

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
0/N	JN	Monetary base y/y	Jan	-3.8% (A)	-6.1%
12:00	GB	BoE bank rate	Feb 2	4.00%	3.50%
13:15	EZ	ECB deposit facility rate	Feb 2	2.50%	2.00%
13:15	EZ	ECB rate announcement	Feb 2	3.00%	2.50%
13:15	EZ	ECB Marginal Lending Facility	Feb 2	3.25%	2.75%
13:30	US	Nonfarm Productivity	4Q P	2.4%	0.8%
13:45	EC	ECB President Christine Lagarde Holds Press Conference			
15:00	US	Durable goods orders m/m	Dec F		5.6%
15:00	US	Factory orders	Dec	2.4%	-1.80%
18:30	EC	ECB's Lagarde Speaks			
19:00	US	FOMC rate decision	Feb 1	4.75%	4.50%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Eurozone inflation	CPI data showed inflation in the Eurozone declined further in January from 9.2% y/y to 8.5% y/y (-0.4% m/m), but core inflation remained unchanged at 5.2% y/y to reflect persistent underlying price pressures The Fed slowed the pace of its monetary tightening cycle with a 25bp hike yesterday, but forward guidance remained hawkish as committee members signalling a strong resolve to raise rates above 5%	Disinflation in Europe points to the eventual end of the ECB's rate-hike cycle, although persistent upside risks will keep the ECB cautious for now	5/5 (inflation, monetary policy)	A sharp drop in energy contributions was the primary driver of the decline in headline inflation, with underlying price pressures – as reflected in high core inflation – likely to keep the ECB cautious through the coming months
Fed policy update	The OPEC+ Joint Ministerial Monitoring Committee recommended keeping crude production steady as it awaited clarity on demand in China and supply from Russia	Divergence between market pricing and Fed guidance remains intact with the market still betting on a peak Fed funds rate below 5%	5/5 (monetary policy)	Fed Chairman Powell acknowledged disinflationary pressures in the US economy, but pushed back against the notion that the Fed has inflation beat; nevertheless, the Fed is poised to pivot and other major central banks are still lagging
OPEC+ policy		Despite a rocky start to the year, oil prices remain elevated and inflationary for most nations	3/5 (inflation, economy)	The status-quo recommendation was widely anticipated and is unlikely to trigger any major market reaction, with uncertainty around the outlook for supply and demand remaining the order of the day

Factors on the Radar	What happened?	Relevance	Importance	Analysis
ECB, BoE policy updates	Today, the ECB and BoE are expected to continue their respective monetary tightening cycles with 50bp rate hikes 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)	While both the ECB and BoE are still in the midst of their inflation fights, the BoE is likely closer to its peak rate than the ECB, although the situation remains highly fluid
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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SOUTH CHINA POST - [Nikki Haley to take on Donald Trump, her one-time boss, in 2024 White House bid](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.272576	1.284672	1.2970996	1.378346
BWPUSD	0.074784	0.093496	0.0762252	0.080649
GBPGBP	16.406832	16.535896	16.051877	15.581902
BWPEUR	0.073528	0.074152	0.0694628	0.072726
JPYBWP	10.4208	10.504	9.84465	10.27675
USDZAR	16.336224	17.728776	16.719104	17.34522075
EURUSD	1.057344	1.145872	1.0821255	1.1210815
GBPUSD	1.188864	1.288144	1.216728	1.2602755

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0779	0.0014	1m	-1.94025	-796.0353
BWPGPB	0.0629	0.0008	3m	-7.1175	-2019.262
BWPEUR	0.0709	0.00	6m	-14.157	-4015.702
BWPZAR	1.3266	-0.016	12m	-30.966	-8653.378

	Close	Change
Dollar Index	100.941	-0.276
EURUSD	1.1015	0.0026
GBPUSD	1.2384	0.0008
USDJPY	128.58	-0.35
USDNGN	460.02	0
USDZAR	17.0178	-0.0123

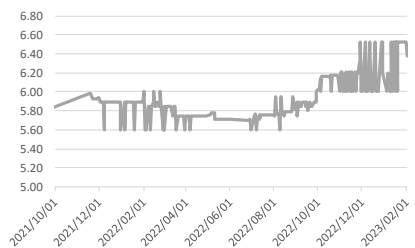
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.506	-0.002	SA 10y	9.605	-0.07
3y	5.34	-0.119	US 10y	3.398	-0.131
5y	6.38	-0.15	German 10y	2.291	0.015
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9.01	0.02		169.5	9.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	17.87	-1.53	Gold	1950.42	22.54
Dow Jones	34092.96	368.95	Brent Crude	1927.88	-1.65
FTSE	7761.11	-13.17	3m Copper	1922.5173	-135.5
JSE All share	79816.87	-848.26	LME Index	1927.34	-65.7
Bots DCIBT	7811.43	39.44	1 carat index	1928.99	
Nigeria Index	53499.68	80.84			

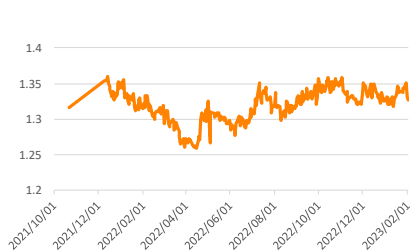
Spot BWP



BWP 5y local bond yield



BWP-ZAR

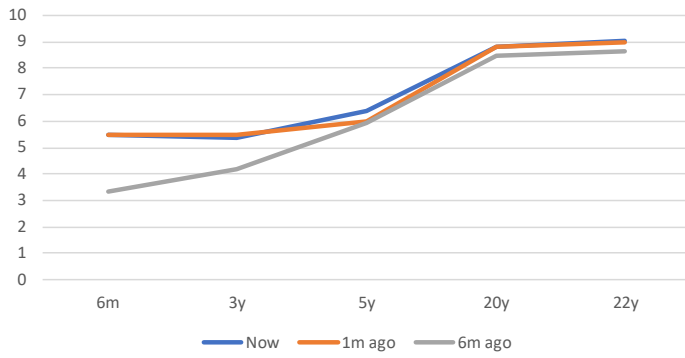


- In the latest attempt at reconciliation, former president Ian Khama says he is ready to dispatch his younger brother, Tshekedi Khama, to meet with representatives of President Mokgweetsi Masisi. Khama's push comes as he has suggested that President Masisi has publicly spoken about wanting to reconcile. Any attempts at reconciliation would be politically positive for the ruling party, but there are risks involved as any failed attempts could further drive division between the supporters of Masisi and those of Khama.
- Meanwhile, the big news overnight was the FOMC announcement. The Fed hiked by 25bp yesterday, as was expected. In the statement, the FOMC alluded to further rate increases, suggesting that further 25bp rate hikes are coming in March and May, as things currently stand. Powell looked to drive this message home in his press conference, often reiterating that more increases are necessary to avoid elevated inflation and inflation expectations becoming entrenched. Powell did, however, mention that these expected hikes will still be assessed on a meeting-by-meeting basis. This comment kept the market view intact that rates may not rise above 5% as it was taken to be less hawkish than previous comments from prior meetings regarding the future outlook for rates. There is still a significant number of data releases to come before the May meeting, and any downside surprises in inflation or jobs figures could see the markets continue to push back against further tightening by the Fed.

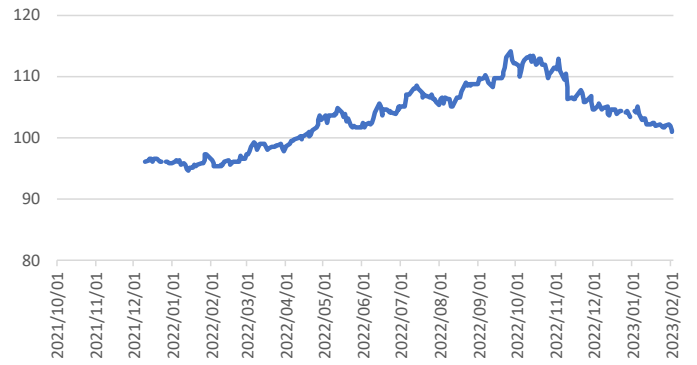
Financial Market Commentary

- The BWP-USD rebounded yesterday as month-end selling faded, taking the pair to 0.0779. Following the FOMC meeting last night and impact it has had on the USD, we could see the BWP-USD remain bid into the weekend. The bulls will be eyeing a move back to near 0.079, which remains the line in the sand to the upside after several attempts to break above it failed through mid-January.
- In the fixed-income markets, US Treasuries rallied and the curve steepened yesterday following the FOMC meeting, which delivered a 25bp rate hike but was seen as less hawkish than many had expected. Following Chair Powell's press conference, the pricing of additional rate cuts swept through the market. Fed swaps are now pricing in 50bp worth of rate cuts by the end of the year from the anticipated June peak of around 4.885%. The market is clearly still looking to fight the Fed, with just 21bp worth of hikes priced in for March even though the Fed signalled that more increases (plural) would be necessary. However, several data releases between now and May could sway the Fed to ending its cycle sooner than it currently anticipates.
- This morning, we have USTs steadying, while bonds in Australia and New Zealand rally, catching up and signalling a positive start for bond markets across Europe today. However, gains may be capped for European bond markets ahead of the ECB and BoE meetings today. By the close yesterday, money markets had priced in 51.5bp worth of ECB rate hikes today, and 45bp worth for the BoE. The meetings, therefore, could generate some further volatility into the final trading sessions of the week for global fixed-income markets. We expect the ECB to maintain its hawkish tone, while the BoE could potentially dial it back slightly, as was seen with the Fed last night.

Botswana Yield Curve



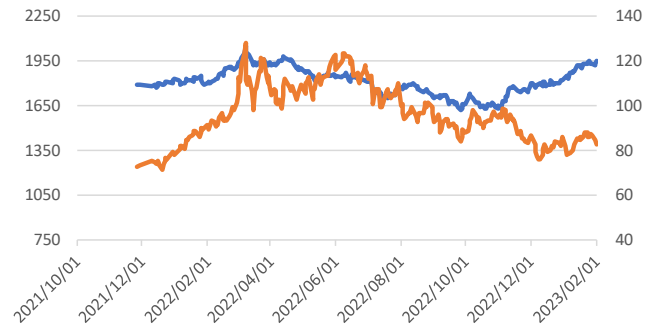
USD Index



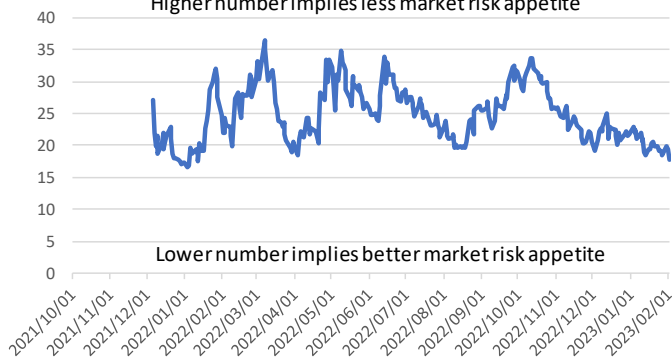
Base metals - Copper L_Hand axis LME Index
R_Hand axis



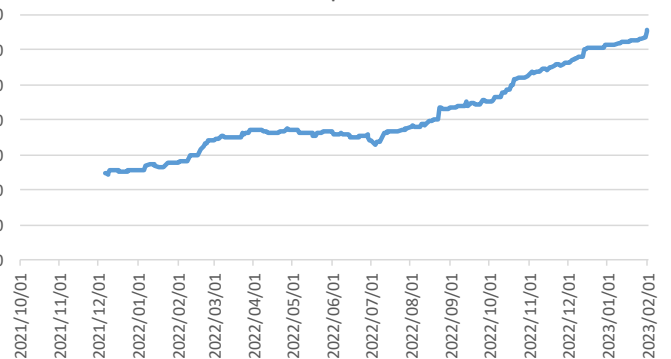
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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