

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
0/N	JN	National CPI y/y	Dec	4.0% (a)	3.8%
00:01	GB	GfK consumer confidence	Jan	-45% (a)	-42%
07:00	GE	Producer prices y/y	Dec	20.8%	28.2%
07:00	GB	Retail sales excluding auto fuel y/y	Dec	-4.4%	-5.9%
10:00	EC	ECB's Lagarde Speaks at WEF			
14:00	US	Fed's Harker Discusses the Economic Outlook			
15:00	US	Existing home sales	Dec	3.96mn	4.09mn
18:00	US	Fed's Waller Speaks at the Council on Foreign Relations			
Factors Overnight		What happened?	Relevance	Importance	Analysis
ECB meeting minutes	The minutes of the ECB's December meeting pointed to a 50bp rate hike in February, with a hawkish policy bias set to remain thereafter unless incoming inflation data change significantly	As the global economy deteriorates, there is growing uncertainty over the ECB's policy outlook	4/5 (monetary policy)	The ECB signalled that it would continue to hike rates at a steady pace, with 50bp increments expected through Q1, which will continue to provide the EUR with support through the early stages of the year	
US jobless claims data and Fed outlook	Concerns about more aggressive Fed tightening were heightened by robust US jobless claims data and fresh hawkish rhetoric from central bank officials	A tight labour market continues to keep the Fed from turning more dovish even as the demand conditions deteriorate	5/5 (economy, monetary policy)	It is worth remembering that the labour market tends to lag behind the rest of the economy, and it is only a matter of time before economic weakness translates into labour market weakness that will spur rate cuts down the line	
Japan CPI data	CPI data showed Japan's consumer inflation hit a fresh 41-year high in December, exceeding the BoJ's target for a 9 th consecutive month	High inflation will keep alive market expectations that the BoJ may phase out ultra-loose monetary policy	3/5 (monetary policy)	Despite rising inflationary pressures, the BoJ will likely continue to push back against speculation of policy change until Japan achieves economic recovery with sustainable wage growth	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
Russia's nuclear war rhetoric	Russian security council member Medvedev warned NATO that Russian defeat in Ukraine could trigger nuclear war, while the head of the Orthodox Church said the world would end if the West tried to destroy Russia.	With the Russia-Ukraine war stretching on, the risk of escalation remains prevalent given that the West is overtly fighting a proxy war	4/5 (war, geopolitics)	Apocalyptic rhetoric is intended to deter the US-led NATO alliance from getting even more involved in the Russia-Ukraine war, and should not be ignored given the high stakes of the matter	
US debt ceiling	The US government hit its \$31.4trn borrowing limit amid a standoff between the Republican-controlled House and President Biden's Democrats on lifting the debt ceiling	Should it persist, the standoff holds the potential to rattle markets and unsettle an already-shaky global economy	3/5 (fiscal policy)	Congress will likely reach a deal to avert a debt default, but the negotiations could go down to the wire, contributing to market volatility at a time when recessionary risks are already weighing on sentiment	
Fedspeak	Fed 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	5/5 (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	

Highlights news vendors

BUSINESS LIVE - [MTN an easy target for a shakedown in Ghana](#)

FT - [Nigerian democracy still has a pulse](#)

REUTERS - [Deeper ties on Yellen's mind as U.S begins year of African engagement](#)

SOUTH CHINA POST - [South Africa unveils joint naval drills with Russia, China for second time](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.288704	1.300224	1.3135384	1.395032
BWPUSD	0.074688	0.093496	0.0761273	0.080546
GBPGBP	16.417128	16.5464	16.06195	15.5918
BWPEUR	0.074672	0.075296	0.0705435	0.073848
JPYBWP	10.452	10.5352	9.874125	10.307275
USDZAR	16.5648	17.966104	16.953038	17.57741425
EURUSD	1.039872	1.126944	1.064244	1.102563
GBPUSD	1.188096	1.287312	1.215942	1.2594615

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0778	-0.0009	1m	-2.2035	-635.6336
BWPGBP	0.0628	-0.0009	3m	-7.08825	-1827.164
BWPEUR	0.0718	0.00	6m	-14.0205	-3788.552
BWPZAR	1.3435	0.0096	12m	-30.654	-8312.659

Dollar Index	102.191	0.133
EURUSD	1.0831	0.0004
GBPUSD	1.2374	-0.0015
USDJPY	129.18	0.76
USDNGN	453.08	0
USDZAR	17.2655	-0.0028

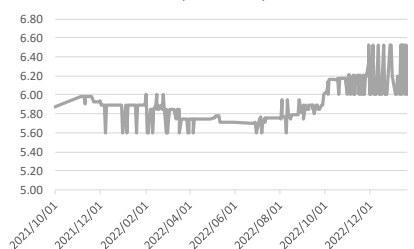
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.499	-0.002	SA 10y	9.74	0.085
3y	5.46	0	US 10y	3.399	0.024
5y	6	-0.53	German 10y	2.053	0.045
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0.04		223	3

Equities			Commodities		
	Close	Change		Close	Change
VIX	20.52	0.18	Gold	1931.39	27.63
Dow Jones	33044.56	-613.89	Brent Crude	1903.76	1.18
FTSE	7747.29	-20.33	3m Copper	1908.39	-18
JSE All share	79505.06	480.37	LME Index	1918.0006	2.5
Bots DCIBT	7751.56	4.51	1 carat index	1920.21	
Nigeria Index	52626.42	-85.8			

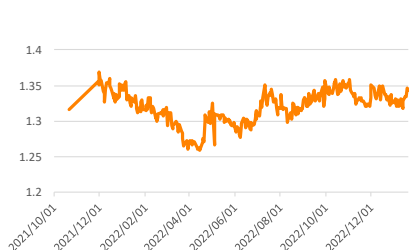
Spot BWP



BWP 5y local bond yield



BWP-ZAR

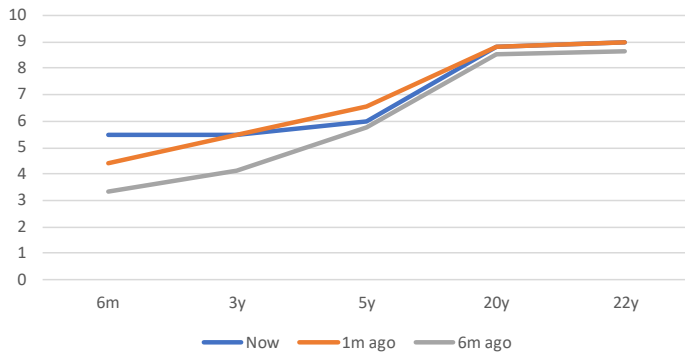


- Global financial markets continued to experience some volatility yesterday. Fed comments confirmed that rates in the US have further to rise as the Fed is “probing” for the right level to engineer a slowdown in growth that reduces inflation without tanking employment. Both Brainard and Williams built the argument for further tightening but conceded that the tightening pace would slow further. The Fed is hoping for a soft landing, but while it anticipates higher rates, the USD will enjoy some support.
- That was part of the justification for the USD’s appreciation against EMs yesterday. However, whether the appreciation is sustainable is debatable. While the Fed may feel confident that the US will escape a painful recession, the effects of all this tightening will only manifest in the data in the coming months. At some point, the Fed will need to stand back and assess the effects of what it has already done.
- Economic cycles are important to isolate. One of the perennial problems forecasters have is not giving enough cyclical amplitude to their forecasts, assigning a near-term bias and focusing too much on underlying trends. Outcomes often underestimate the reversal in a cycle both to the upside and to the down. Inflation, when it arrived, was completely underestimated, and the danger now is that the reversal back down is similarly underestimated. Time will tell, but a combination of rate hikes, quantitative tightening, inflation and a global slowdown may tilt the scales towards a deeper downturn than the authorities anticipate.
- Investors may thus need to remain patient to see the full effects of all the monetary tightening. It has been unprecedented to see so many central banks hiking this aggressively and in such a coordinated fashion. Stimulus support efforts through Covid and beyond delayed the cycle, but at some point the effects of that will wane. The real test of the Fed and the US economy will likely present itself through Q2 and Q3. For now, investors are urged to treat any phase of USD appreciation with caution. It does not adequately reflect upcoming trends.

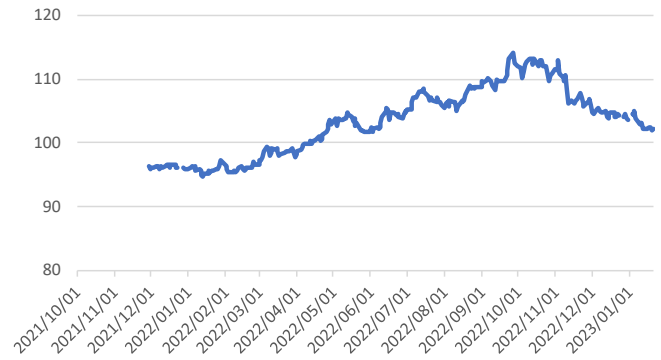
Financial Market Commentary

- The BWP-USD weakened back down to 0.0778 yesterday, driven by USD appreciation as referred to above. Yesterday’s dip does, however, present a buying opportunity to those that see the BWP as relatively fundamentally sound. Our view remains that the pair is due for further gains with the 0.08000 handle the target over the near term. The recent ructions in financial markets may have pushed out the timeframe slightly for reaching this target, but a combination of local factors and foreign developments that include a further weakening of the USD keep the bullish BWP-USD outlook alive.
- In the commodity markets, Oil looks set to post its second weekly advance in three, with optimism over China’s reopening and increased demand there outweighing a weakening outlook for the rest of the world. Brent is trading above \$86.50, while WTI has breached the \$81 per barrel mark when looking at the front-month contracts. The former has gained just more than 2.50%, while the latter has increased by just over 1% on the week so far. Trading activity has also picked up over the last two weeks, with holdings of the global benchmark Brent rising to their highest since March last year. This increase in open interest has helped drive the gains for the market, as well as eased some of the volatility that it experienced in 2022.
- Going forward, trades will be looking to assess what the impact will be of the Russian crude price cap and EU ban on imports that starts from 5 February. The price cap has so far had very little impact on the market, while Russia has so far managed to maintain a relatively high level of exports despite the already imposed sanctions from the West. The source of the greatest demand growth, China, has managed to continue to receive crude from Russia, mitigating the impact of the ban. This could help limit gains for the market, for now, by preventing a shift into a structural deficit.
- Spot gold, meanwhile, is on track for its fifth consecutive weekly gain, as weaker dollar and hopes of slower US interest rates have boosted gold's safe-haven appeal. According to a Reuters poll, the Fed will end the tightening cycle after a 25-basis point hike at each of its next two meetings and then will likely keep rates steady for the rest of the year. If the market continues to turn more dovish and the Fed confirms the current market rate hike expectations we could see gold heading toward \$2000/oz.

Botswana Yield Curve



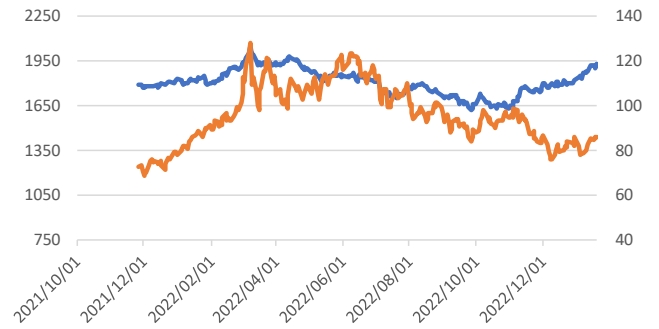
USD Index



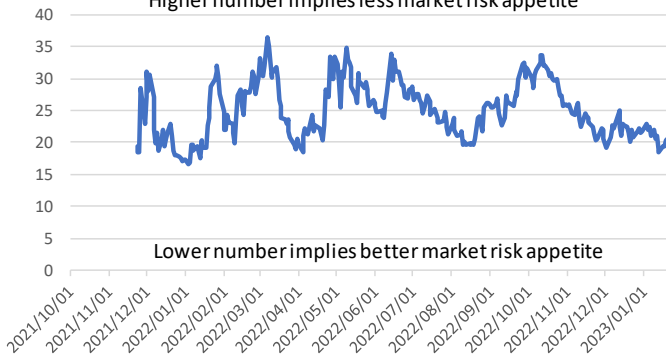
Base metals - Copper L_Hand axis LME Index
R_Hand axis



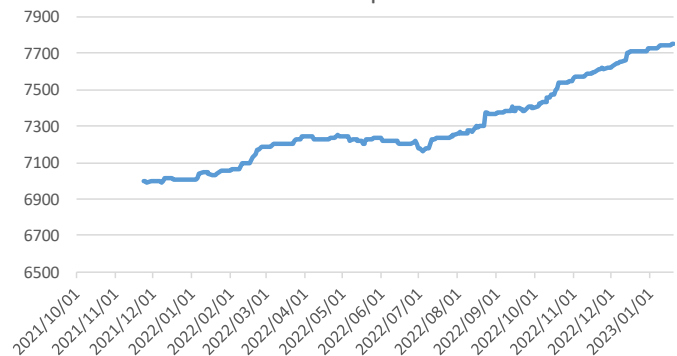
Oil R_Hand Axis - Gold L_Hand Axis



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
nkatem@accessbankplc.com	Mogamisi	Nkate	2673674335
masalilap@accessbankplc.com	Phillip	Masalila	2673674621
kebaetsek@accessbankplc.com	Kefentse	Kebaetse	2673674336
thembaa@accessbankplc.com	Amogelang	Themba	2673674370
bogalet@accessbankplc.com	Tshwanelo	Bogale	2673674622
davidbat@accessbankplc.com	Batanani Pearl	David	2673644382
magashulan@accessbankplc.com	Ntebang	Magashula	2673644382
segwabek@accessbankplc.com	Keategile	Segwabe	2673644382

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.