

# Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	No Data			
0/N	<b>JN</b>	Current account total	Dec	¥33.4bn (a)	¥1803.6bn
0/N	<b>JN</b>	Trade balance	Dec	¥-1225.6bn (a)	¥-1537.8bn
12:00	<b>US</b>	MBA mortgage applications	Feb 3		-9.00%
15:00	<b>US</b>	Wholesale inventories m/m	Dec F	0.10%	0.10%
15:00	<b>US</b>	Wholesale sales m/m	Dec		-0.60%
15:00	<b>EC</b>	ECB's Knot Speaks			
Factors Overnight		What happened?	Relevance	Importance	Analysis
Powellspeak	Fed Chairman Powell stuck to his message that interest rates would need to keep on rising to bring inflation under control, but showed limited concern over Friday's bumper labour market data	Milder economic data have fanned optimism that the Fed has inflation beat, but Powell and Co. are determined not to declare victory prematurely	5/5 (monetary policy)	Chairman Powell's tone confirmed that January's employment report didn't produce any new signal for the Fed, but rather just confirmed its view that disinflation has just begun to take hold in the US; the market thus continues to price in a policy pivot later this year	
US State of the Union address	In his second SOTU address, President Biden vowed not to allow the US to default on its debt, while also touting the resilience and strength of the US economy	Although of limited market-moving importance, the SOTU address provided President Biden with an opportunity to improve his dismal approval ratings	3/5 (monetary policy)	As expected, President Biden sugar-coated the US economy's weakening outlook and focused on its past resilience, while also calling for more progress in the form of relatively more state-centric and redistributive policies	
President Xi's speech	In one of his first major policy speeches since securing a third term as China's leader, President Xi maintained that China must develop in a manner that is more efficient and socially just than capitalism	President Xi's speech reinforced his pledge for self-reliance in China as the country faces increased efforts from the West to contain its growth	3/5 (economy, geopolitics)	As relations between China and the West deteriorate, President Xi's speech presented China's alternative to Western capitalism and highlighted the rising risk of a new Cold War	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
Fedspeak	There is plenty of Fedspeak scheduled for the coming week, which could trigger some volatility given that market positioning is in defiance of 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	
UK economy	Fourth-quarter GDP will potentially show the UK economy to be in recession as high energy prices, relatively weak employment conditions, and the BoE's monetary tightening weigh	The BoE increasingly has to balance its inflation fight against the need to support the economy	4/5 (economy)	The UK economy has come under pressure amid falling disposable incomes as high energy prices, relatively weak employment conditions, and the BoE's aggressive monetary tightening took a toll	
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** - [Kieswetter warns power cuts will drag down tax take](#)

**FT** – [Ukraine war fallout benefits one of world's biggest fertiliser groups](#)

**REUTERS** – [S.African gold miner Harmony looks to green hydrogen, LNG for power](#)

**SOUTH CHINA POST** - [US lawmakers urged to boost American alliances and trade blocs after Chinese balloon row](#)

## Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.287936	1.30176	1.3127556	1.39668
BWPUSD	0.07344	0.093496	0.0748553	0.079619
GBPWP	16.213496	16.388528	15.862723	15.443036
BWPEUR	0.074152	0.07488	0.0700523	0.07344
JPYBWP	10.4312	10.5352	9.854475	10.307275
USDZAR	16.836	18.243264	17.230594	17.848578
EURUSD	1.030272	1.116544	1.054419	1.092388
GBPUSD	1.156896	1.25372	1.1840108	1.22659625

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0765	0.0000	1m	-1.92075	-876.235
BWPGPB	0.0635	0	3m	-6.786	-2125.981
BWPEUR	0.0713	0.00	6m	-13.40625	-4106.56
BWPZAR	1.3413	-0.0261	12m	-28.83075	-8705.795

	Close	Change		Close	Change
Dollar Index	103.3	-0.127			
EURUSD	1.0732	0.0009			
GBPUSD	1.2051	0.0009			
USDJPY	131.07	0.02			
USDNGN	459.92	0			
USDZAR	17.5325	-0.0185			

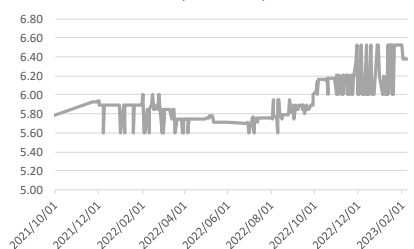
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	5.386	0.001	SA 10y	9.76	0.06
3y	5.34	0	US 10y	3.674	0.042
5y	6.38	0	German 10y	2.311	0.027
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9.01	0		192	4

Equities			Commodities		
	Close	Change		Close	Change
VIX	18.66	-0.77	Gold	1873.81	6.45
Dow Jones	34156.69	-34.99	Brent Crude	1867.36	2.7
FTSE	7864.71	-65.09	3m Copper	1865.53	53.5
JSE All share	79534.22	-658.09	LME Index	1912.37	11
Bots DCIBT	7819.46	0	1 carat index	1950.42	
Nigeria Index	54299.76	154.65			

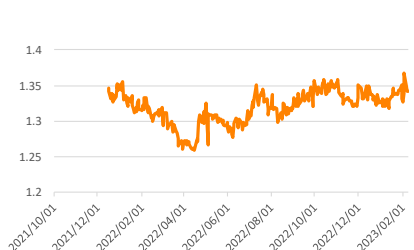
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- A breakdown of the BWP 79.79bn 2023 budget presented Monday by Finance Minister Peggy Serame shows that the Ministry of Education and Skills Development will receive the biggest share of BWP 15.04bn. The health ministry will get the second highest allocation, a proposed BWP 10.31bn, followed by defence and security at BWP 9.84bn and the ministry of local government and rural development at BWP 8.22bn. Other ministries will share BWP 20.28bn, while statutory expenditure will take up BWP 21.01bn. According to Serame, the budget is geared towards delivering broad-based transformation, creating new wealth prospects, and expanding economic opportunities for Botswana's citizens.

- A lack of market-moving data and the lull ahead of South African President Ramaphosa's State of the Nation Address tomorrow has left investors focused on the newswires, and there really is nothing significantly new to speak of. SARS Commissioner Kieswetter has warned that load-shedding will drag down the tax intake, which is hardly surprising given the impact on GDP Growth. Eskom is, however, warning that municipalities owe it R68bn in unpaid bills that are rising with each passing day, while CEO De Ruyter has warned that the Eskom unbundling is taking too long.

- The President's response to all this is to urge the private sector to stop moaning and to work with the government for the good of the country. And yet, the government remains ideologically opposed to privatisation, has no obvious solution to deal with the power crisis and new projects remain constrained by weak confidence levels and the government's own regulatory red tape. In research published earlier this week, Nedbank showed that the value of new projects announced during the year fell to R248.5bn from R392.7bn the year before. Some of that might have to do with rising interest rates and an anticipated slowdown in GDP growth. However, some of that will be directly attributable to the lack of progress in dealing with Eskom's crisis.

- In offshore news, Fed Chairman Powell again warned that US rates would likely need to rise a little further despite retreating inflation due to the strength of the labour market. The comments left investors unsure whether to trade on the reduction in inflation or on the projection of higher interest rates. The result is that the Fed funds futures market is now pricing in a little more than a 40% chance that interest rates will rise further. There is nothing sufficiently new in this to warrant any adverse market reaction, and the USD consolidated its gains.

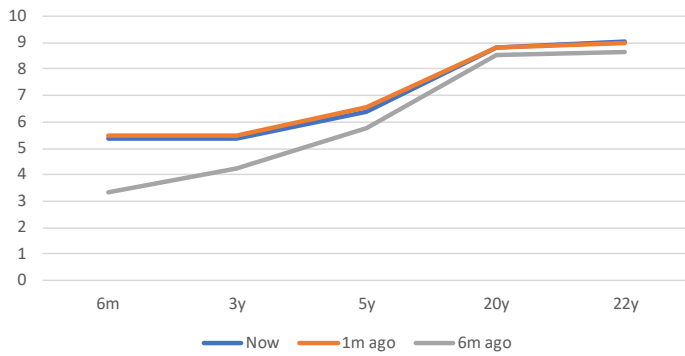
## Financial Market Commentary

- After two days of depreciative adjustment, the USD-ZAR has settled into a higher range ahead of the State of the Nation Address in parliament tomorrow. Given the challenging start to the year, President Ramaphosa cannot opt for a business-as-usual approach and hope to proceed without too much trouble. On the contrary, investors are demanding some leadership, guidance and clarity on the steps being taken to extricate SA from this electricity generation crisis. The problems are multi-faceted, ranging from financial, operational, regulatory and political. As such, the SONA might be one of the first that has market-moving potential. Traditionally, this announcement has resulted in very little market response, but this time really could be different. Talk of a more aggressive push to allow the private sector participation will be welcome, just as any plans to help municipalities pay back Eskom's debt would be. There is much at stake, and as a result, the USD-ZAR will tread water ahead of the speech.

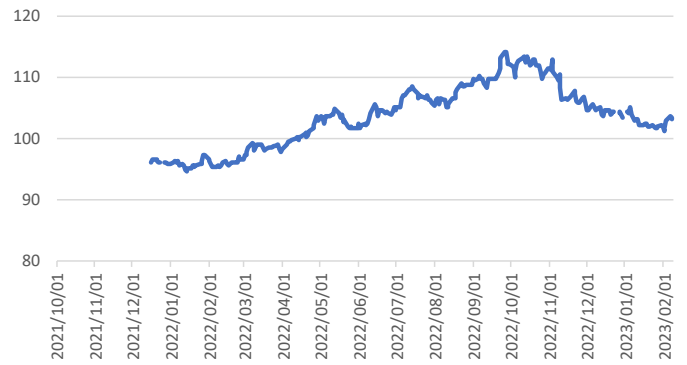
- Some stability for the USD-ZAR provided the BWP-USD with some stability as well. The BWP-USD held steady yesterday at 0.0765, and we expect that this may remain the case until we get some direction for the ZAR, which may only come after tomorrow's SONA and the anticipated cabinet reshuffle.

- Globally, A lot is priced into the trade-weighted USD, which explains why it did not respond strongly to the comments by Fed Chairman Powell last night, who reiterated the need to remain vigilant and warned that rates may still have further to rise. While talk of tighter monetary policy in the near term may sound USD supportive at face value, that could reverse quite quickly the minute the Fed signals that it is done. The US yield curve is now heavily inverted as investors position for the likelihood of a sharp slowdown and impending rate cuts, implying that the cycle is on the verge of turning and turning sharply. The months ahead will be key, and data outcomes will gain greater significance. Any signs of a slowdown, and the USD will likely come under pressure. So investors need to treat the current tick stronger in the USD with healthy scepticism. While the payroll data may allude to a resilient economy, the US is in a very mature cycle that will turn.

Botswana Yield Curve



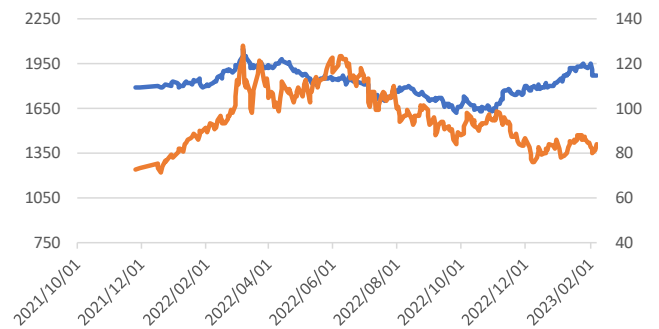
USD Index



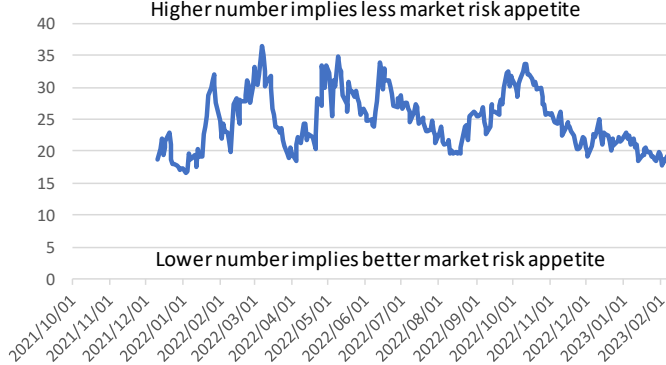
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



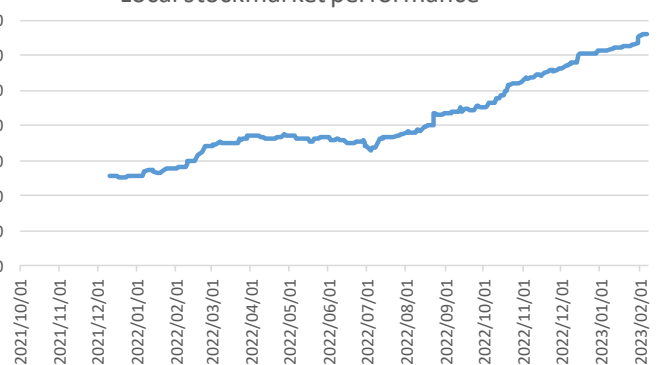
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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