

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
10:30	EC	ECB's Lagarde Speaks at WEF			
12:30	EC	ECB Publishes Account of December 2022 Policy Meeting			
13:30	US	Initial jobless claims	Jan 14	212k	205k
13:30	US	Building permits	Dec	1370k	1342k
13:30	US	Housing Starts	Dec	1355k	1427k
13:30	US	Philadelphia Fed index	Jan	-11	-13.8
18:15	US	Fed's Brainard Discusses the Economic Outlook			
Factors Overnight	What happened?	Relevance	Importance	Analysis	
US economic data	US retail sales fell by the most in a year in December, industrial output contracted by the most in 15 months, and producer prices tumbled	Weak economic data add to signs of softening demand and subsiding inflation	5/5 (economy, monetary policy)	Economic weakness in the US is starting to become more widespread, pointing to disinflationary pressures in the pipeline that will add to bets on an eventual Fed policy pause and pivot later this year	
Fed Beige Book	The Fed's latest Beige Book reflected uncertainty about how soft a landing policymakers can engineer this year, with mixed responses concerning the US economic outlook	As demand conditions in the US deteriorate, the Fed's hawkish resolve will come under increased pressure	4/5 (economy, monetary policy)	Anecdotal evidence from survey respondents suggests that there is still lingering optimism over the US economic outlook, but this may fade as the full impact of the Fed's past rate hikes filters through into the economy	
US-Sino relations	US Treas. Sec. Yellen agreed with Chinese VP Liu He to enhance communication and cooperation on macroeconomic and financial issues during their meeting yesterday	The meeting came at a time when the IMF has warned against decoupling the global economy into two competing blocs	2/5 (ECONOMY, GEOPOLITICS)	US-Sino relations remain under pressure due to disputes over trade, human rights, and Taiwan's autonomy, but continuous dialogue between the two powerhouses is welcome as it helps prevent an escalation of tensions	
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
ECB minutes	The minutes of the ECB's December policy meeting will be published today and may contain clues into prospective monetary policy in Europe	As the global economy deteriorates, there is growing uncertainty over the ECB's policy outlook	4/5 (monetary policy)	The ECB has signalled that it will continue to hike interest rates at a steady pace, with 50bp increments likely to be the order of the day through Q1 unless economic data weakens significantly in the short term	
Fedspeak	Fed policymakers Logan, Collins, Brainard, Williams, Harker, and Waller are all set to speak at public events into the weekend, and will likely signal smaller rate hikes and a tighter-for-longer policy outlook for the year ahead	The Fed's tightening cycle is nearing an end, but there is still uncertainty over how long it will keep interest rates high before cutting	4/5 (monetary policy)	As growth headwinds in the US become stronger and the labour market loosens, the argument for maintaining tight monetary conditions will weaken. In turn, there will be significant pressure on the Fed to cut interest rates later this year	
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	3/5 (ECONOMY, POLITICS)	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

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FT - [South African businesses turn to diesel and solar panels as Eskom crisis deepens](#)

REUTERS - [Zambia received 'debt-for-nature' proposal from WWF for restructuring](#)

SOUTH CHINA POST - [Nato allies set to provide Ukraine 'heavier weapons' as Putin vows victory for Russia](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.294368	1.305024	1.3193116	1.400182
BWPUSD	0.075552	0.093496	0.077008	0.081473
GBPGBP	16.17044	16.299088	15.820599	15.358756
BWPEUR	0.075816	0.07644	0.0716243	0.07497
JPYBWP	10.4728	10.556	9.893775	10.327625
USDZAR	16.446912	17.828512	16.832387	17.442799
EURUSD	1.035936	1.12268	1.0602158	1.09839125
GBPUSD	1.18368	1.282736	1.2114225	1.2549845

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0787	0.0004	1m	-2.33025	-595.5326
BWPGBP	0.0637	0	3m	-7.137	-1741.785
BWPEUR	0.0729	0.00	6m	-14.1375	-3697.69
BWPZAR	1.3467	0.0188	12m	-30.95625	-8286.45

Dollar Index	102.291	-0.072
EURUSD	1.0791	-1E-04
GBPUSD	1.2329	-0.0017
USDJPY	127.91	-0.97
USDNGN	453.08	0
USDZAR	17.1323	0.0211

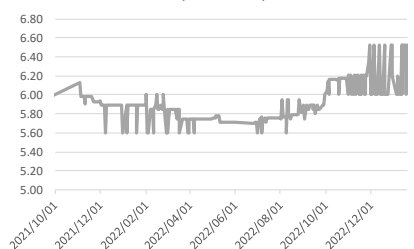
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.501	0.001	SA 10y	9.655	-0.205
3y	5.46	0	US 10y	3.375	-0.16
5y	6.53	0.53	German 10y	2.008	-0.081
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.96	-0.04		163	2.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	20.34	0.98	Gold	1903.76	-4.63
Dow Jones	33296.96	-391.76	Brent Crude	1908.39	-0.94
FTSE	7830.7	-9.04	3m Copper	1918.0006	36.5
JSE All share	79865.48	217.31	LME Index	1920.21	49.3
Bots DCIBT	7749.66	0	1 carat index	1896.86	
Nigeria Index	52615.51	352.49			

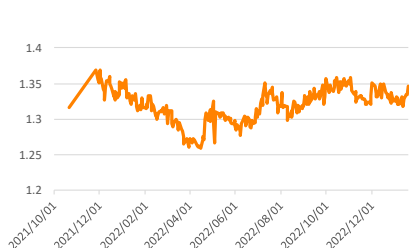
Spot BWP



BWP 5y local bond yield



BWP-ZAR

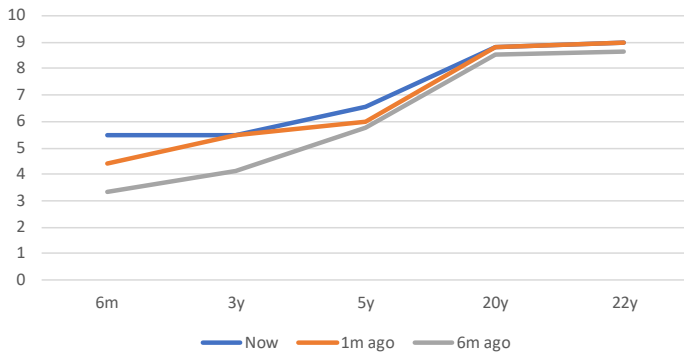


- The Bank of Botswana's latest business expectations survey has been released and it suggests that firms were more optimistic about business conditions in the fourth quarter of 2022 compared to the previous quarter. Firms have positive expectations regarding the domestic economy's performance and expect improvements in sales volumes profitability, and investment. Firms therefore expect overall output to have expanded by 4.4% in 2022, slightly above the projections of 4.2% by the Ministry of Finance and 4.1% by the IMF. Respondents do, however, expect that inflation pressures will remain high, with the Ukraine war cited as the main driver of this.
- While this data is very dated, given that we are now in Q1 2023, it does provide some optimism that the positive outlook seen in 2022 will be carried over to this year. However, there are growing risks, mainly from a global perspective, that could dent business optimism in the early stages of 2023.
- The offshore business cycle is a theme that is unfolding, and which will have far-reaching consequences for financial markets more broadly. As the full effects of an unprecedented phase of central banking tightening unfold, the global economy will experience a material slowdown. To date, evidence of this, especially in the US, has been sparse, with the labour market holding up well. However, that now appears to be changing, and yesterday's retail sales figures were a case in point. They posted their biggest drop in 12 months, finally reflecting the pressure households are experiencing.
- It is also worth noting the increasing number of reports of companies looking to retrench workers. More companies are moving to protect their profitability and will respond to weaker demand conditions by reducing their workforce. That is a clear sign that earnings are now coming under pressure and that valuations on equity markets are proving increasingly difficult to justify. Just as Wall St sold off aggressively yesterday to raise overall levels of risk aversion, investors will also look to rotate away from other riskier and more volatile emerging markets.
- Although this does not yet reflect in the USD, it does raise the stakes for any portfolio exposure towards emerging or frontier markets. Today, the focus will turn to the release of the latest US building and housing stats, and they will not make for pretty reading either. The higher interest rates have dealt this sector a tremendous blow, and expectations are that house prices will start to reflect the pressure the sector is under. As Q1 unfolds and more recent data is released, the true picture of the US economy will emerge, and it will likely point to the prospects of a recession, just as it will in Europe and the UK.

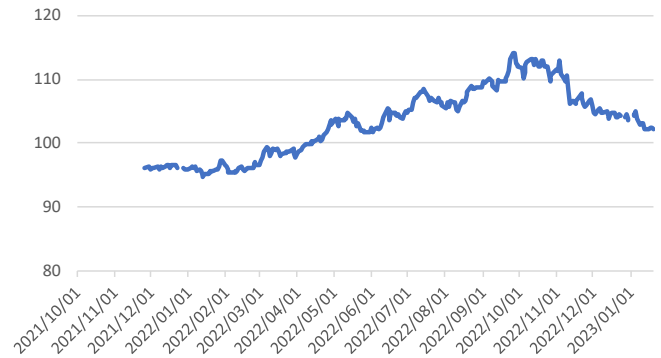
Financial Market Commentary

- The BWP-USD rallied back up to 0.0787 yesterday, unwinding the declines seen this week so far. The currency pair may thus look to make a move back towards the 0.0800 handle, which is still the level to watch for the bulls. A relatively resilient local economy and expectations of further USD weakness will be the drivers of this move.
- It will thus be interesting to monitor the USD and how it behaves in the coming weeks as data out of the US shows signs of slowing. On the one hand, it would make sense that investors price in a less hawkish Fed that may prove the catalyst for further USD weakness. Conversely, the weaker US data may spark volatility across financial markets and trigger a rotation back to safety. It is too soon to tell, but perhaps the factor that continues to tilt the scales against the USD is its overvaluation and the rising probability that the Fed will need to soften its stance. Yesterday's disappointing US retail sales did not translate into any significant impact on the USD, although some focus will turn to the housing data out of the US in the coming days for corroborating evidence.
- Meanwhile, US Treasuries are extending their gains in early trade this morning following a bond rally yesterday which was sparked by the BoJ and then supported by weaker-than-expected US economic data. The benchmark US 10 yr yield is trading below 3.35%, while the 2yr yield is just above 4.000%, levels not seen since September last year. The rate-sensitive 5yr tenor, meanwhile, is trading below its 200DMA for the first time since August 2021 to illustrate how the bond market bulls have regained control of the market. German bunds were also bid yesterday, with the curve bear flattening and the inversion of the 2v10 spread deepening to almost 45bp.
- Traders are rushing into havens amid a slowing US economy that is heightening recession fears. This may be carried through into the European and US sessions later today, with equity markets looking to remain on the back foot and very little data out to ease any concerns regarding economic growth.

Botswana Yield Curve



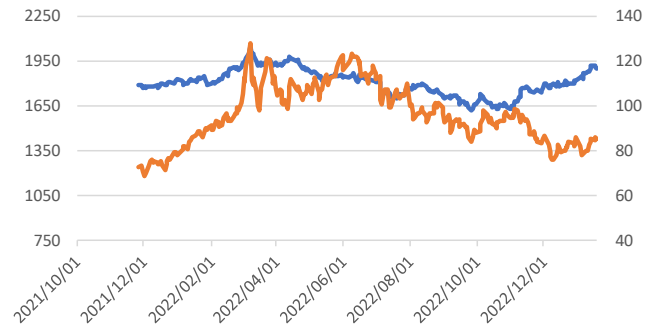
USD Index



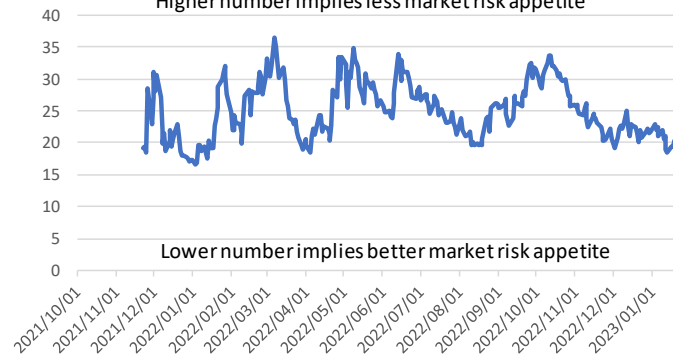
Base metals - Copper L_Hand axis LME Index
R_Hand axis



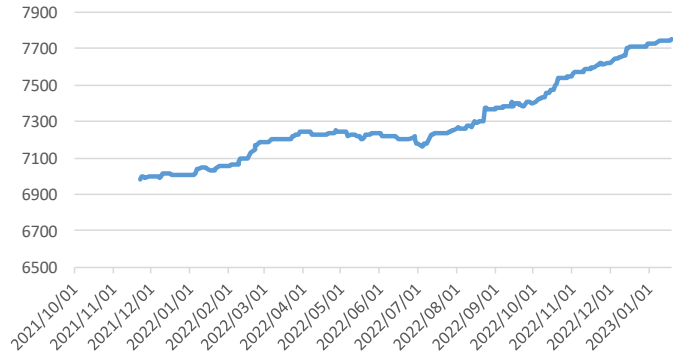
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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