

# Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
09:00	EC	ECB Publishes Economic Bulletin			
13:30	US	CPI y/y	Dec	6.60%	7.10%
13:30	US	Initial jobless claims	Jan 7		204k
13:30	US	Real ave weekly earnings y/y	Dec		-3.00%
16:30	US	Fed's Bullard Discusses the US Economy and Monetary Policy			
19:00	US	Monthly budget statement	Dec		\$-248.5bn
Factors Overnight		What happened?	Relevance	Importance	Analysis
<b>US Crude Inventories</b>		US crude oil inventories increased by a mammoth 19mn barrels last week, according to the official EIA data	Rising inventories are a sign of weakening demand for oil and other fuels in the US	4/5 (oil markets)	Crude still rallied despite the release of the report, but demand concerns are rising as the increase was much larger than expected
<b>EU Green Debt</b>		German Chancellor Scholz has called for the EU to create new financing instruments to help push the green transition across Europe and attract new investment	Europe risks falling behind the curve but may increase available funding through new green instruments	3/5 (fiscal policy)	The EU's current policies do not compete with the US, luring investment away from Europe. New instruments to be used for green funding will also ease pressure on traditional securities such as vanilla government bonds
<b>China Inflation</b>		China's factory price deflation eased and consumer inflation accelerated in December. PPI came in at -0.7% y/y while CPI increased to 1.8% y/y	The figures suggest that inflation will not be a concern for the central bank as it supports growth	3/5 (economy, monetary policy)	Reopening momentum should see price growth increase over the coming months but monetary stimulus will remain and will be at least as aggressive as was seen in 2022
Factors on the Radar		What happened?	Relevance	Importance	Analysis
<b>US Inflation</b>		Focus today will be on the latest US CPI figures, with investors looking to see if the recent easing of price pressures has continued and what it means for the Fed	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
<b>US Earnings</b>		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
<b>UK Strikes</b>		Strikes in the healthcare and railway sectors of the UK have continued to deepen and are showing no signs of coming to an end	Strikes will have a notable impact on economic growth and the provision of healthcare	3/5 (economy)	This is becoming a massive headache for the UK government. Meetings on Monday could hopefully be the start of the end of all this, with striker demands to be discussed

## Highlights news vendors

**BUSINESS LIVE** - [Dump Transnet CEO Portia Derby, says desperate Minerals Council](#)

**FT** - [Egypt's pound plunges to new low as authorities try to stem currency crisis](#)

**REUTERS** - [U.S. extends public health emergency status for COVID](#)

**SOUTH CHINA POST** - [China's next ambassador to the US will confront a new set of challenges](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.272096	1.282176	1.2966104	1.375668
BWPUSD	0.075168	0.093496	0.0766166	0.081061
GBPGBP	16.027024	16.1512	15.680286	15.2194
BWPEUR	0.075608	0.076232	0.0714278	0.074766
JPYBWP	10.712	10.7952	10.11975	10.56165
USDZAR	16.246848	17.605328	16.627634	17.2244435
EURUSD	1.03344	1.119768	1.0576613	1.09554225
GBPUSD	1.167264	1.26464	1.1946218	1.23728

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0783	0.0001	1m	-2.34	-435.1271
BWPGBP	0.0645	0.0002	3m	-7.06875	-1549.681
BWPEUR	0.0728	0.00	6m	-13.97175	-3493.248
BWPZAR	1.3233	0.0021	12m	-30.37125	-7998.14

Dollar Index	103.061	-0.127
EURUSD	1.0766	0.0011
GBPUSD	1.2159	0.0017
USDJPY	131.57	-0.9
USDNGN	451.1	0
USDZAR	16.9183	0.0176

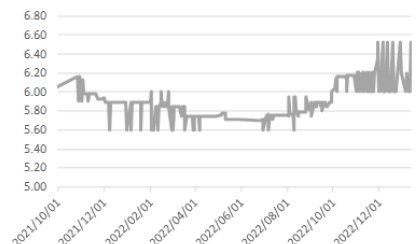
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.5	0.001	SA 10y	9.895	0.045
3y	5.46	0	US 10y	3.556	-0.063
5y	6.53	0.53	German 10y	2.185	-0.116
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.96	-0.04		176	-6

Equities			Commodities		
	Close	Change		Close	Change
VIX	21.09	0.51	Gold	1876.38	-0.89
Dow Jones	33973.01	186.45	Brent Crude	1877.27	2.57
FTSE	7724.98	-30.45	3m Copper	1871.59	212.5
JSE All share	78522.1	-342.39	LME Index	1865.71	74.4
Bots DCIBT	7740.34	0	1 carat index	1833.19	#VALUE!
Nigeria Index	51729.87	-253.76			

Spot BWP



BWP 5y local bond yield



BWP-ZAR

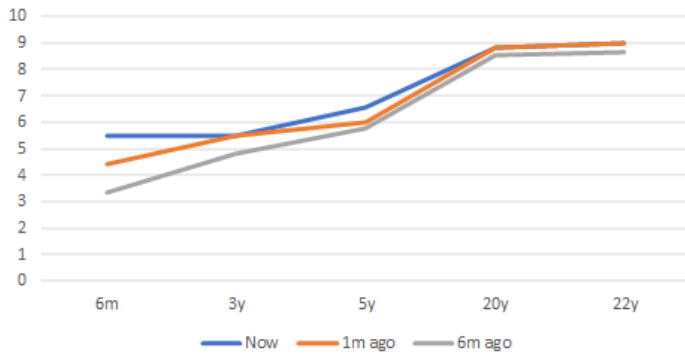


- On the local political front, state lawyers told the court yesterday that former President Khama would not be arrested immediately, but instead, the extradition process is being arranged. The charges against Khama relate to the possession of illegal firearms. Khama has denied the charges and believes that they are a fabrication given his opposition to current President Masisi, his successor. Khama is currently in South Africa and the request for extradition is still being processed. If Khama is arrested, it could drive further political divisions in the country, given that he has been the loudest voice against President Masisi.
- Regionally, we had CPI data out of Mozambique yesterday. Consumer price inflation in Mozambique slowed further to 10.9% y/y in December from 11.3% y/y in the month prior. The December reading was the slowest pace of price growth in the economy since June. On a m/m basis, prices rose 1.85%. The continued slowdown in inflation since September will further widen Mozambique's positive real interest rate, which will, in turn, provide some support for the local currency. Mozambique has one of the highest real rates in the world at 6.35%.
- This sets the stage for next week's release of the local inflation figures. As we have noted before, 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. We expect that it should, owing to a stronger BWP and softening oil prices through the final months of 2022.

## Financial Market Commentary

- The BWP-USD edged marginally higher to 0.0783 yesterday, testing the intraday high of 0.0784 resistance level as well as support at 0.0780 during trade yesterday. The pair is looking for some direction following Monday's gains, which could from today's US CPI release, which has the potential to move global markets. We expect that over the near term, the BWP-USD bias should remain bullish, with the 0.0784 level to be retaken and clear the path back towards 0.08000.
- This short-term direction will be determined largely the US inflation data. It will determine whether the Fed will slow the pace of its tightening and ease the pressure on global central banks to follow suit. Inflation is expected to fall to 6.5% y/y. Should it surprise to the downside, it will have major implications for the USD that will likely come under tremendous pressure. The opposite also holds true, but to a lesser extent, given just how much has already been priced into the market. Most FX markets have been range bound in the lead-up to this data. That will hold for the morning session, but market conditions will likely change this afternoon and could determine direction in the USD through the week ahead.
- Looking at the metals markets once again, 3m LME copper climbed above \$9000/tonne for the first time since June on the back of continued optimism around China's reopening and support for the property sector. The red metal has also received a boost from the broader weakness in the USD, which has slid on expectations of a less hawkish Fed.
- Spot gold, meanwhile, climbed to an eight-month high on Wednesday. The yellow metal is up around 15% since the end of October, amid a weaker US dollar and falling global yields. Price direction in the short-term will be dictated by today's US inflation data. The hope is that the inflation data will also provide some more insight into the Fed's path forward in terms of interest rate hikes.
- 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. Should the lower inflation trajectory be confirmed, we expect the dollar to come under pressure more broadly in the coming days which will be gold supportive.

Botswana Yield Curve



USD Index



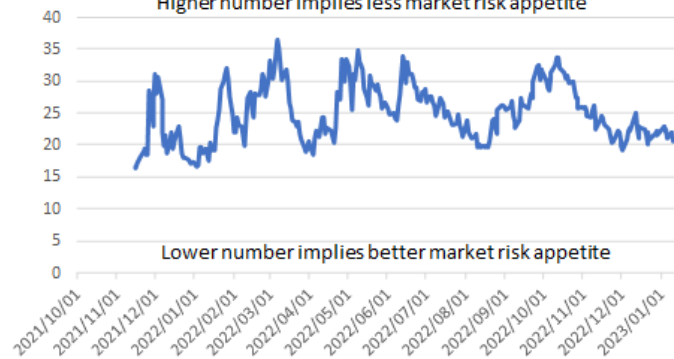
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



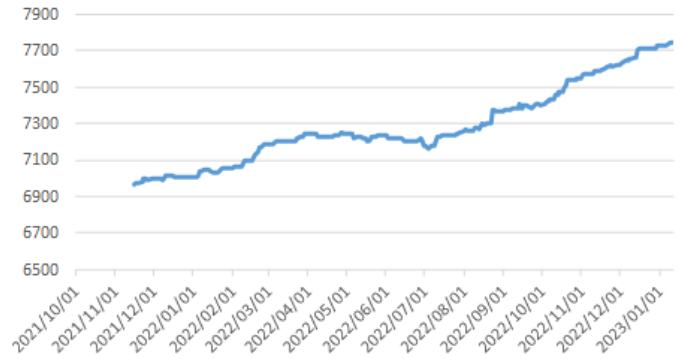
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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