

Botswana Market Watch 2 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
10:00	BW	Nothing on the cards			
12:00	EZ	CPI estimate y/y	Jan	4.20%	5.00%
13:15	US	MBA mortgage applications	Jan 28		-7.10%
	US	ADP employment change	Jan	208k	807k

Factors Overnight	What happened?	Relevance	Importance	Analysis
Wall St	For the third day in succession, Wall St performed well, and sentiment in Asia remains positive on news of some impressive Alphabet earnings	Earnings are still beating expectations for Q4, but by less of a margin than was the case previously	4/5 (monetary policy, markets)	This may cause investors to reassess valuations, but this remains difficult in a world of juxtaposed forces with Covid and central banks on the one hand, and the global recovery on the other
UK shop prices	British shoppers were impacted by the biggest rise in prices since 2012, according to a BRC study released yesterday	The surge in energy and travel costs is now impacting disposable income	4/5 (economy, monetary policy)	This holds the potential to detract from economic growth in the future and paints a clear reason for why the BoE will likely announce a hike tomorrow
Ukraine - Russia	Russian President Putin yesterday accused the West of deliberately creating a scenario designed to lure it into war with NATO	The standoff between Russia and the West continues as troop build-up implies ongoing tensions	5/5 (geopolitics)	For now, this keeps geopolitical risks alive and is a distraction from an otherwise bullish growth scenario, the guidance from central banks notwithstanding

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US Labour data week	Today, the first of three labour market data will be released. The private sector ADP data will offer fresh perspective on whether the trajectory of employment holds	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
OPEC +	OPEC is unlikely to deviate from its policy of moderate output increases today, despite high oil prices as an OPEC report still points to a crude oil surplus of 1.3mn bpd	Demand is expected to rise back up to pre-pandemic levels through the second half of 2022 to keep prices buoyant	4/5 (economy, markets)	Interestingly, the issue of stronger production will probably not feature prominently as some producers are struggling to meet their quota given the recent years of underinvestment due to the pandemic and low prices
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	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.263744	1.269888	1.2880974	1.362484
BWPUSD	0.082752	0.093496	0.0843467	0.089198
GBP/BWP	16.23648	16.313024	15.88521	15.371888
BWPEUR	0.07956	0.079872	0.0751613	0.078336
JPY/BWP	10.2856	10.3376	9.716925	10.11395
USDZAR	14.660352	15.886312	15.003954	15.54261775
EURUSD	1.082112	1.172392	1.107474	1.14702775
GBPUSD	1.29792	1.406184	1.32834	1.37576175

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0862	0.0006	1m	-2.62275	-8.487503
BWPGBP	0.0637	0.0001	3m	-8.3265	-32.39282
BWPEUR	0.0765	0.0003	6m	-16.911375	-67.09017
BWPZAR	1.3152	-0.0143	12m	-36.075	-190.289

Forward Foreign Exchange

Dollar Index	96.293	-0.092
EURUSD	1.1271	0.0002
GBPUSD	1.3518	-0.0002
USDJPY	114.77	0.06
USDNGN	414.26	0
USDZAR	15.2705	0.0127

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	1.551	0.001	SA 10y	9.335	-0.065
3y	4.35	0.1	US 10y	1.7946	0.0108
5y	6	0.11	German 10y	0.037	0.023
20y	8.5	0.04	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.02		171.5	-15

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	21.96	-2.87	Gold	1800.6519	4.1833
Dow Jones	35405.24	406.39	Brent Crude	89.16	-2.05
FTSE	7535.78	-1.7	3m Copper	9696.5	190.5
JSE All share	74889.17	849.6	LME Index	4641.3	54.1
Bots DCIBT	7059.99	0	1 carat index	7283	255
Nigeria Index	47111.21	419.62			

Commodities

Local and regional talking points

- The local news flow which will have a market impact or underscore an investment thought process is currently in short supply. That said, investors and analysts alike are unpacking the potentials for the year ahead and where the opportunities are likely to emerge.
- One undoubted area of interest is the agricultural sector with the government placing a firm mandate on developing this sector given its strategic importance to the country. What COVID-19 did was expose the inherent weaknesses in relying solely on the smooth functioning of the global supply chain. Botswana is heavily reliant on South Africa for its food needs and the logistical bottlenecks as a result of COVID-19 raised the fragilities in the system. Thus, creating a sustainable internal food production sector is paramount and investors will be rewarded.
- Regionally, South Africa's state owned utility company Eskom stated overnight that they may be forced back into load shedding with more than 14,000 MW currently off line due to unplanned outages. Historically, any resumption of load shedding has not been good news for the ZAR and for good reason. It can impact heavily on heavy industry and mining, two sectors that are the main drivers of SA's exports.

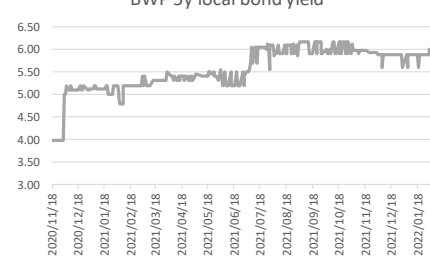
Financial Market commentary

- It was another impressive performance by Wall St yesterday. With Alphabet beating expectations to further bolster risk appetite and Asian stocks firmly in the green this morning, the chances are that more gains will materialise today. In the main, earnings have beaten expectations to the upside and have offered relief to those anticipating a deeper correction. The VIX has tumbled and is gradually trending back to levels more synonymous with solid risk appetite. Today, one eye will turn to the latest ADP data for a fresh perspective on the U.S. labour market.
- The last US ADP employment change print showed private-sector employment rose by much more than expected, with 807k jobs added in December (compared to 410k anticipated from consensus estimates as per Bloomberg surveys). This added to evidence that the U.S. labour market is growing extremely tight, with the economy still on a tear. It is thus no surprise that the Fed recently made it very clear that its policy focus was shifting from labour market recovery to price stability. However, the labour market will still need to hold up in the face of the Fed's monetary normalisation process, and failure in this regard could force the central bank to slow down with rate hikes and balance-sheet run-off through 2022. Accordingly, labour market data will remain significant and hold plenty of market-moving potential.
- The world's bellwether for economic growth namely copper had a strong run yesterday. The 3m LME contract finished some 1.98% higher on the day. This morning we have the red metal building on those gains notching up another 0.5% in the Asian session albeit with thinner trading conditions given the absence of the Chinese for the Lunar New Year holidays.
- Moving over to the FX markets, it has been two consecutive days' worth of losses for the USD, and this could well extend into a third as risk appetite continues to improve alongside a surge on Wall St and Asian bourses. Any labour market data that misses expectations and softens the hawkish outlook for rates could ironically support Wall St futures if the market reassesses what it has priced in for rate hikes. It could also impact negatively on the USD, which means all eyes will be on the ADP release later today for fresh direction.
- For the local unit, the weaker dollar has allowed the pair to recapture the 0.0860 level in the interbank market. We expect this level to be pivot from a technical perspective as we enter the middle of the week trading session.

Spot BWP



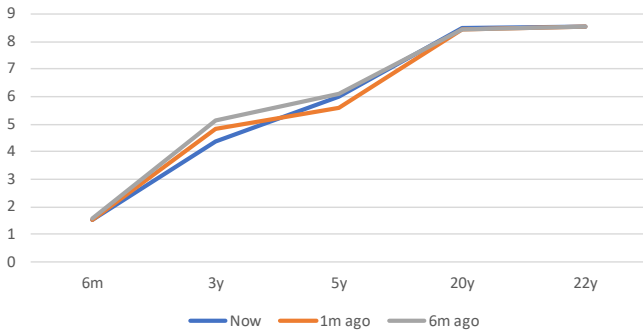
BWP 5y local bond yield



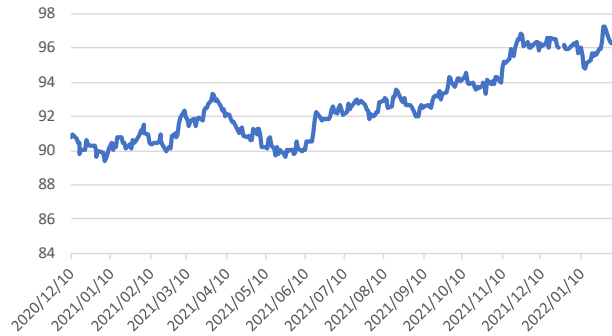
BWP-ZAR



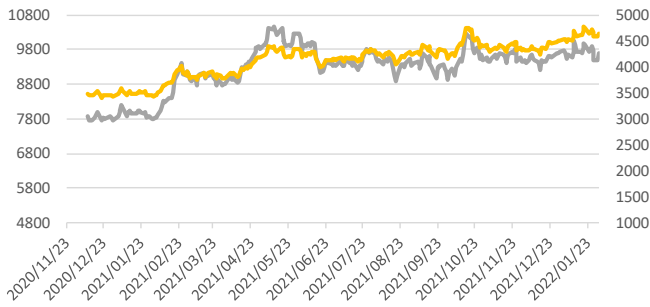
Botswana Yield Curve



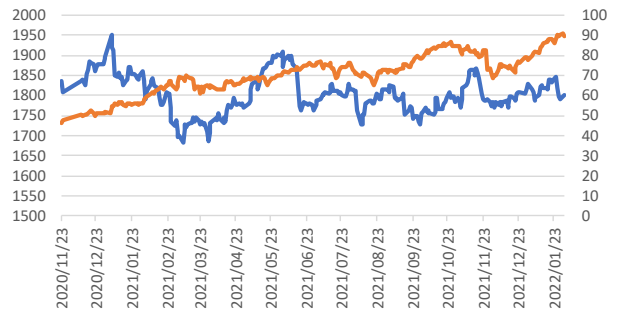
USD Index



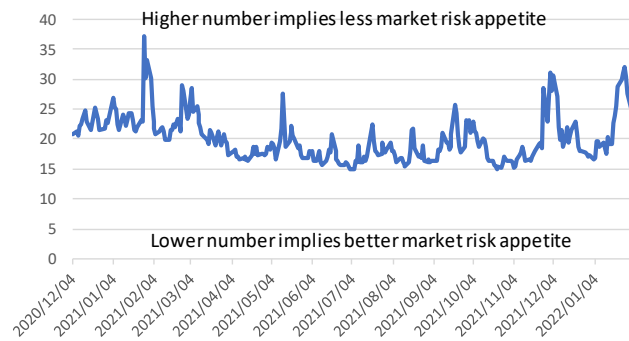
Base metals - Copper L_Hand axis LME Index R_Hand axis



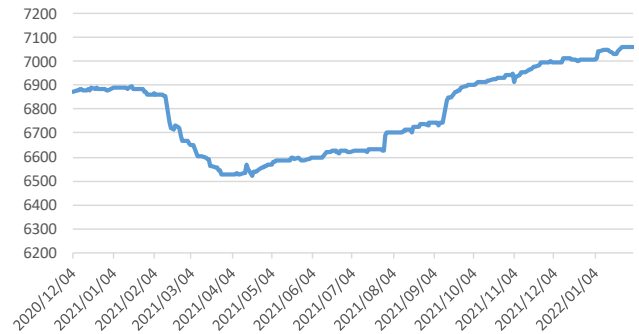
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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