

# Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
13 Jan	BW	CPI Y/Y	Dec		12.2%
10:00	EZ	Industrial production (wda) y/y	Nov	0.50%	3.40%
10:00	EZ	Trade balance nsa (EUR)	Apr		-26.5bn
13:30	US	Import price index y/y	Dec		2.70%
15:00	US	Michigan consumer confidence	Jan P	60.5	59.7
Factors Overnight		What happened?	Relevance	Importance	Analysis
US Inflation	US Inflation came in line with expectations for December at 6.5% y/y for the headline rate, showing that price pressures continue to ease in the US	The slowing of inflation takes the pressure off the Fed to continue with its aggressive rate hikes	4/5 (economy, monetary policy)	Market reaction was mixed on the initial release of the report as some expected a more pronounced slowdown. However, it still supports the view that the Fed will only hike by 25bp at its next meeting	
China Trade Data	China's official trade numbers released this morning made for grim reading, with exports contracting almost 10% in dollar terms compared to a year earlier	The sharp drop in foreign demand for Chinese goods signals that global demand is weakening	4/5 (global trade)	Export demand was fairly strong through most of 2022, but the weakening trend since October is concerning and we could see it continue through 2023 as major economies come under pressure	
Fedspeak	Voting Fed member Harker said yesterday that he favours 25bp increases going forward, although still favours a terminal rate above 5.00%	Market repricing of rate hike risk ahs supported risk assets and weakened the US dollar	4/5 (monetary policy)	Harker's comments coupled with the CPI release for December have affirmed that a 25bp hike is most likely in January, but we expect that the Fed will pause after that	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
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	
BoJ	Speculation that the BoJ could announce further tweaks to its monetary policy next week are rising after reports suggested it would look into the side effects of its current policy stance	The BoJ has been the laggard in the central bank space, but it could start to catch up to the global tightening trend	4/5 (monetary policy)	The central bank could adjust both its bond buying and make further tweaks to its yield curve control measures next week, which could provide further support to the JPY and stabilising the bond market	
Brexit	The UK and EU will enter an intense phase of negotiations next week in order to come to a conclusion regarding the Northern Ireland dispute	Brexit remains a source of uncertainty with the UK especially, given the unresolved items	4/5 (geopolitics)	A positive round of negotiations will pave the way to further progress on issues such as state aid and VAT, which could finally bring an end to years of talks and provide some certainty to both	

## Highlights news vendors

**BUSINESS LIVE** - [Regulator hands Eskom a rebuke along with tariff increase](#)

**FT** - [Nigeria's \\$53bn wayward means](#)

**REUTERS** - [Uganda agrees oil exploration deals with two firms including Australia's DGR Global](#)

**SOUTH CHINA POST** - [Special Counsel Robert Hur to investigate Joe Biden's handling of classified documents](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.266048	1.276896	1.2904458	1.370003
BWPUSD	0.075552	0.093496	0.077008	0.081473
GBP/BWP	15.971176	16.094208	15.625646	15.165696
BWPEUR	0.075504	0.076128	0.0713295	0.074664
JPY/BWP	10.5768	10.66	9.992025	10.429375
USDZAR	16.086528	17.443816	16.463556	17.06642575
EURUSD	1.039872	1.12684	1.064244	1.10246125
GBPUSD	1.169088	1.266616	1.1964885	1.23921325

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0787	0.0004	1m	-2.3595	-435.1271
BWPGBP	0.0645	0	3m	-7.10775	-1592.371
BWPEUR	0.0725	0.00	6m	-14.0595	-3538.68
BWPZAR	1.3179	-0.0046	12m	-30.54675	-8129.191

Dollar Index	102.364	0.118
EURUSD	1.0832	-0.0014
GBPUSD	1.2179	-0.0021
USDJPY	129.24	0.02
USDNGN	451.63	0
USDZAR	16.7454	-0.0234

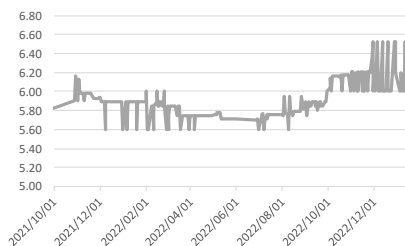
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.501	0.001	SA 10y	9.825	-0.07
3y	5.459	-0.001	US 10y	3.447	-0.109
5y	6	-0.53	German 10y	2.132	-0.053
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0.04		224.5	42.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	18.83	-2.26	Gold	1896.86	20.48
Dow Jones	34189.97	268.91	Brent Crude	1876.38	1.36
FTSE	7794.04	30.49	3m Copper	1877.27	62.5
JSE All share	78627.55	521.79	LME Index	1871.59	40.9
Bots DCIBT	7744.25	0	1 carat index	1865.71	
Nigeria Index	52048.85	283.27			

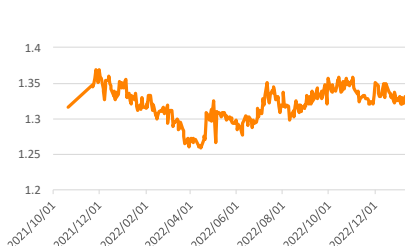
Spot BWP



BWP 5y local bond yield



BWP-ZAR

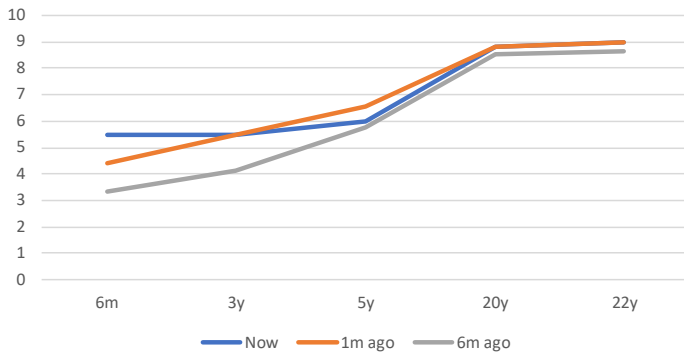


- Today we have the release of the local inflation figures, getting the economic data calendar going for 2023. As we have noted before, investors will be looking to see if the recent deceleration in inflation persisted in December after the headline rate slowed to 12.20% y/y in November after peaking 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.
- Regionally, South Africa's energy regulator NERSA granted the country's power provider Eskom a tariff increase of 18.65% effective from 1 April. The increase for 2024/25 will be 12.74%. Eskom had asked for an increase of 32% for this year and 22.52% for next year. Therefore, the increases represent a lower result to consumers and businesses than what could have been, but still well above current inflation and will, therefore, slow the pace at which the headline inflation rate eases through the year ahead. According to the latest CPI basket weightings published by StatsSA, the weighting of electricity and other fuels is 3.80%. Therefore, the contribution of the increase to headline CPI will be roughly 0.35 percentage points, given the previous year's increase of 9.6%. The effect of this will not only be to render SA less attractive as an investment destination, but it further undermines its own business model.

## Financial Market Commentary

- The BWP-USD rallied to 0.0787 yesterday, at one point testing highs of 0.0792 as global currencies rallied against the USD. We expect that over the near term, the BWP-USD bias should remain bullish. With the 0.0784 level now broken, it clears the path back towards 0.08000.
- The market reaction to the US inflation data yesterday afternoon and indications from a Fed member that the Fed's next hike would likely be 25bp, and it may pause after that, was notably risk-bullish, which pressured the USD. Given the GDP growth backdrop, a 25bp hike and then pause looks very plausible in the US, and the market moved quickly to further unwind the monetary policy disparity between the US and other major economies. The USD has a lot more to lose, given its overvalued position, which should see the BWP supported through the coming months.
- Meanwhile, oil is heading for a weekly gain as it has rebounded strongly from its auspicious start to the year amid China reopening optimism and easing bets on Fed rate hikes. Brent has rallied from \$78.40 at the start of the week to almost \$84 per barrel at present, with the market relatively steady this morning. Some weak Chinese trade data has put a bit of a dampener on the crude market's optimism as we close out the week, but it won't be enough to see any significant gains reversed. Instead, the market is focussing on China's surge in crude imports this week and expectations that consumption in the Asian nation could reach record highs this year, according to a survey conducted by Bloomberg. The demand recovery in China is expected to accelerate in Q2 of this year, with oil demand forecast to increase by between 800k and 970k barrels a day.
- Roaring demand from China, however, is bound to be offset by weaker demand elsewhere. Although data out yesterday showed inflation cooling in the US, which means the Fed can tone down its aggression, the world's largest economy is still heading for a notable slowdown in growth. Europe will also struggle in the months ahead, while emerging markets are forecast to post weak growth. This, in our view, means that oil prices could top out at lower levels than many are currently forecasting, and we could see prices declining sharply towards the back-end of the year.

Botswana Yield Curve



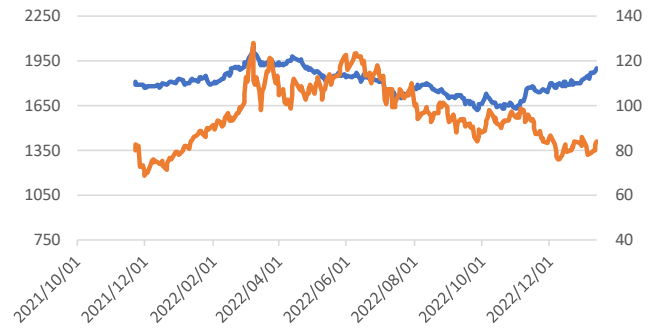
USD Index



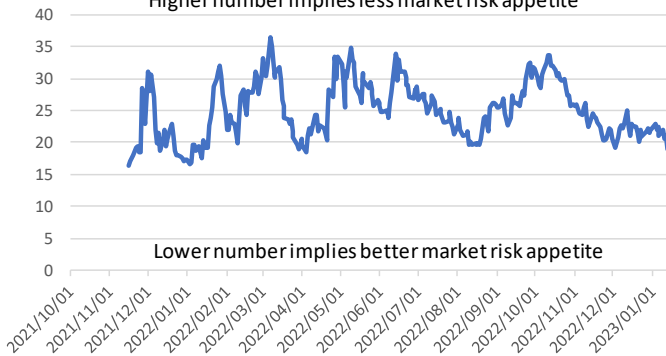
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



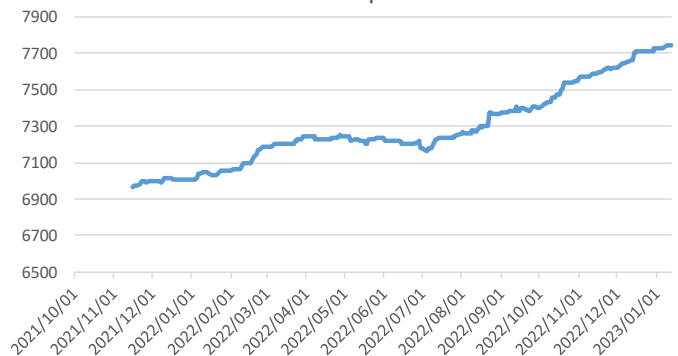
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



## Access Bank Global Markets & Treasury Team

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

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