

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
09:30	US	Powell, Bailey, Schnabel Speak at Riksbank in Stockholm			
14:00	US	Powell Discusses Central Bank Independence at Riksbank Event			
15:00	US	Wholesale inventories m/m	Nov F	1.00%	1.00%
15:00	US	Wholesale sales m/m	Nov		0.40%
15:35	EC	ECB's de Cos speaks at central bank event in Sweden			
Factors Overnight		What happened?	Relevance	Importance	Analysis
Fedspeak	Fed members Daly and Bostic stuck to the hawkish chorus yesterday, with both stating that the Fed will need to raise rates past 5.00% to cool inflation		The comments have seen the markets shift into risk-off as investors now wait for the US CPI report	4/5 (monetary policy)	The tug-of-war between Fedspeakers and US data continues to whipsaw the markets, making this Thursday's CPI report all the more important to confirm that inflation is slowing
	Inflation in Tokyo reached 4.00% for the first time since early 80s, which should fuel speculation that the BoJ will need to tighten monetary policy soon		Tokyo inflation is a leading indicator for nationwide inflation, and price pressures are clearly building	4/5 (economy, monetary policy)	The BoJ sees inflation near its peak, but underlying price pressures appear to be building, which could prompt further policy tweaks from the central bank in the next few months
	BoE Chief Economist Pill has suggested that inflation in the UK could start to ease as the labour market loosens and the economy heads into recession		UK inflation may have peaked and will take some pressure off the BoE to keep hiking rates into a recession	3/5 (monetary policy)	This is a shift in tone from the BoE Chief Economist and has seen the markets continue to pare back bets on another 50bp increase at the central bank's Feb MPC meeting
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
	Fed Chair Powell will speak later today at a central bank symposium organised by the Riksbank, with more Fedspeakers due through the week		Investors will look to Powell to see if he corroborates the view of the likes of Daly and Bostic	4/5 (monetary policy)	Hawkish commentary from Powell could keep risk assets under pressure and help the USD rebound as the markets wait for the next hard data on inflation out of the US
	The World Bank will release its global economic prospects report today, with the expectation that global growth outlooks have been downgraded		The World Bank will join the likes of the IMF in downgrading economic growth forecasts	4/5 (economy)	The report is expected to highlight the pressures facing global economies through higher inflation, tighter monetary policy, the war in Europe and de-globalisation

Highlights news vendors

BUSINESS LIVE - [Ramaphosa wants to retool industrial policy with Africa in mind](#)

FT - [Cyril Ramaphosa pledges to move control of Eskom to South Africa's energy ministry](#)

REUTERS - [Sudan factions start talks for final transition deal](#)

SOUTH CHINA POST - [Jair Bolsonaro hospitalised in Florida as Brazil reels from riots in capital](#)

Local and regional talking points

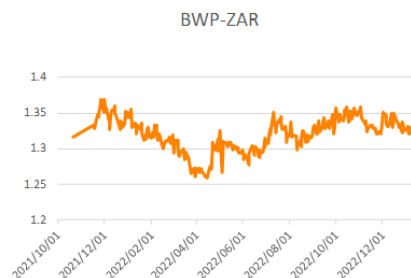
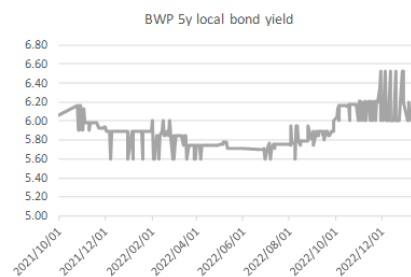
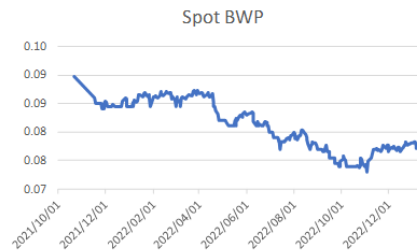
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.269696	1.280736	1.2941641	1.374123
BWPUSD	0.075072	0.093496	0.0765187	0.080958
GBPGBP	16.06592	16.191864	15.71834	15.257718
BWPEUR	0.075712	0.076336	0.071526	0.074868
JPYBWP	10.712	10.7952	10.11975	10.56165
USDZAR	16.23696	17.6072	16.617514	17.226275
EURUSD	1.031136	1.11748	1.0553033	1.09330375
GBPUSD	1.168608	1.2662	1.1959973	1.23880625

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0782	0.0011	1m	-2.4375	-375.2489
BWPGBP	0.0642	0.0005	3m	-7.06875	-1549.681
BWPEUR	0.0729	0.00	6m	-13.9815	-3470.533
BWPZAR	1.3225	0.002	12m	-30.31275	-7971.93

Dollar Index	103.145	0.144
EURUSD	1.0738	0.001
GBPUSD	1.217	-0.0013
USDJPY	131.75	-0.13
USDNGN	449.55	0
USDZAR	16.9192	0.0077

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.501	0.001	SA 10y	9.74	-0.26
3y	5.46	0	US 10y	3.517	-0.054
5y	6	-0.2	German 10y	2.214	0.005
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.96	0.06		219	-1

Equities			Commodities		
	Close	Change		Close	Change
VIX	21.97	0.84	Gold	1871.59	5.88
Dow Jones	33517.65	700.53	Brent Crude	1865.71	1.08
FTSE	7724.94	66.04	3m Copper	1833.19	270
JSE All share	78342.7	1419.64	LME Index	1854.09	129.7
Bots DCIBT	7740.34	0	1 carat index	1839.49	#VALUE!
Nigeria Index	51700.36	353.82			



- Investors were welcomed to the new week by some upbeat fiscal data out of Botswana. According to a statement published by the Finance Ministry on Monday, Botswana recorded a budget surplus in the first half of the current fiscal year on the back of a sharp rise in revenues. Specifically, Botswana's budget balance for the six months through September came in at BWP 598.7mn or 0.55% of GDP.

- Underpinning the positive budget balance was a 66% increase in mineral revenues, primarily due to improved diamond exports. Separate data from the Bank of Botswana showed that Debswana, a joint venture between the government and Anglo-America, sold BWP 54.9bn of rough diamonds in the 11 months through November 2022. This compares with BWP 38.1bn in 2021, which was the most since 2016. The impressive diamond sales come as investors shun Russian diamonds following its invasion of Ukraine.

- While the budget figures published yesterday are encouraging, the Finance Ministry's budget forecast remained unchanged at -BWP 7.7bn or 3.4% of GDP. That said, given the windfall tax revenues from the mining sector, we expect that Finance Minister Peggy Serame will likely revise the budget deficit projection in her upcoming budget next month. While the broader bias in Botswanan bonds remains decisively bearish, the improved fiscal outlook and expectations for a global monetary policy pivot suggest that we could see a meaningful recovery in Botswana bonds in the months ahead.

Financial Market Commentary

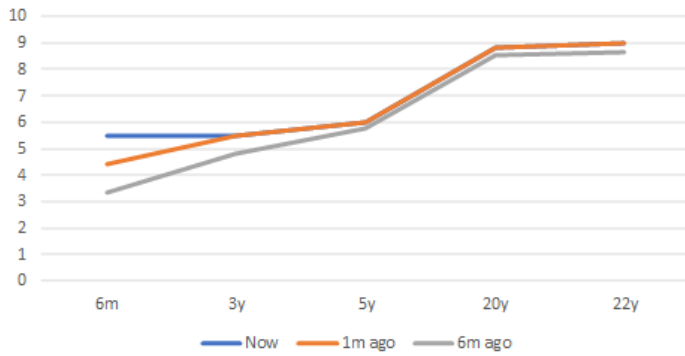
- The BWP-USD rallied sharply to 0.0782 yesterday, recovering all the ground lost since the start of the year. The local unit will have been supported by the positive fiscal developments yesterday, as well as a weaker USD which saw most currencies post gains against the greenback yesterday. The pair reached an intraday high of 0.0784 which we see as the next resistance level to watch as the markets are a bit more cautious this morning, given some hawkish talk from US Fed speakers overnight.

- As investors turn their attention back to US inflation and the Fed, they are pricing in the pivot and a more growth-sensitive Fed. A lot has been done already, and there is a strong argument for allowing rate hikes to exert their influence on inflation and the credit cycle. The Fed is nearing the peak of its monetary tightening cycle. If inflation later this week beats expectations to the downside, the probability is high that the USD will come under renewed selling pressure. Investors are, therefore, reluctant to take on any fresh long USD positions, which was also reflected in last week's CFTC data. Speculators are net short the USD, albeit marginally, but that is a significant change from the strong net long positions that characterised most of 2023. For now, the USD remains on the defensive, and no fresh directional momentum will follow until after the US inflation data on Thursday.

- In the oil markets, some of the initial gains yesterday were pared and prices remain on the defensive this morning as the tone in global markets has shifted to risk-off following some hawkish comments from Fed speakers yesterday. Two members of the Fed suggested that rates will need to be raised above 5.00% in order to contain inflation. This placed equity markets under pressure and drove some profit-taking on oil following Brent's surge above \$80 per barrel yesterday. The European benchmark is currently trading just below this level at \$79.25 per barrel when looking at the front-month contract, while WTI has dipped back towards \$74 per barrel. This offered tone may persist until Thursday's US CPI report, which the markets will look to confirm that US price pressures have continued to ease.

- However, optimism regarding China's reopening will prevent any further notable losses. Beijing has provided refiners and traders with a generous import quota in the second allocation for this year. This suggests that the authorities are gearing up for a period of notable economic growth and commodity demand in the months ahead. For context, China has issued 132mn tons of crude imports for the year so far. This time last year, that figure was just over 100mn tons, and the third allocation saw the total amount issued drop dramatically to just 2.89mn tons. Expectations for growth in China's demand, therefore, should keep oil prices from tumbling due to growth concerns in major countries, for now.

Botswana Yield Curve



USD Index



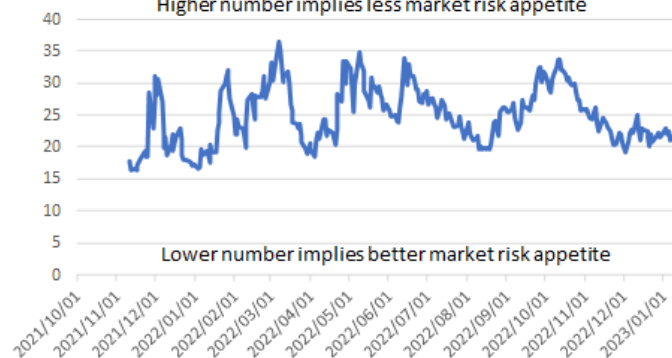
Base metals - Copper L_Hand axis LME Index
R_Hand axis



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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