

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
07:00	GE	Industrial production wda y/y	Nov	0.10%	0.00%
09:30	EZ	Sentix investor confidence index	Jan	-17	-21
10:00	EZ	Unemployment rate	Nov	6.50%	6.50%
17:30	US	Fed's Bostic Takes Part in Moderated Discussion			
20:00	US	Consumer credit	Nov	\$25bn	\$27.08bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Labour Market	Non-farm payrolls data were a mixed bag on Friday, with the unemployment rate declining but wage growth softening, while there were downside revisions to November's numbers.	US labour data remains key to the Fed's policy outlook which is driving global market direction at the moment	5/5 (economy, monetary policy)	The report was seen as the best of both worlds, with low unemployment reducing recession risk but weaker wage growth easing some inflationary pressures. This has seen bets on Fed rate hikes tempered
Dollar Declines	Easing bets of further aggressive Fed rate hikes have placed the US dollar under pressure, with the DXY Index now reversing last week's gains	A weaker dollar supports risk assets and further declines are expected over the coming months	4/5 (fx markets, risk sentiment)	The USD remains overvalued and ready for a correction, with the needed catalyst a shift in policy direction by the Fed. This is still to come, so further USD weakness is expected
Tech Job Cuts	Twitter and Amazon have recently announced massive layoffs, while finance companies such as Goldman have started to follow suit with 3200 job cuts announced overnight	The US labour market may still be robust but the signs from major industries suggest more are coming	5/5 (economy)	It remains to be seen if the US economy can re-absorb those impacted by the recent job cuts. The economy and market may be resilient for now but the risk of recession is still high and more job losses could be on the cards

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US CPI	Focus this week will be on the latest US CPI figures, with investors looking to see if the recent easing of price pressures has continued	Global inflation and its impact on monetary policy continue to drive the markets	5/5 (economy, monetary policy)	Expectations are that inflation eased further in December when looking at both the headline and core numbers, with risks now tilting to the downside after Friday's wage data
China Reopening	Some high-frequency alternative data suggests that the most recent wave of COVID infections is past its worst and that activity is picking up again	A recovery for China from this latest wave would support global demand and help ease recession fears	4/5 (economy)	Although not all the data is pointing to a recovery, the early signs are there that China is moving past the debacle that was its rush to reopen, which led to a surge in new infections
UK GDP	Monthly GDP data will be released for the UK this week and could signal the start of a possible recession given the downside risks to growth	Any signs of the economy heading towards a recession will pressure UK assets	4/5 (economy)	The UK economy has been more resilient than expected, but risks from the recent strikes are rising and could tilt the economy into posting two consecutive quarterly declines

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Local and regional talking points

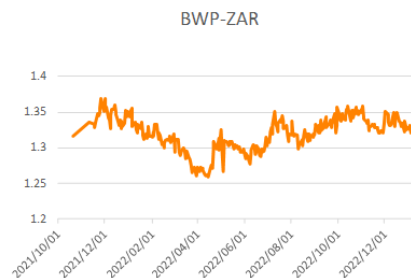
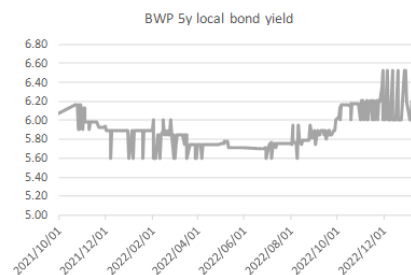
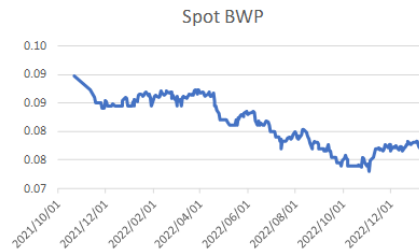
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.261632	1.272672	1.2859447	1.365471
BWPUSD	0.074016	0.093496	0.0754424	0.079825
GBPGBP	16.251872	16.383744	15.900269	15.438528
BWPEUR	0.075088	0.075712	0.0709365	0.074256
JPYBWP	10.556	10.6496	9.972375	10.4192
USDZAR	16.363584	17.743856	16.747106	17.3599745
EURUSD	1.024992	1.11072	1.0490153	1.08669
GBPUSD	1.165632	1.263184	1.1929515	1.2358555

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0771	-0.0004	1m	-2.34975	0
BWPGBP	0.0637	-0.0014	3m	-7.0785	0
BWPEUR	0.0724	0.00	6m	-13.91325	0
BWPZAR	1.3212	-0.0099	12m	-29.9715	0

Dollar Index	103.603	-0.276
EURUSD	1.0678	0.0034
GBPUSD	1.2142	0.005
USDJPY	131.7	-0.37
USDNGN	449.55	0
USDZAR	17.0442	-0.0921

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.5	-0.001	SA 10y	10	-0.06
3y	5.46	0.001	US 10y	3.571	-0.151
5y	6.2	0.2	German 10y	2.209	-0.099
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.9	-0.1		225	-32

Equities			Commodities		
	Close	Change		Close	Change
VIX	21.13	-1.33	Gold	1876.44	10.73
Dow Jones	35,850.59	0	Brent Crude	1865.71	0.88
FTSE	7699.49	48.26	3m Copper	1833.19	#VALUE!
JSE All share	76858.94	871.69	LME Index	1854.09	#VALUE!
Bots DCIBT	7725.91	0	1 carat index	1839.49	#VALUE!
Nigeria Index	51222.34	-789.04			



- The week ahead will be another relatively quiet one in terms of economic data releases, with the first major release scheduled for Friday, when the latest CPI numbers will be out. Investors will be looking to see if the recent deceleration in inflation persisted in December after the headline rate slowed to 12.20% y/y in November after peaking at 14.60% y/y in August.

- Increasingly, forecasts of a global recession or a rather difficult growth period in H1 2023 are doing the rounds. China's abandonment of its zero-Covid policy has raised the prevalence of Covid all over again, and geopolitical developments in Europe are ongoing. All of this makes for an uncertain first half of the year, where central banks will need to reconsider their one-dimensional focus on inflation alone and will need to consider the broader implications of persisting with further aggressive tightening.

- A key barometer for how central banks will respond and how financial markets, more broadly, will adjust will be the performance of global equity markets, given increased reports of companies looking to trim headcount and rationalise costs. Until now, US authorities have described 2023 as the year of a soft landing for the US economy. However, this narrative may come into question as economic growth stalls. For economies like Botswana, the softer global growth outlook for the next six months could spell trouble for commodity demand.

Financial Market Commentary

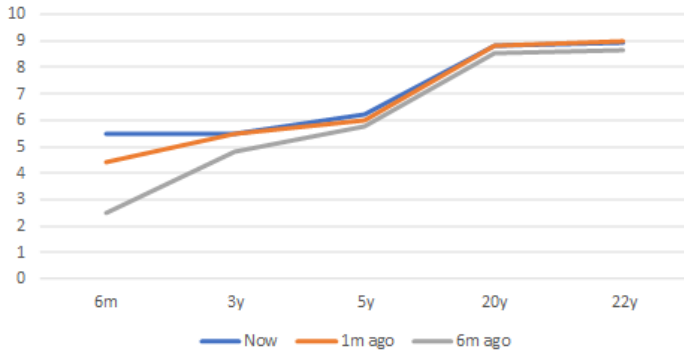
- The BWP-USD has dropped to 0.0771, according to Reuters data, despite the recent weakness for the USD following Friday's jobs report which saw the market trim its expectations for Fed rate hikes. As the BWP-USD has broken below the 0.0772 support level, it could lead to further losses into the new week with the level to watch then becoming the support at 0.0764, seen though the middle of December.

- African bonds have lagged their emerging market counterparts in the first few trading days of 2023 as markets trade cautiously amid the fragile macroeconomic and thin liquidity conditions. For context, the Bloomberg African Bond Index has shed more than 1% since the start of the year, while the Emerging Market Bond Index has risen by just under 0.9% over the same period.

- Although African bonds are underperforming at the start of 2023, it is worth noting that the losses in African bonds in 2022 were slightly more modest than those suffered by emerging market bonds in 2022. Specifically, African bonds lost 13.61% in 2022, while EM bonds closed the year 14.61% lower. Moreover, it is worth highlighting that African bonds outperformed EM bonds in 2020 and 2021.

- While African bonds have come under some considerable selling pressure at the start of the new year, African bonds offer some of the highest yields in the world and remain an attractive bet for investors, particularly those countries showing signs of fiscal prudence. Add to this the expected pivot in global monetary policy this year as the global growth slowdown gains momentum, and we should see a meaningful rebound in African bonds this year.

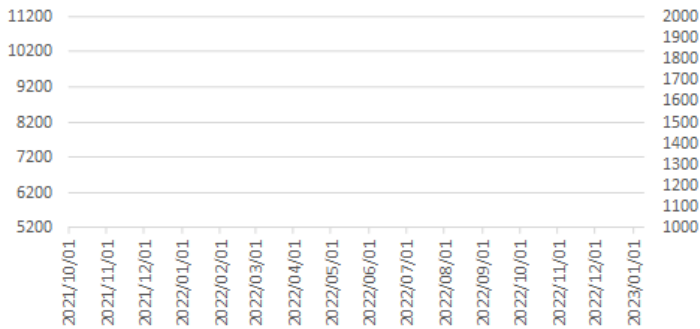
Botswana Yield Curve



USD Index



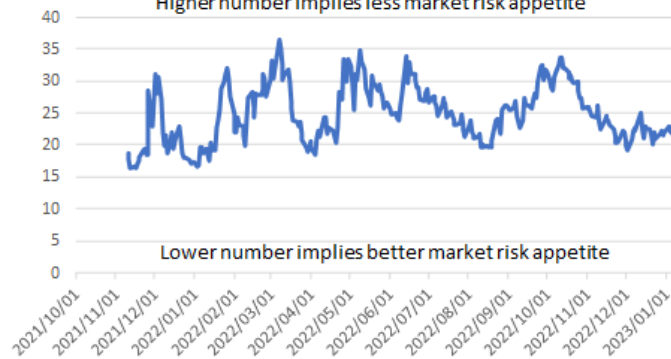
Base metals - Copper L_Hand axis LME Index
R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure
Higher number implies less market risk appetite



Local stockmarket performance



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