636	0.0006	3m	-8.33625	-32.39282
BWPEUR	0.0762	0.0004	6m	-16.85775	-66.48784
BWPZAR	1.3166	-0.0105	12m	-35.719125	-189.5529

Dollar Index

	Close	Change
Dollar Index	96.62	0.08
EURUSD	1.1237	0.0004
GBPUSD	1.3441	-0.0004
USDJPY	114.96	-0.14
USDNGN	415.33	0
USDZAR	15.3922	0.0114

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	1.55	0.001	SA 10y	9.4	-0.025
3y	4.25	-0.58	US 10y	1.7838	0.0054
5y	5.89	0	German 10y	0.014	0.061
20y	8.46	0	Spread SA 5y vs Bots 5y bpts	186.5	-4
22y	8.53	0			

International Fixed Income

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SA 10y	9.4	-0.025
US 10y	1.7838	0.0054
German 10y	0.014	0.061
Spread SA 5y vs Bots 5y bpts	186.5	-4

Equities

	Close	Change		Close	Change
VIX	24.83	-2.83	Gold	1796.4686	5.435
Dow Jones	35131.86	564.69	Brent Crude	91.21	1.18
FTSE	7464.37	-88.24	3m Copper	9506	-1.5
JSE All share	74304.56	-49.08	LME Index	4587.2	-13.4
Bots DCIBT	7059.82	0	1 carat index	7028	285
Nigeria Index	46624.67	195.82			

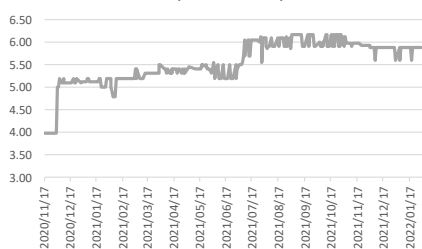
Commodities

	Close	Change
Gold	1796.4686	5.435
Brent Crude	91.21	1.18
3m Copper	9506	-1.5
LME Index	4587.2	-13.4
1 carat index	7028	285

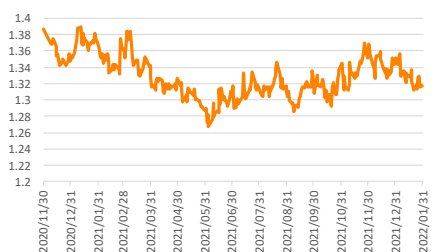
Spot BWP



BWP 5y local bond yield



BWP-ZAR



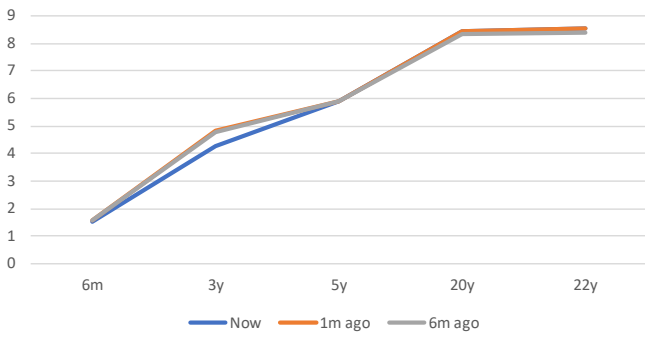
Local and regional talking points

- Debswana total rough diamond sales for 2021 came in at BWP38.1bn which is the highest recorded sales figure since 2016 according to a preliminary report by the Bank of Botswana. The sales for last year were nearly 61% higher than the 2020 figure when COVID-19 shut down the global economy.
- Debswana sales fell by a massive 30% in 2020, while De Beers managed to move some of its diamond viewing back to Antwerp from Gaborone as flight restrictions remained in play.
- The country receives around 30% of its revenue and 70% of its foreign exchange earnings from diamonds so this news will certainly be welcomed.
- All of that said, the government remains squarely focused on diversifying the economy with a strong focus on the Kalahari copper belt, coal and developing services sector.

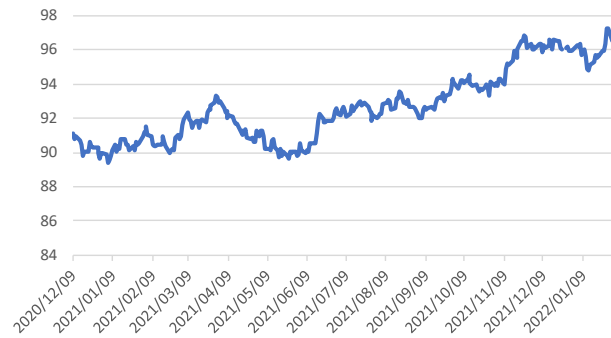
Financial Market commentary

- Wall St posted another stellar session overnight, unwinding more of the losses sustained earlier in the month. It was still a very poor month for equity markets. However, the bargain hunting that emerged prevented it from being much worse. The recovery now helps to ease risk aversion even more and will offer a boost to riskier, higher beta markets. It also means that the USD may come in for a deeper correction.
- The catalyst for the Wall St surge and the USD retreat were comments from Fed speakers yesterday afternoon that was slightly less inflexible on the monetary policy outlook than the FOMC statement alluded to. Although an end to quantitative easing and a hike in March is still on the cards, what happens after that is less clear and will depend on a combination of economic data and the manner in which inflation unfolds. Any moderation in inflationary pressures could change expectations concerning the Fed's anticipated rate hikes and the moderation of the Fed balance sheet.
- For the ZAR this was good news and helped it recover to levels approaching those seen before the Fed and SARB decisions. Readers should recall just how much of this news had been priced in ahead of these decisions. Had the market been given information that caused it to price in significantly more, it would have struggled to do so. The overnight USD-ZAR retreat is therefore justified and logical.
- Equally we have seen the BWP-USD recover off the lows of late tracking developments in the regional benchmark namely the ZAR. We remain of the opinion that the broader range for the BWP-USD will contained between 0.0845 to the downside and 0.0875 on the top.
- Moving over to the energy markets, Oil had its best start to the year in three decades this January as resilient demand and tight supplies continued to support the market, driving the front-month Brent future above the \$90 per barrel mark for the first time since 2014. This morning, however, we have seen the contract drop back below this key level amid some likely profit-taking ahead of OPEC+'s next meeting, which takes place tomorrow. Brent gapped lower at the open this morning and is currently holding steady near \$89.50 per barrel in anticipation of the next OPEC+ output increase announcement. As we have noted before, it is widely expected that another 400k barrel per day increase is coming. Current market conditions allow for a greater increase, but capacity constraints at many producing nations mean that even the expected 400k increase could be tough to reach in the near term.
- The day ahead will see the release of the global PMI numbers, locally we have the 7-Day auction to contend with where BWP6.4bn will be on offer

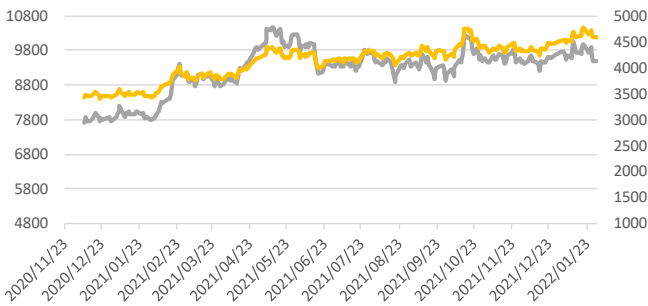
Botswana Yield Curve



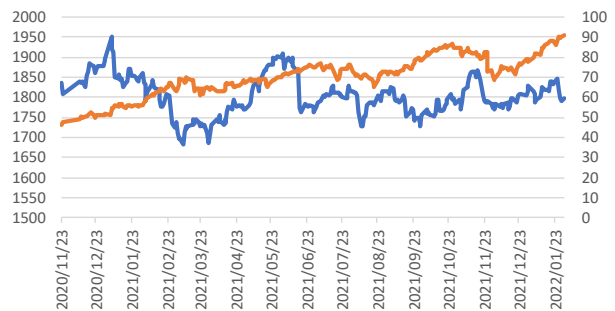
USD Index



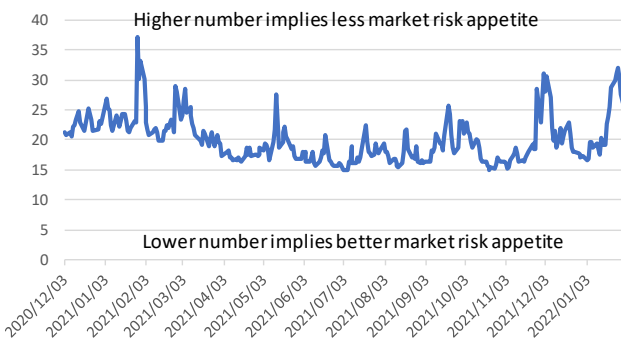
Base metals - Copper L_Hand axis LME Index R_Hand axis



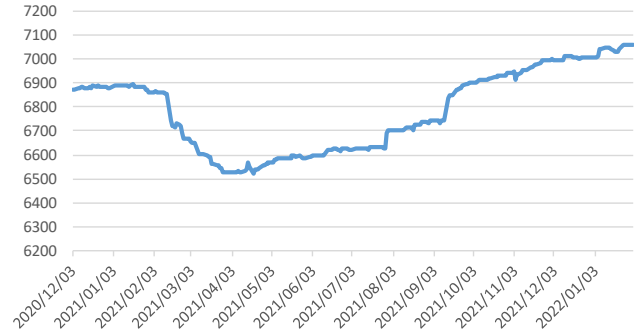
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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