

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
08:35	EC	ECB's Holzmann Speaks			
09:40	EC	ECB's Vujcic Speaks			
12:00	US	MBA mortgage applications	Jan 6		-10.30%
Factors Overnight		What happened?	Relevance	Importance	Analysis
Fedspeak		Fed Chair Powell largely refrained from discussing the monetary policy outlook in his speech yesterday	Powell's speech helped risk sentiment to recover after a tetchy start yesterday	3/5 (monetary policy)	A lack of any further warning on the need for higher rates has eased market fears, allowing the focus to shift to this week's CPI numbers
World Bank		The World Bank cut its global economic growth forecast to 1.7% for this year, down roughly half since the last estimate in June 2022, while citing high risks of a global recession	Low growth will hamper investment and set nations back in terms of lowering debt and improving social conditions	4/5 (economy)	Poorer nations will continue to be the worst affected, with the World Bank expecting that emerging market and frontier-nation GDP levels will be 6% below pre-COVID levels by the end of next year
Aus Inflation		Inflation in Australia came in surprisingly strong for November, with prices increasing by 7.3% y/y as fuel price gains were higher than expected	Supports the case for a final rate hike in February from the RBA and then a pause until Q4	4/5 (economy, monetary policy)	The increase in fuel prices is temporary and thus we should see inflation recede in the coming months, supporting the case for the RBA to end its rate-hiking cycle soon
Factors on the Radar		What happened?	Relevance	Importance	Analysis
US Inflation		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
ECB Speakers		ECB Governing Council members will speak at a Euromoney conference in Vienna ahead of the release of the bank's latest economic bulletin report	Hawkish commentary from key officials will cement expectations of another large rate hike	4/5 (economy, monetary policy)	The bulletin will likely include warnings regarding high inflation and a weaker growth outlook, while ECB speakers will affirm that rates are still set to rise with a 50bp increase likely at the next MPC
US Earnings		Major banks such as JPMorgan, Wells Fargo, and Citigroup will report their latest earnings on Friday to kick off the latest earnings season	The earnings calls will provide guidance into the extent of the economic downturn expected	4/5 (equity markets)	Analysts are forecasting the first contraction in S&P 500 earnings since Q3 2020, with recession warnings and negative guidance likely to be a major theme across all major sectors

Highlights news vendors

BUSINESS LIVE - [Grim outlook for growth as power cuts slam brakes on factories](#)

FT - [Egypt vows to cut military's outsized role in economy under IMF bailout](#)

REUTERS - [Tigray forces begin handing over heavy weapons to Ethiopian army](#)

SOUTH CHINA POST - [Joe Biden 'surprised' by classified documents discovery in his old office, vows cooperation](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.274976	1.285824	1.2995459	1.379582
BWPUSD	0.075072	0.093496	0.0765187	0.081061
GBPGBP	16.056664	16.185208	15.709284	15.251446
BWPEUR	0.075608	0.076232	0.0714278	0.074766
JPYBWP	10.7536	10.8368	10.15905	10.60235
USDZAR	16.30368	17.67792	16.685798	17.295465
EURUSD	1.032	1.118312	1.0561875	1.09411775
GBPUSD	1.168032	1.265576	1.1954078	1.23819575

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0782	0.0000	1m	-2.34	-435.1271
BWPGBP	0.0643	0.0001	3m	-7.04925	-1549.681
BWPEUR	0.0728	0.00	6m	-13.9425	-3493.248
BWPZAR	1.331	0.0012	12m	-30.29325	-7998.14

	Close	Change		Close	Change
Dollar Index	103.223	-0.013			
EURUSD	1.0749	0.0015			
GBPUSD	1.2165	0.001			
USDJPY	132.25	0			
USDNGN	449.58	0			
USDZAR	16.9846	-0.0358			

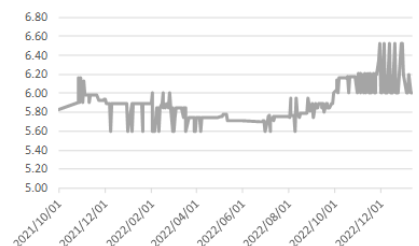
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.499	-0.002	SA 10y	9.85	0.11
3y	5.46	0	US 10y	3.619	0.102
5y	6	0	German 10y	2.301	0.087
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0.04		230.5	10.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	20.58	-1.39	Gold	1877.27	5.68
Dow Jones	33704.1	-112.96	Brent Crude	1871.59	0.45
FTSE	7694.49	25.45	3m Copper	1865.71	52.5
JSE All share	78000.31	1483.76	LME Index	1833.19	12.7
Bots DCIBT	7740.34	14.43	1 carat index	1854.09	#VALUE!
Nigeria Index	51446.6	478.02			

Spot BWP



BWP 5y local bond yield



BWP-ZAR

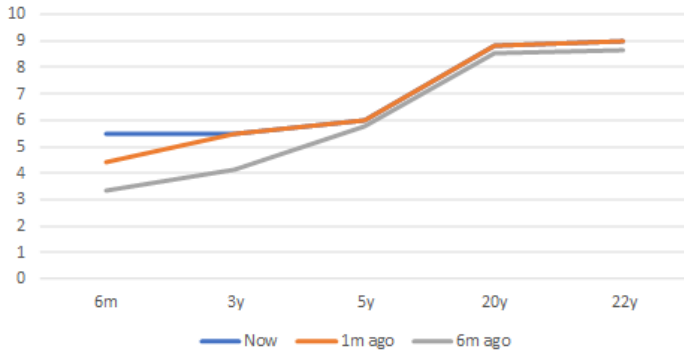


- On the global news front, the World Bank slashed its 2023 GDP growth forecast to 1.7%, the slowest growth since 1993, outside of the 2009 and 2020 recessions. As they seek to reign in inflation, persistent tightening by central banks worldwide has become one of the biggest constraints to growth. Russia's war on Ukraine has not helped matters either, nor have Covid developments in China and broader geopolitical developments. Now the global business cycle is slowing, as reflected by inverted yield curves and near-term interest rate expectations that appear to be topping out.
- The timing of the difficulties will likely be Q2 2023 when the full effects of all the rate hikes manifest. It holds major implications for financial markets and asset prices and the response of the central banks to those developments. Central banks will likely soften their stance when the strain reflects in global equity and housing markets.
- In regional news, the International Monetary Fund said that corruption had inflated the cost of several high-profile tenders and construction projects in Zambia. According to the lender, "Enormous financial resources invested in infrastructure projects, such as road construction, provided avenues for corruption, especially in the award of tenders, where political connections allowed members of the elite to bend the rules and access to lucrative contracts." The lender added that corruption increased from 2009 to 2021 and "became particularly entrenched and institutionalized during 2016-2021."
- The World Bank, meanwhile, has shown in its latest report that South Africa will be the main drag on economic growth in sub-Saharan Africa for the year ahead. The World Bank's Global Economic Prospects report released on Tuesday shows that SA is estimated to expand by only 1.9% in 2022, previously 2.1%. The report also highlights how growth in the region will not be enough to reduce poverty, with the region expected to expand by only 3.6%.
- Locally, newsflow has been thin once again, with investors still digesting Monday's positive fiscal developments while waiting for next week's CPI data.

Financial Market Commentary

- The BWP-USD closed flat at 0.0782 yesterday, attempting once again to rise above the intraday high of 0.0784 reached in the previous session but failing to sustain those gains. This remains the resistance level to watch as technical indicators are pointing to a more bullish outlook for the BWP-USD following the gains earlier this week. We may, however, have to wait for tomorrow's US CPI figures for any further appreciation to be seen, especially given how quiet the local data calendar and newsflow is for now.
- In the metals markets, 3m LME copper is hovering around a six-and-a-half-month high, as hopes of better demand from China have been providing support for the metal over the last few days. A raft of policy measures from Beijing to revive its economy and its ailing property sector have boosted investors' sentiment, although spot demand for the metal has been limited ahead of the Lunar New Year starting from the 21st of January.
- Spot gold, meanwhile, has been trading in a narrow range during the Asian session this morning as investors are holding back from making any large bets ahead of the US inflation data due tomorrow. If the inflation data shows that inflation is softer, then gold might head for \$1900.00/oz level. However, it is going to be interesting to see if gold can get much traction beyond that.
- Finally, US inflation is the main event of the week, and it will determine the way the USD trades through the quarter if it holds major implications for the Fed's policy stance. Inflation is expected to moderate to 6.5% y/y, which is a solid moderation from the previous reading of 7.1% y/y. Although still more than three times higher than the Fed's inflation target, the trajectory is encouraging. The argument is that if the rate hikes announced so far have generated a reversal in the cycle, should the Fed continue hiking any further? At the very least, investors are banking on the Fed slowing the pace of tightening to a more digestible 25bp, although one more 50bp hike is still possible. The Fed talks about the need for tough decisions, but hiking into the teeth of a global slowdown might border on the reckless when there are clear signs that asset prices are deflating and that household and business balance sheets will contract. Ahead of the inflation data tomorrow, more consolidation is therefore likely, with investors worldwide waiting for direction.

Botswana Yield Curve



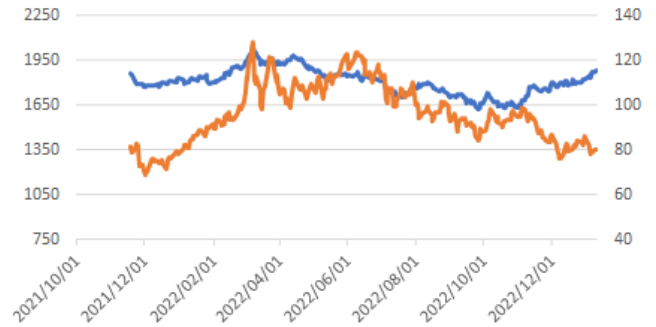
USD Index



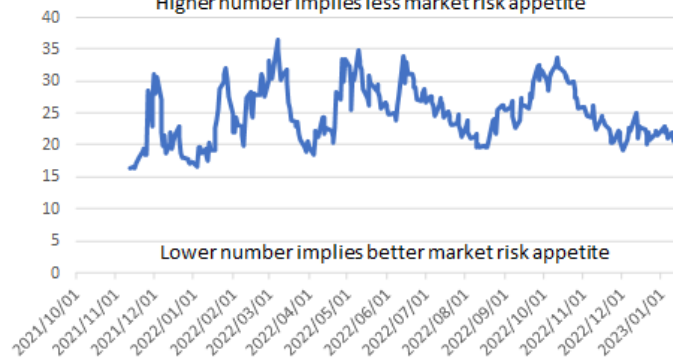
Base metals - Copper L_Hand axis LME Index
R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



Access Bank Global Markets & Treasury Team

e-mail	First Name	Surname	Direct Line
nkatem@accessbankplc.com	Mogamisi	Nkate	2673674335
masalilap@accessbankplc.com	Phillip	Masalila	2673674621
kebaetsek@accessbankplc.com	Kefentse	Kebaetse	2673674336
thembaa@accessbankplc.com	Amogelang	Themba	2673674370
bogalet@accessbankplc.com	Tshwanelo	Bogale	2673674622
davidbat@accessbankplc.com	Batanani Pearl	David	2673644382
magashulan@accessbankplc.com	Ntebang	Magashula	2673644382
segwabek@accessbankplc.com	Keategile	Segwabe	2673644382

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Acces Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.