

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
10:00	EZ	Consumer Confidence	Jan F		-20.9
Factors Overnight	What happened?	Relevance	Importance	Analysis	
US inflation declines	US PCE core inflation, which is the Fed's preferred gauge of price pressures, declined from 4.7% y/y to 4.4% y/y in December, although some signs of sticky inflation remained prevalent	The data add to signs that the Fed has inflation beat, meaning a policy pause is drawing nearer	5/5 (inflation, monetary policy)	While the drop in PCE core inflation is encouraging, the Fed will likely remain somewhat hawkish at its meeting this week given that high core PCE excluding housing rents continues to point to the risk of durable price pressures	
US consumer sentiment improves	The U.Mich. consumer confidence index continued its recent uptrend in December, supported in no small part by declining long-term inflation expectations	While the economic outlook remains uncertain, the occasional strong print is keeping hopes of a 'soft landing' alive	4/5 (economy)	Easing inflationary pressures and a resilient labour market continue to keep US consumers upbeat for now, but the full impact of the Fed's aggressive monetary tightening cycle has not yet worked its way through the US economy	
Prospects of US-Sino conflict	Talk of eventual war between the US and China is picking up after a top US lawmaker echoed the sentiments of a US general that the odds of a conflict over Taiwan are very high	While the opinions do not represent the Pentagon and White House's views, they do reflect concern at the highest level over potential conflict	3/5 (geopolitics)	US promises to intervene have prevented China from invading Taiwan thus far, but the standoff over the island's sovereignty will likely continue indefinitely and could become a more significant concern in the markets	
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
US debt limit negotiations	President Biden and House Speaker McCarthy will meet on Wednesday for talks concerning the ongoing standoff over the federal debt ceiling and prospects of a US default	Should it persist, the standoff holds the potential to rattle markets and unsettle an already-shaky global economy	4/5 (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	
Global monetary policy updates	This week, the Fed, ECB, and BoE will all provide monetary policy updates that hold plenty of market-moving potential	As the end of the cycle nears, central bank decisions can kick up some dust in the markets	5/5 (monetary policy)	On the whole, the theme is that the Fed has begun its pivot and that other central banks are still lagging; it means that the Fed will likely be the first to pause and could be the first to cut	
US employment report	The January edition of the US employment report will be published this week and is expected to show a slowing rate of payrolls increases	Doubts over the labour market's resilience are behind bets on a policy pivot later this year	5/5 (economy, monetary policy)	The US labour market will likely remain resilient for a while longer, with the real test for the Fed's hawkish resolve set to arrive later this year when the economy experiences a sharper downturn	

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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	1.288896	1.294944	1.3137341	1.389367
BWPUSD	0.074976	0.093496	0.0764209	0.080752
GBPGBP	16.441048	16.50948	16.085352	15.55701
BWPEUR	0.074672	0.074984	0.0705435	0.073542
JPYBWP	10.5352	10.5768	9.952725	10.347975
USDZAR	16.502592	17.893408	16.889372	17.506291
EURUSD	1.043232	1.130584	1.0676828	1.10612425
GBPUSD	1.189824	1.289392	1.2177105	1.2614965

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0781	0.0000	1m	-2.0865	-735.885
BWPGBP	0.063	0	3m	-6.654375	-1912.541
BWPEUR	0.0718	0.00	6m	-14.03025	-3947.557
BWPZAR	1.3425	0.0051	12m	-30.615	-8522.334

Dollar Index	101.949	0.022
EURUSD	1.0867	0
GBPUSD	1.2395	-0.0002
USDJPY	129.63	-0.22
USDNGN	459.78	0
USDZAR	17.1899	0.0003

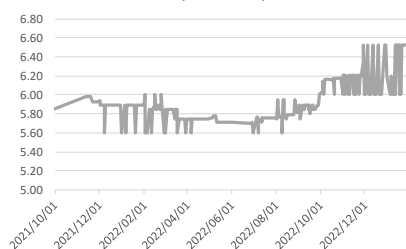
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.506	-0.002	SA 10y	9.665	0
3y	5.46	-0.001	US 10y	3.5015	-0.0165
5y	6.53	0	German 10y	2.224	-0.021
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.96	0		160.5	0

Equities			Commodities		
	Close	Change		Close	Change
VIX	18.51	-0.22	Gold	1927.34	-1.65
Dow Jones	33978.08	205.57	Brent Crude	1928.99	-0.81
FTSE	7765.15	16.24	3m Copper	1945.93	-66
JSE All share	80791.36	783.51	LME Index	1937.45	-49.4
Bots DCIBT	7764.88	6.02	1 carat index	1931.3	#VALUE!
Nigeria Index	52657.88	153.31			

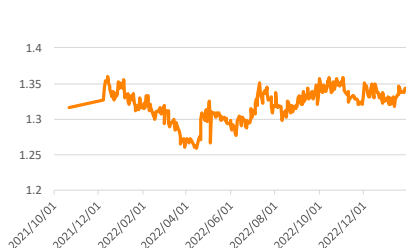
Spot BWP



BWP 5y local bond yield



BWP-ZAR

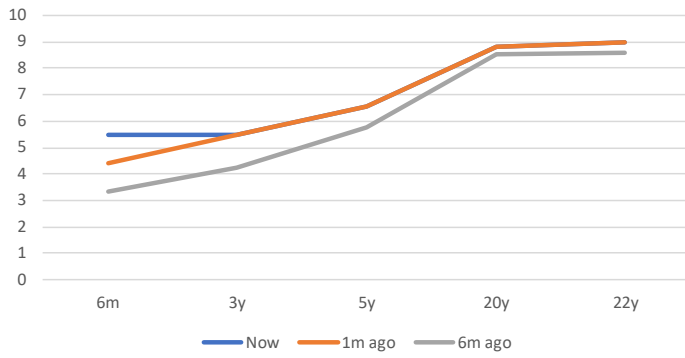


- Despite the fact that the June deadline is drawing near, the talks surrounding the highly anticipated sales deal between the Botswana government and mining company De Beers are being held up by what sources call “two material issues.” The negotiations have been dragging on for five years now and speculation is rising as to why a deal has not been signed off yet. A deal by June will be key in settling some nervousness in the diamond market and will ease any concerns regarding future government revenues from sales of the commodity.
- This week’s focus turns to the FOMC decision and statement on Wed, followed closely by the ECB and the BoE decisions on Thursday. Investors have moved from one key event to another, peppered with all that US labour market data in between to round off another important week which will be market-moving. That will decide the general direction of the markets, which for now remain largely rangebound. That is unlikely to change until later this week, and how it changes will depend on the outcome of the data releases and the guidance central banks offer. Strong data and a hawkish Fed will see the USD recovery to some degree, while a hawkish BoE and ECB will deal the USD a blow as they battle inflation. While near-term developments concerning US data remain unclear, we expect them to deteriorate quickly in the coming months and for the US monetary cycle to turn.

Financial Market Commentary

- The BWP-USD closed last week marginally lower on Friday at 0.0781, with the pair posting another relatively wide intraday range, suggesting that the market is looking for direction. This may remain the case into the start of the new week given the lack of local news flow or economic data releases. The market may also look to remain on the sidelines ahead of the slew of major central bank meetings, which kick off on Wednesday with the Fed, following by the ECB and BoE the day after.
- In the global fx markets, a combination of the Fed, the BoE and the ECB will determine how global FX markets trade and whether or not risk appetite improves or falls. Support has tended to flow towards the central bank with the most conservative policy and most resilient data. At face value, that might be the Fed, although one would have to concede that there is a lot priced into the USD, and it is expensive. So it has become an assessment relative to the other majors on the one hand, while risk appetite might dictate how emerging markets then respond to the USD. Expectations within the market are that the USD needs to correct. That view would be enhanced if the Fed softened its stance as it approaches the peak in interest rates. But ahead of such key central banking events, it follows that the majors would be range-bound. The EUR-USD has backed away from its levels above 1.0900 to trade closer to 1.0870 this morning, while the GBP is trading flat, just below 1.2400. The JPY is now also consolidating just below the 130.00 mark as investors await clarity from the central banks later this week.
- Meanwhile, the oil markets have some significant news from over the weekend to digest as we start the new week, with the Wall Street Journal reporting that Israel carried out a drone strike against a defence compound in Iran. The attack is believed to be part of an operation between the US and Israel to halt Iran’s destabilising operations in the region, its ties with Russia, and its nuclear program. Not only does the attack increase tensions in the Middle East, but also suggests that a new nuclear deal with Iran now has also zero probability of being agreed upon soon. The lack of any prospect of a new deal is supportive of the oil markets, given that Iranian supply will remain offline to most of the world at a time when sanctions on Russian crude are finally starting to have an impact.
- China’s economy will fully open this week after the Lunar New Year celebrations. Activity in the world’s largest oil consumer will be closely eyed to gauge fuel demand. A lot has been priced in already regarding an improvement in oil consumption in China, but there may still be some upside left for the markets over the near term.

Botswana Yield Curve



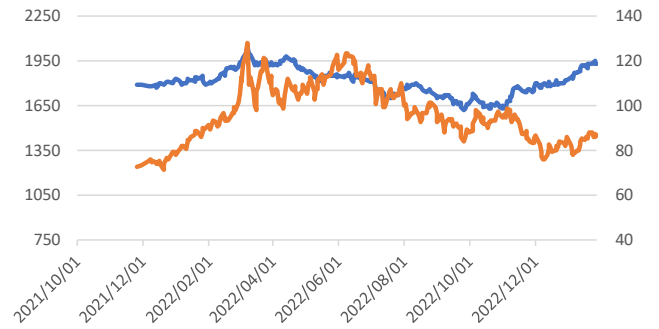
USD Index



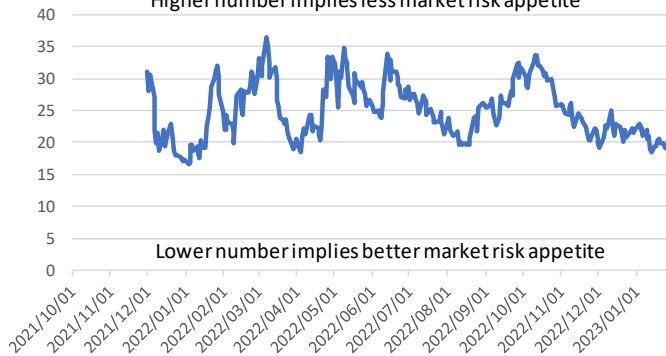
Base metals - Copper L_Hand axis LME Index
R_Hand axis



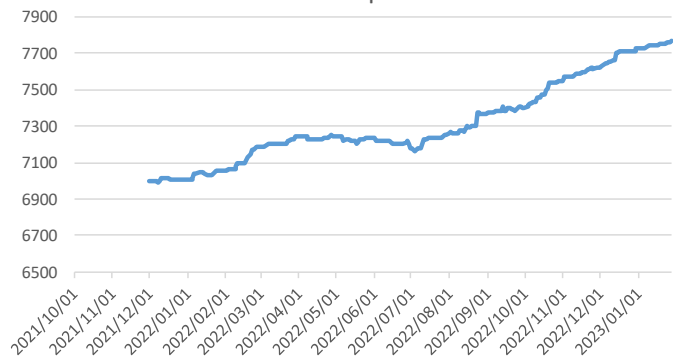
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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