

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	Botswana to sell 7-day certificates			
13:00	BW	Botswana to sell 28-day certificates			
03:30	AU	RBA rate decision	Feb 7	3.35% (a)	3.10%
05:00	JN	Leading index	Dec P	97.2 (a)	97.7
07:00	GE	Industrial production wda y/y	Dec	-1.70%	-0.40%
13:30	US	Trade balance	Dec	-\$68.5bn	-\$61.5bn
17:00	EC	ECB's Schnabel Speaks			
17:00	US	Fed Chair Powell Speaks in Washington			
20:00	US	Consumer credit	Dec	\$25bn	\$27.96bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
RBA rate hike	Australia's central bank raised its benchmark rate by 25bps to a decade high of 3.35% overnight, and signalled that further increases might be necessary to bring down persistent inflation	Central banks continue to struggle in their fight against inflation, although the end of the global monetary tightening cycle is near	4/5 (monetary policy)	Notwithstanding the RBA's hawkish forward guidance, there is a high probability that today's was its last rate hike of the cycle as last year's aggressive monetary tightening effort only filters through into the real economy now
Japan real wage growth	Real wage growth in Japan rose for the first time in nine months in Dec, pointing to more sustainable price pressures and fuelling speculation that a shift in BoJ policy lies ahead	Speculation that the days of ultra-loose monetary policy in Japan are limited has been rife since the BoJ changed its yield curve control policy	3/5 (economy, monetary policy)	It may be premature to double down on speculative bets that a hawkish policy shift in Japan lies ahead, since much of the real wage growth in December was due to temporary bonuses
Russia-Ukraine war	Russian reinforcements have been pouring into eastern Ukraine ahead of an expected offensive push that could begin as soon as next week	Beyond the tragic loss of life and infrastructure, the war is weighing heavily on the global economy	3/5 (war, geopolitics)	The war is escalating very gradually as Western nations ramp up their support for Ukraine, but the risk of a significant escalation between global superpowers remains contained for now

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fedspeak	Starting with Chairman Powell today, there is plenty of Fedspeak scheduled for the coming week, which could trigger some volatility given that market positioning continues to defy the Fed's relatively hawkish policy guidance	The Fed will have the opportunity to test the market's resolve by doubling down on its hawkish policy outlook	5/5 (monetary policy)	Fed speakers may highlight persistent labour market strength as they look to guide the market into tightening financial conditions, but the risk of overtightening remains significant as recessionary forces build
US State of the Union address	US President Biden will deliver his second State of the Union address today, where he is expected to discuss a range of topics and unofficially begin to campaign for the 2024 elections	Although of limited market-moving importance, the SOTU address will provide more insights into the Biden administration's policy priorities	3/5 (politics)	President Biden will likely sugar-coat the US economy's weakening outlook and focus on its past resilience, while also discussing issues such as the Russia-Ukraine war, climate change, and US-Sino tensions
US consumer sentiment	The preliminary print of the U.Mich. consumer confidence data for Feb will be released this week, and is expected to reflect an improvement in household sentiment as the labour market continues to tighten	While the US economic outlook remains uncertain, the occasional strong print is keeping hopes of a 'soft landing' alive	4/5 (economy)	Abating inflationary pressure and a resilient labour market continue to keep consumers relatively upbeat, although the full impact of the Fed's aggressive tightening cycle has not yet worked its way through the economy, meaning there are considerable downside risks to sentiment

Highlights news vendors

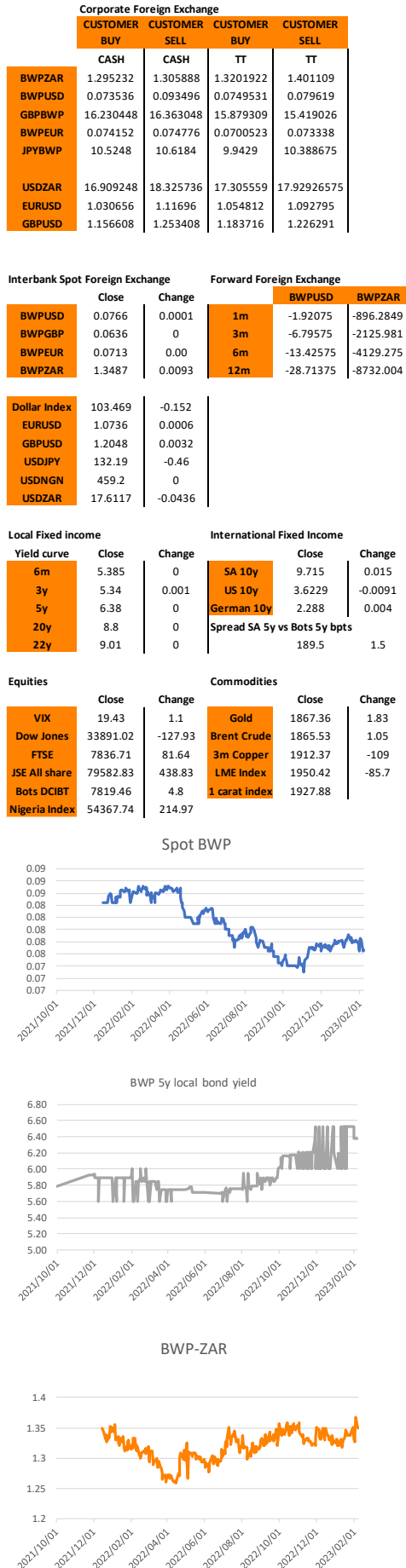
BUSINESS LIVE - [Mantashe's department says it's ready to unleash mining exploration](#)
FT - [Pollsters aim to bring public insight to Nigeria's elections for the first time](#)
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SOUTH CHINA POST - [Joe Biden to test message with divided Congress as he eyes 2024](#)

Local and regional talking points

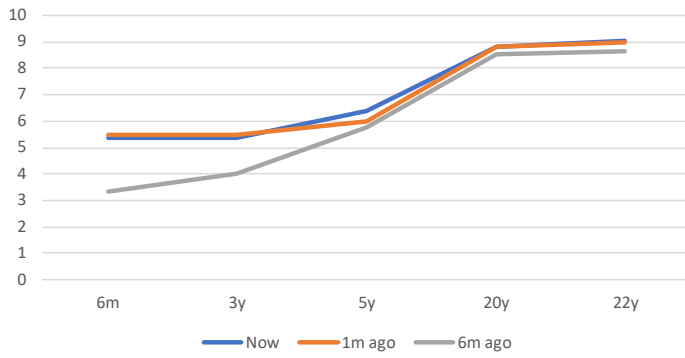
- Finance Minister Peggy Serame, in the 2023 budget speech on Monday, forecasted Botswana's growth to decelerate to 4% this year from a revised estimate of 6.7% for 2022 and 11.8% in 2021 due to a likely slowdown in economic growth and possible recession in advanced countries. According to Serame, worsening global economic conditions may adversely affect diamond sales this year, with implications for export earnings and government revenues. The growth forecast of 6.7% for 2022 is significantly higher than the 4.2% forecast by the Finance Ministry in September due to better-than-expected performances in the non-mining and mining sector, placing Botswana among the fastest-growing economies in sub-Saharan Africa. Meanwhile, the economy is forecast to expand 5.1% in 2024, and the non-mining sector is expected to grow 5% over the next two years, generating 35k new and informal jobs. The budget deficit is forecast at BWP 7.59bn or 3.1% of GDP in the year through March 2024, compared with a BWP 4.9bn gap or 2.1% of GDP in the current fiscal year. As much as BWP 3bn of the deficit will be financed from the domestic debt capital market, BWP 2.7bn from external loans, and the balance from government reserves.

Financial Market Commentary

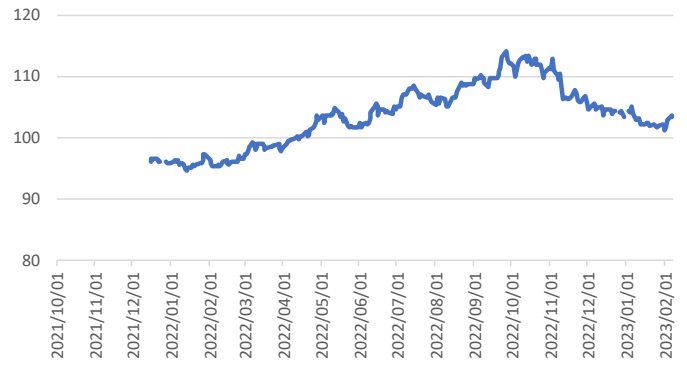
- Yesterday was another difficult day for the ZAR as it briefly punched through 17.70/dlr and looked vulnerable. That halted later in the day; since then, the ZAR has regained some lost composure. Comments from the Fed's Bostic that rates have further to climb, the RBA decision to lift rates and some weakness in global equity markets have raised overall levels of risk aversion that will keep the ZAR on the defensive.
- However, the ZAR has been a heavy under-performer in the EM currency performance stakes so far this year. There is a lot of bad news priced in, including the intense load-shedding, Eskom's woes, the risk of greylisting and the political uncertainty ahead of an anticipated cabinet reshuffle and the SONA on Thursday. One could therefore argue that the ZAR is better positioned from a valuation point of view than other currencies that arguably have more to lose.
- Given the losses for the ZAR, it was not surprising to see the BWP on the back foot yesterday with the BWP-USD cross closing the day at 0.0765. Given expectations for the ZAR to remain vulnerable over the near term, the BWP-USD could also remain on the defensive, for now.
- After three consecutive days of gains, the USD now appears to be taking a breather. This comes despite Fed member Bostic signalling more rate hikes to come. Speculative net USD positions remain negative, as per the last CFTC data, implying that the medium to longer-term expectations remain bearish. The USD remains expensive and in need of a correction, although investors may need to be a little patient to see that unfold. Today, some focus will turn to Fed Chairman Powell as he speaks in Washington for any further clues on the outlook for rates. This holds the potential to move markets, especially if he again mentions the turn in inflation and how disinflationary pressures are growing.
- Concerning the EUR-USD, it slipped further yesterday down to 1.0730 to mark the third consecutive day of losses, while the GBP-USD nudged back above 1.2040 at the time of writing. While this may represent some stability, it appears as though investors are waiting on the next catalyst that will drive fresh directional momentum.



Botswana Yield Curve



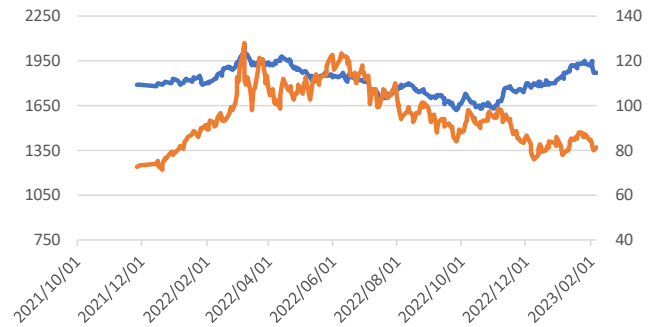
USD Index



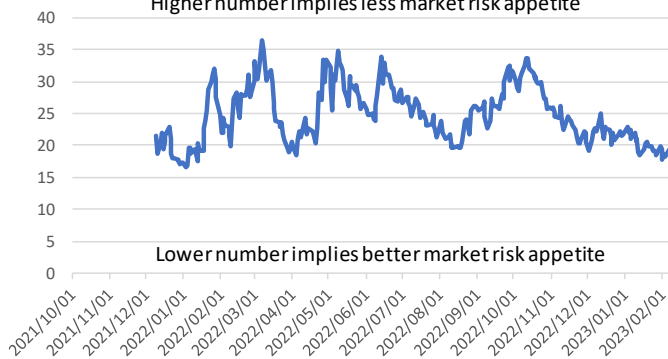
Base metals - Copper L_Hand axis LME Index
R_Hand axis



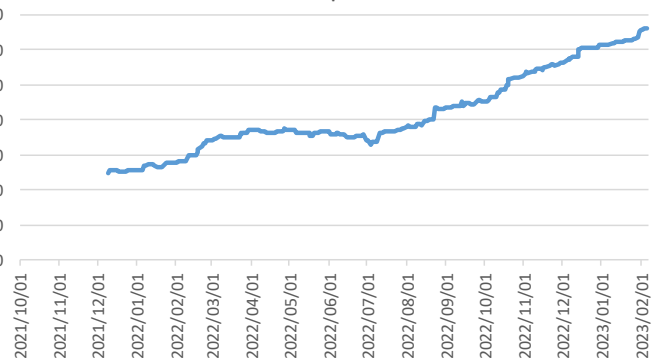
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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