

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
07:00	GB	CPI y/y	Dec	10.5%	10.7%
10:00	EZ	CPI y/y	Dec F	9.2%	10.1%
12:00	US	MBA mortgage applications	Jan 13		1.2%
13:30	US	PPI final demand y/y	Dec	6.8%	7.4%
13:30	US	Advance retail sales m/m	Dec	-0.8%	-0.6%
14:15	US	Industrial production m/m	Dec	-0.1%	-0.2%
14:15	US	Manufacturing production m/m	Dec	-0.2%	-0.6%
19:00	US	Federal Reserve Releases Beige Book			

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoJ policy	Defying market expectations, the BoJ pushed back against intense speculation of policy change by maintaining ultra-loose monetary policy and doubling down on its stimulus defence	The BoJ has been in the spotlight after it shocked markets last month by tweaking its yield curve control policy	5/5 (monetary policy)	The BoJ held its ground to the detriment of the JPY bulls, and will likely double down on its dovish resolve until Japan achieves economic recovery with sustainable wage growth
Oil gains	The recent uptrend in oil benchmarks continued after OPEC reported that China's post-Covid economic reopening would lead to a recovery in fuel demand in the world's top oil importer	Rising oil prices – if sustained – could be a spanner in the works for central banks fighting inflation	3/5 (economy, inflation)	While rising oil prices hold the potential to stoke inflation, OPEC's upbeat tone on the world economy's prospects is likely to be welcomed by the markets at a time when global recession risk is on the rise
Earnings season	Earnings reports from major US banks were a mixed bag, pointing to diverging paths ahead for big names within the same sector, as well as uncertainty over the global growth outlook	The market is anxious to hear from corporates about the demand environment and the outlook for the US economy	3/5 (economy)	While recession risk is becoming more acute, the market is still in a space where it could rally on bad news as it portends a Fed slow-down, pause, and eventual pivot to looser monetary policy

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US economic data	Today's economic data card includes the latest retail sales, PPI, and industrial production prints, as well as the publication of the Fed's Beige Book	Collectively, the economic data and the Beige Book will provide fresh insights into the Fed's likely policy trajectory	4/5 (economy, monetary policy)	On the whole, today's prints are expected to show disinflation pressures in the pipeline and could bolster bets on an eventual Fed policy pause and pivot later this year
Yellen's meeting with Chinese VP Liu	US Treas. Sec. Yellen will hold her first face-to-face meeting with Chinese Vice Premier Liu He today in Zurich, with the pair set to exchange views on macroeconomic developments and other economic issues	The meeting comes at a time when US-Sino relations are under pressure due to disputes over trade, human rights, and Taiwan's autonomy	2/5 (economy, geopolitics)	Yellen may use the get-together to quiz Liu on the state of China's economy and the direction of economic policy following Chinese President Xi's consolidation of power during the CCP's congress in October
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	4/5 (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

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Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.284192	1.290048	1.3089395	1.384114
BWPUSD	0.075168	0.093496	0.0766166	0.080958
GBPGBP	16.237728	16.305328	15.886431	15.364636
BWPEUR	0.075608	0.07592	0.0714278	0.07446
JPYBWP	10.6808	10.7224	10.090275	10.490425
USDZAR	16.400928	17.780568	16.785325	17.39589225
EURUSD	1.034112	1.120704	1.058349	1.096458
GBPUSD	1.178208	1.2766	1.2058223	1.24898125

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0783	-0.0001	1m	-2.29125	-595.5326
BWPGBP	0.0637	-0.0006	3m	-7.0785	-1699.096
BWPEUR	0.0726	0.00	6m	-14.28375	-3674.974
BWPZAR	1.3336	0.0157	12m	-30.85875	-8181.611

Dollar Index	102.853	0.463
EURUSD	1.0772	-0.0016
GBPUSD	1.2271	-0.0017
USDJPY	131.16	3.03
USDNGN	453.08	0
USDZAR	17.0831	0.0515

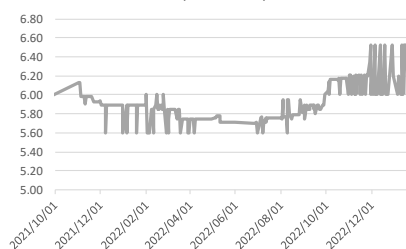
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.5	0.001	SA 10y	9.86	0.095
3y	5.46	0	US 10y	3.535	0.024
5y	6	-0.53	German 10y	2.089	-0.054
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0.04		228.5	0

Equities			Commodities		
	Close	Change		Close	Change
VIX	19.36	-0.13	Gold	1908.39	-9.6106
Dow Jones	33910.85	0	Brent Crude	1918.0006	1.46
FTSE	7851.03	16	3m Copper	1920.21	182.5
JSE All share	79385.11	-165.92	LME Index	1896.86	34.7
Bots DCIBT	7745.15	0.9	1 carat index	1876.38	
Nigeria Index	52701.31	-163.66			

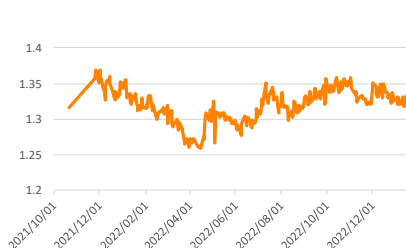
Spot BWP



BWP 5y local bond yield



BWP-ZAR

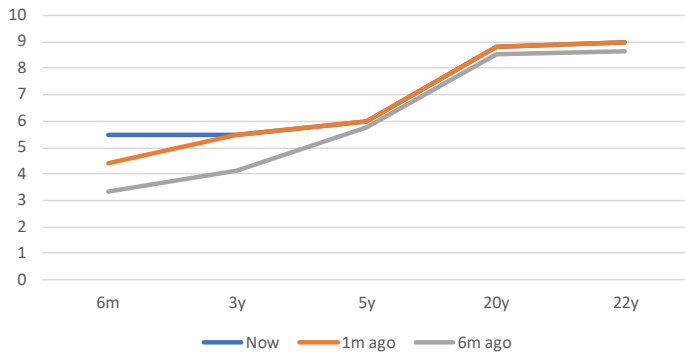


- Investors are positioning for recessionary-type conditions in many jurisdictions. Although equity markets are still holding up reasonably well, more and more companies are talking about reducing headcount as they plan for weaker demand conditions and waning earnings. This theme will likely intensify through the next 2-3 quarters as the full effect of inflation, rate hikes, and China's business cycle weigh on overall demand.
- This was at least one of the considerations for the BoJ this morning when it chose to leave its monetary policy accommodative despite core inflation set to rise to the highest levels in forty years. The BoJ was in no rush to tighten monetary policy and normalise it when they saw the inflation spike as temporary. The focus remains on supporting growth, even though, at the moment, Japan's growth is holding up better than expected.
- The result has been a sharp correction weaker in the JPY, which has prompted a surge in the USD. Against the crosses, many currencies might find themselves on the defensive against the USD. Gold and other commodity prices have also retreated slightly. The only offset for emerging markets and a country like Botswana is that its yields look more attractive, and risk appetite will improve on account of a more growth-supportive central bank.
- A weaker growth outlook was also flagged in Botswana Diamonds plc annual report for 2022. The company noted that the diamond market has seen a significant recovery from the impact of the pandemic in 2020. Diamond mining companies have had a strong post-Covid return to business, mostly supported by increased wealth among the world's richest, with prices and volumes increasing substantially. However, a looming global recession and Chinese uncertainty suggest that the near-term outlook for the industry could be quite volatile and likely skewed towards pessimism.

Financial Market Commentary

- The BWP-USD held at around 0.0783 yesterday, probing the 0.07800 handle once again during intraday trade. The currency pair is still looking for direction, as we have seen this week so far. Today's session may be much of the same as investors digest the BoJ announcements and the reaction in global FX markets. We still, however, favour a bullish bias for the pair over the near to medium-term, with the 0.0800 handle still the level to watch for. From a technical standpoint, the stochastic on the pair has now dropped out of overbought territory and is looking quite bearish. However, recent trading history shows us that these signals are often not all that meaningful for the BWP-USD, and that any dips are quickly recovered.
- Note that Botswana sold BWP2.96bn of 7-day certificates at a yield of 2.65% yesterday. The full amount that was tendered was allotted, having increased from the BWP505mn allotted at the auction last week, which also had a yield of 2.65%
- Occupying centre stage in the FX markets this morning has been the JPY. It came under tremendous pressure in response to the BoJ's decision to stick with an accommodative monetary policy despite the anticipated rise in inflation that will be released later this week. The BoJ sees inflation as high but believes that the inflation spike will be temporary and is concerned about an anticipated global slowdown in the next two quarters. The USD has taken full advantage and surged on the news as traders look to re-establish carry trades in the comfort of knowing that the BoJ will not deal any more surprises for the next few weeks. The USD's surge has translated into a modest retreat in the EUR-USD to 1.0770, although against the GBP, the USD has lost some ground following some strong labour market data that, if anything, supported the need for more rate hikes in the UK. Futures suggest that the Fed may start cutting before the BoE and that the BoE will keep rates higher for longer than the Fed. Against the JPY, the USD has recovered back up to 131.37.

Botswana Yield Curve



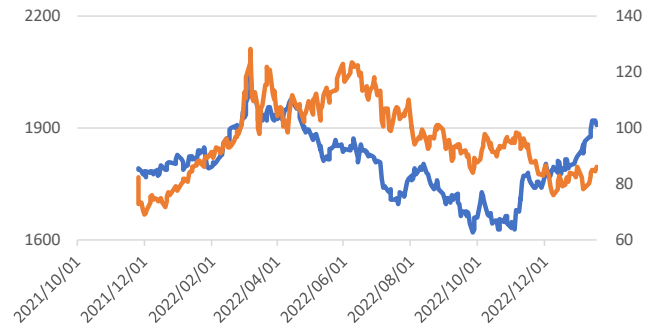
USD Index



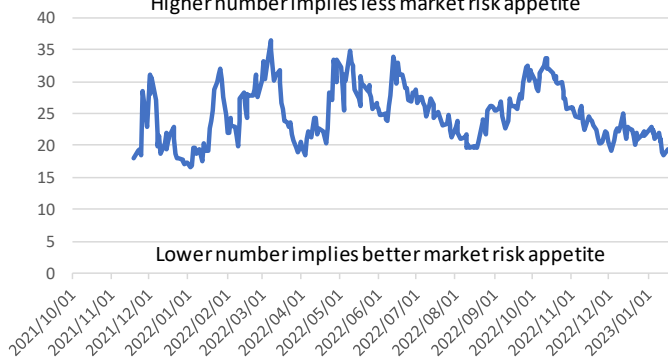
Base metals - Copper L_Hand axis LME Index
R_Hand axis



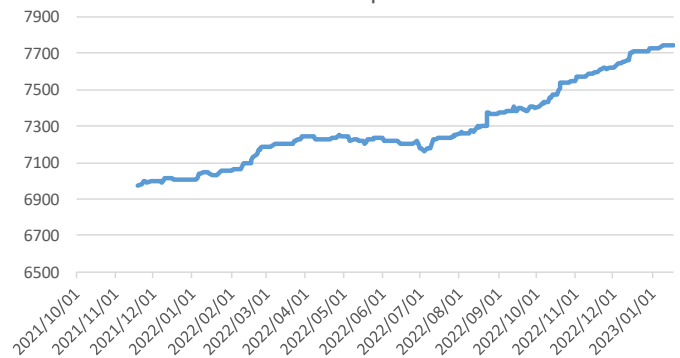
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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