

# Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
06:00	JN	Machine tool orders y/y	Dec P		7.7%
15:00	UK	BOE's Bailey and Sam Woods testify on financial stability			
Factors Overnight	What happened?	Relevance	Importance	Analysis	
US consumer sentiment	The University of Michigan consumer sentiment index rose by more than expected to an April 2022 high due to abating inflationary pressures and a resilient labour market	While the US economic outlook remains uncertain, strong data are keeping hopes of a 'soft landing' alive	4/5 (economy)	US consumers aren't ready to tighten their belts just yet, despite warnings of a looming economic downturn; however, the full impact of the Fed's aggressive monetary tightening cycle still lies ahead	
China Covid	A Chinese health official said nearly 60,000 people had died from Covid-related illness in hospitals since the country abandoned its zero-Covid policy last month, but that the worst was now in the rear-view mirror	60,000 is significantly more than the previously-reported numbers and follows global criticism of China's Covid data	3/5 (pandemic, economy)	China's Covid exit wave has likely peaked, although it remains to be seen what impact the Lunar New Year travel period will have; ultimately, however, natural immunity will be achieved and allow for a full reopening of the economy	
IMF warning	The IMF warned that fragmentation of the global economy after decades of economic integration could reduce economic output by up to 7%	The warning comes at a time when global flows of goods and capital have levelled off since the 08/09 global financial crisis	2/5 (ECONOMY)	As stated by the IMF, less international risk-sharing could lead to higher macroeconomic volatility, more severe crises, and greater pressures on national buffers, especially for emerging economies	
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
China GDP data	Fourth-quarter GDP data out of China are scheduled for release this week and will reflect the impact of the country's strict Covid restrictions and that of surging infections after curbs were suddenly lifted	Although the data hold some market-moving potential, the focus is quickly shifting to an expected economic rebound this year	4/5 (economy)	Reopening momentum and expected policy support point to a strong economic rebound in 2023, but a faltering global economy could limit the recovery of China's export-focussed economy	
BoJ policy meeting	The BoJ's policy meeting will be in the spotlight after it shocked markets last month by tweaking its yield curve control policy – a move that stoked speculation that further monetary tightening is on the cards for 2023	The BoJ is under pressure to change its interest-rate policy again after its December attempt to buy itself breathing room backfired	5/5 (monetary policy)	Notwithstanding speculation in the bond market that further policy normalisation is imminent, the BoJ will likely stand pat at the January meeting and potentially double down on its dovish resolve	
WEF conference in Davos	The WEF's annual meeting continues in Davos through Friday, with concerns over economic fragmentation and global recession likely to dominate the agenda	As always, investors will be watching closely for any major announcements at the conference	5/5 (ECONOMY)	The WEF will have plenty to address at this year's conference in Davos as the world struggles with a number of crises that warrant immediate attention, although fragmentation and recession risk will likely dominate the agenda	

## Highlights news vendors

**BUSINESS LIVE** - [Treasury seeks \\$1bn World Bank loan to take advantage of lower rates](#)

**FT** - [War in Tigray may have killed 600,000 people, peace mediator says](#)

**REUTERS** - [Zimbabwe police arrest 25 opposition members ahead of presidential election](#)

**SOUTH CHINA POST** - [Egypt hands out life jail terms in trial over 2019 protests](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.270272	1.281024	1.2947512	1.374432
BWPUSD	0.075744	0.093496	0.0772037	0.081679
GBPGBP	16.034304	16.158896	15.687408	15.226652
BWPEUR	0.075608	0.076232	0.0714278	0.074766
JPYBWP	10.4728	10.556	9.893775	10.327625
USDZAR	16.0992	17.456712	16.476525	17.07904275
EURUSD	1.041888	1.12892	1.0663073	1.10449625
GBPUSD	1.176672	1.274936	1.2042503	1.24735325

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0782	0.0011	1m	-2.29125	-435.1271
BWPGBP	0.0645	0.0008	3m	-7.0785	-1592.371
BWPEUR	0.0732	0.00	6m	-14.28375	-3538.68
BWPZAR	1.3302	0.0097	12m	-30.85875	-8129.191

	Close	Change
Dollar Index	103.643	-0.236
EURUSD	1.0678	0.0034
GBPUSD	1.2127	0.0035
USDJPY	132.5	0.43
USDNGN	449.55	0
USDZAR	17.0096	-0.1267

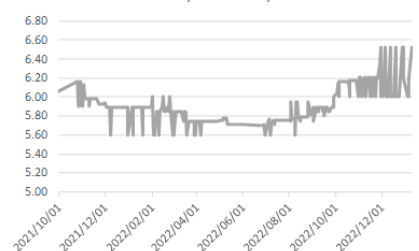
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.501	0.001	SA 10y	9.875	-0.125
3y	5.46	0	US 10y	3.6004	0.0294
5y	6.53	0.33	German 10y	2.272	0.063
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.96	0.06		177.5	-47.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	25.18	0.18	Gold	1865.71	32.52
Dow Jones	33630.61	700.53	Brent Crude	1833.19	-0.12
FTSE	7698.71	66.04	3m Copper	1854.09	215
JSE All share	78215.94	1419.64	LME Index	1839.49	73.7
Bots DCIBT	7725.91	0	1 carat index	1824.4	#VALUE!
Nigeria Index	51836.17	353.82			

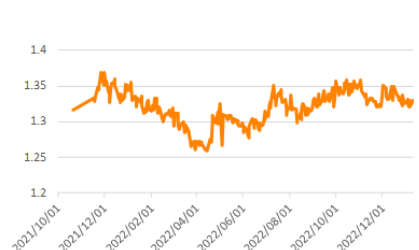
Spot BWP



BWP 5y local bond yield



BWP-ZAR

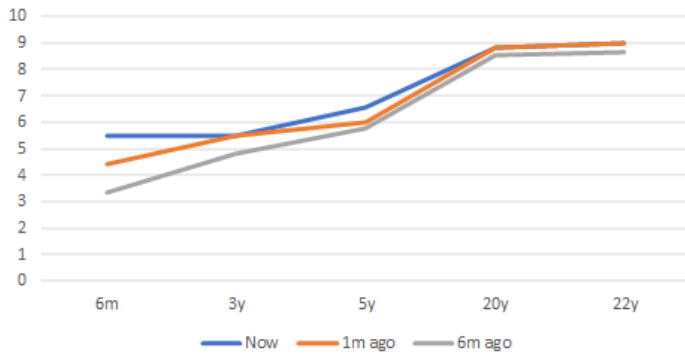


- The hot topic of last week was inflation as there were two key regional CPI releases on Friday. Consumer prices rose to 12.4% y/y in December in Botswana from 12.2% in November. The main contributors to the annual inflation rate were Transport, Food & Non-Alcoholic Beverages, Housing, Water, Electricity, Gas & Other Fuels and Miscellaneous Goods & Services. Meanwhile, inflation in Angola slowed to 13.86% y/y in December from 15.24% in November.
- Despite inflation being marginally higher in Botswana in December, the broader trend remains one disinflation. This is as a result of a stronger BWP and the pullback in oil prices through the final months of 2022. In the last six months, we have seen the price of Brent crude fall by around 15%. Our expectation is that due to the slowdown in economic growth, oil prices could top out at lower levels than many are currently forecasting, and therefore we could see prices declining sharply towards the back-end of the year.
- Lower oil prices will help to reduce input costs and therefore help inflation to start easing in many African countries. It is likely that we are not going to see inflation come down as quickly in net importing countries, however lower global inflation will eventually start to be reflected in these countries as well. The weaker USD is also expected to result in investors rotating towards riskier assets and therefore, some African currencies should rebound, which will also help to reduce inflation.

## Financial Market Commentary

- The BWP-USD closed Friday slightly lower at 0.0789. We still, however, see the pair maintaining its move towards the 0.08000 level in the coming sessions, with dollar weakness expected to be the main driver for gains the local unit.
- In the global fx market, all the majors are making back big ground against the USD, but by far, the most impressive has come against the JPY, which has surged stronger over the past three trading sessions. On a trade-weighted basis, the USD has slumped to a seven-month low, and the main catalyst for the latest slide are bets that the BoJ may make further tweaks to its yield curve control policy or abandon it altogether, which may see yields rise. The rise in yields has traders unwinding carry trades, which has translated into a rotation away from the USD. Given the USD's massive overvaluation position, it would always be vulnerable to a correction, and that is exactly how it is playing out at the moment. Therefore, Wednesday's BoJ meeting will be key and could generate significant volatility, which could have an enormous influence on G10 currencies more broadly.
- For now, the USD remains on the defensive, with the EUR-USD consolidating gains above 1.0850, and the GBP-USD scaling 1.2260. Finally, the JPY has performed the most impressively, surging back below 128.00/dlr to trade at 127.60 at the time of writing, with potentially more to come.
- Looking at metals, Gold prices climbed to a near a nine-month high this morning, as a softer dollar and expectations of slower interest rate hikes from the Fed have added to bullions shine. Spot gold is trading around \$1921.85/oz at the time of writing, the next key resistance level we could see the yellow metal heading towards is \$1950/oz which was last reached in May.
- A survey on Friday showed that US consumers are becoming more confident that price pressures will ease considerably over the next 12 months. Their one-year inflation expectation fell to the lowest level in January since the spring of 2021.
- 3m LME copper paused its rally on Friday but was still set to end the week with a 7% gain thanks to the weaker dollar and hopes that China's dismantling of Covid-19 restrictions will lift demand. Other industrial metals were also on course for hefty weekly gains, with aluminium, zinc and tin up by between 10% and 14% from last Friday. The near-term outlook for demand still remains lackluster, with stocks of copper, aluminium, zinc and lead in Shanghai Futures Exchange warehouses rising sharply in the last week.

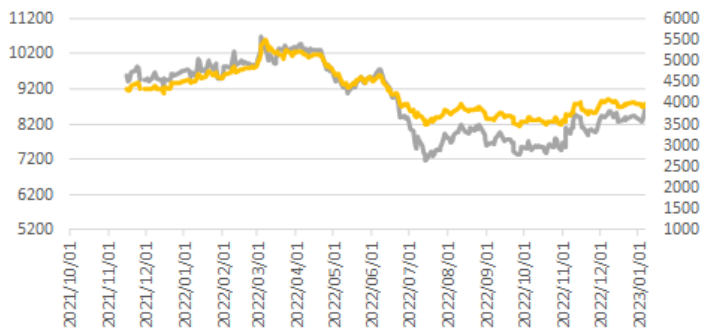
Botswana Yield Curve



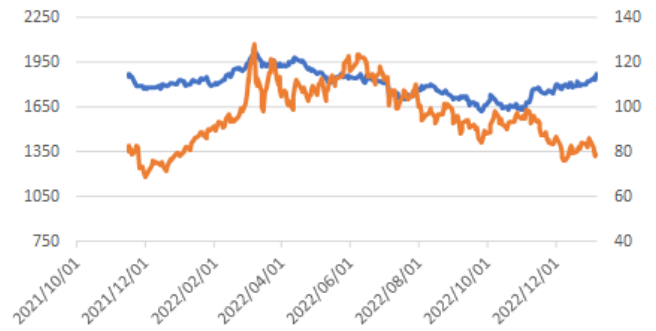
USD Index



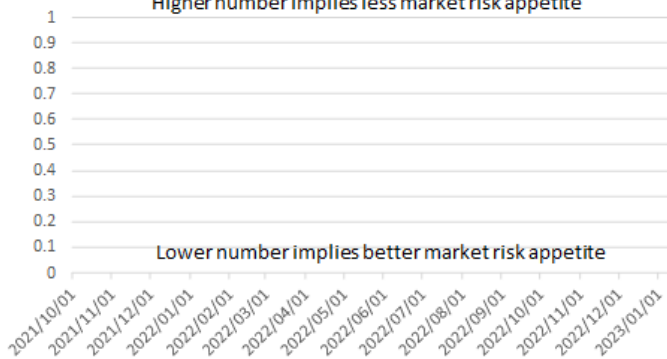
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



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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