

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
13:30	US	Change in nonfarm payrolls	Feb	200k	517k
13:30	US	Unemployment rate	Feb	3.40%	3.40%
19:00	US	Monthly budget statement	Feb		-\$38.8bn
Factors Overnight		What happened?	Relevance	Importance	Analysis
US jobless claims		Initial jobless claims rose from 190k to 211k in the week through 4 March, as companies took steps to prepare for an economic slowdown by cutting staff	Jobless claims are now on the rise, which could signal the beginning of the end of Fed monetary tightening	5/5 (labour market, monetary policy)	Jobless claims are expected to rise further in the coming months, which, if realised, could catalyse a change in tone at the Fed that would have significant ramifications for global markets
US budget proposal		President Biden unveiled plans for increased government spending and higher taxes on the wealthy, although his deficit spending agenda faces stiff opposition in Congress	US debt continues to grow faster than the economy, which is unsustainable over the longer term	4/5 (fiscal policy)	President Biden touted plans to cut the US deficit, although this is off a very high base due to extraordinary one-time costs during the pandemic, with the US still on an unsustainable fiscal trajectory
Japan monetary policy		As expected, the BoJ maintained ultra-low interest rates and held off making changes to its bond yield control policy, signalling no change to its policy approach anytime soon	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 (monetary policy)	Recent intimations from the BoJ suggest that it may be premature to double down on speculative bets that a hawkish policy shift in Japan lies ahead, especially since inflationary pressures may not be sustainable given companies' reluctance to raise wages
Factors on the Radar		What happened?	Relevance	Importance	Analysis
US employment report		The Feb edition of the US employment report will be published next week and is expected to show a slowing rate of payrolls increases	Any labour market weakness could renew 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
US CPI data		Next week, US CPI data for February are expected to be mixed with falling year-on-year inflation, but still-high month-on-month inflation	The market is positioned for the Fed to continue hiking rates this year, many any downside shocks could trigger volatility	5/5 (economy, monetary policy)	While the worst of the US inflation cycle is in the rear-view mirror, disinflation is only just beginning and the process back to the Fed's 2% target is likely to be bumpy; this portends significant market volatility through the months ahead
ECB monetary policy		The ECB is expected to continue its monetary tightening cycle with a 50bp rate hike next week, with high core price pressures also set to keep the central bank hawkish in its forward guidance	The ECB remains overwhelmingly hawkish as it struggles to bring core inflation under control	5/5 (monetary policy)	While the situation remains fluid, the ECB looks set for a prolonged rate hike cycle as it struggles to bring core inflation down to more conscionable levels

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Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.320768	1.332384	1.3462203	1.429537
BWPUSD	0.071328	0.093496	0.0727026	0.077147
GBPGBP	16.556696	16.691792	16.198498	15.728804
BWPEUR	0.073008	0.073632	0.0689715	0.072216
JPYBWP	10.556	10.6496	9.972375	10.4192
USDZAR	17.775648	19.270992	18.192265	18.8540715
EURUSD	1.016256	1.101256	1.0400745	1.07743075
GBPUSD	1.144704	1.2402	1.171533	1.21336875

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0743	-0.0001	1m	-2.01825	-1613.716
BWPGBP	0.0623	-1E-04	3m	-5.89875	-2915.664
BWPEUR	0.0702	0.00	6m	-10.42275	-4969.67
BWPZAR	1.3762	-0.0123	12m	-21.294	-9649.263

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0743	-0.0001	1m	-2.01825	-1613.716
BWPGBP	0.0623	-1E-04	3m	-5.89875	-2915.664
BWPEUR	0.0702	0.00	6m	-10.42275	-4969.67
BWPZAR	1.3762	-0.0123	12m	-21.294	-9649.263

	Close	Change
Dollar Index	105.257	-0.052
EURUSD	1.0587	0.0007
GBPUSD	1.1923	-0.0002
USDJPY	136.66	0.52
USDNGN	460.02	0
USDZAR	18.5213	-0.0407

Local Fixed Income

	Yield curve	Close	Change		Close	Change
6m		5.356	0	SA 10y	10.14	-0.055
3y		5.31	0.001	US 10y	3.8296	-0.0934
5y		6.38	0	German 10y	2.507	-0.134
20y		8.79	0	Spread SA 5y vs Bots 5y bpts		
22y		8.99	0		216	-7

International Fixed Income

	Close	Change
VIX	22.61	3.5
Dow Jones	32254.86	-58.06
FTSE	7879.98	10.44
JSE All share	77664.05	-814.71
Bots DCIBT	7858.4	0
Nigeria Index	55822.14	197.2

Equities

	Close	Change		Close	Change
VIX	22.61	3.5	Gold	1830.89	17.3
Dow Jones	32254.86	-58.06	Brent Crude	1813.59	-1.07
FTSE	7879.98	10.44	3m Copper	1813.52	-57.5
JSE All share	77664.05	-814.71	LME Index	1846.85	-29.5
Bots DCIBT	7858.4	0	1 carat index	1854.97	#VALUE!
Nigeria Index	55822.14	197.2			

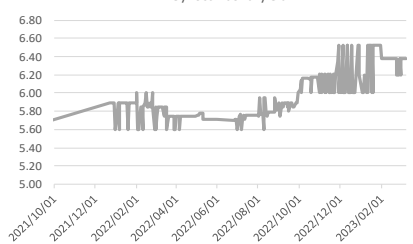
Commodities

	Close	Change
VIX	22.61	3.5
Dow Jones	32254.86	-58.06
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Spot BWP



BWP 5y local bond yield



BWP-ZAR



Speaking in a briefing on Thursday, President Mokgweetsi Masisi said that Botswana is pushing for a higher allocation of rough diamonds mined in the country by De Beers as negotiations over one of the world's most valuable diamond accords drag into a fifth year. State-owned diamond trader, Okavango Diamond Company, is currently entitled to 25% of the output from Debswana, the De Beers unit, which generally accounts for about two-thirds of the group's annual production. According to Masisi, the government had realized that sales of rough diamonds were "very small" relative to the size of business in the "downstream," a sector of the industry that includes polished diamonds and jewellery. Masisi added, "We are at the negotiating table now, and because we have learned some new things, we want more for the Botswana government. We have learned in outcome terms, and we can make much, much more money than we have been making by selling rough." By pushing for a higher allocation of rough diamonds, Masisi will be able to test out selling and value-adding options outside the De Beers ecosystem.

Regionally, South Africa's external position worsened in Q4 2022 as the country's current account came in at -R174bn compared to a revised figure of R3bn in the previous quarter. As a percentage of GDP, the current account shortfall worsened to -2.6% from -0.3% in Q3. The widening of South Africa's current account is due to the sharp weakening in the trade account on the back of falling commodity prices, particularly coal. Deterioration in the country's current account is historical data but will have contributed to the recent rand weakness as it detracts from South Africa's trade fundamentals. This comes at a time when the local unit trades above the 18.50 mark due to external shocks and regional issues such as greylisting and low growth. Although a weaker rand bodes ill for inflationary pressures and economic growth, it offers positive gains for exporters.

Given that oil plays a significant role in African countries, it is worth looking at the latest developments in the oil market. Oil prices fell for a third successive session on Thursday and are trading lower this morning, with the front-month Brent contract losing more than 5% since the start of the week. The impetus behind the recent pullback in oil is a combination of renewed demand concerns following the hawkish comments from Fed Chair Powell and easing supply concerns after reports showed that the oil market has fully absorbed the shock caused by Russia's invasion of Ukraine.

On the global front, this afternoon it is all about the US Non-Farm Payrolls reading out of the United States. Following the blowout 517k jump in the January payrolls that caught markets by surprise, added attention will be on the February jobs report, given its implications for the monetary policy outlook. Another strong jobs report could see the higher-for-longer narrative on interest rates gain further traction. Strong economic data and sticky inflation now mean that a 25bp at the March meeting is now the minimum expectation from the Federal Reserve, with at least one more to follow in May. A blowout report this week could see a third and final hike priced in with even more certainty, which will surely create some volatility within the markets.

Financial Market Commentary

The USD-ZAR is trading water around 18.5000 after the market showed reluctance to drive the pair higher on Thursday. Rising jobless claims data published yesterday triggered a sharp drop in US Treasury yields, which weakened bets for an aggressive Fed rate-hike trajectory and, in turn, eroded some support for the USD. The focus will, however, be on today's US employment report, which will provide fresh directional impetus into the weekend and set the tone for next week's open. There is thus plenty of scope for market volatility today, which could keep the USD-ZAR buoyant for a while longer.

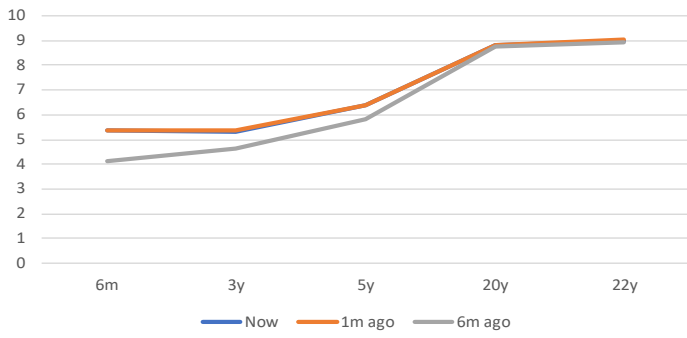
There have been significant moves across bond markets overnight as panic surrounding the banking sector weighs on risk sentiment, prompting a rotation back into haven assets. The cracks emerging in the US banking sector have bolstered speculation that rate-hike bets had gone too far too fast. The risk-off conditions and the reset in interest rate bets have resulted in a significant drop in US Treasury yields. It must also be added that UST yields are at multi-decade highs, adding to the appeal of USTs to investors amidst renewed uncertainty.

Treasury yields have continued to slide this morning, with the 2yr yield, for instance, down by almost 30bps since Wednesday's close to trade at the lowest level in around 2-weeks. The sharp pullback in UST yields comes on the back of weak employment data out yesterday, which showed that the number of Americans filing for unemployment benefits unexpectedly swelled to the highest this year. Australian and New Zealand bond yields have followed UST yields lower this morning.

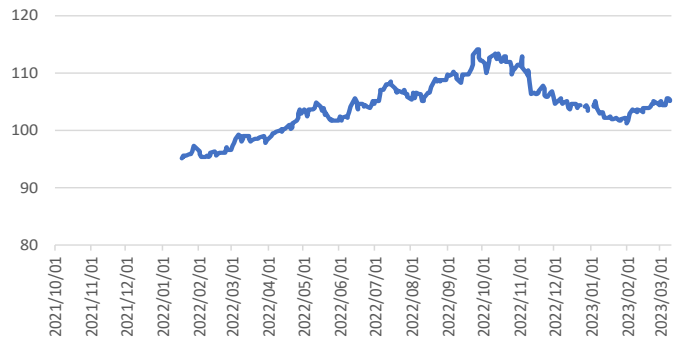
The response to the jobless claims data on Thursday shows just how sensitive financial markets are at the moment to inflation and employment dynamics. With so much rate hike risk baked into the market, it just took some downbeat employment data to trigger a sizeable

reset in interest rate bets. This sets the stage for the nonfarm payroll report later today, which is undoubtedly the main event of the week.

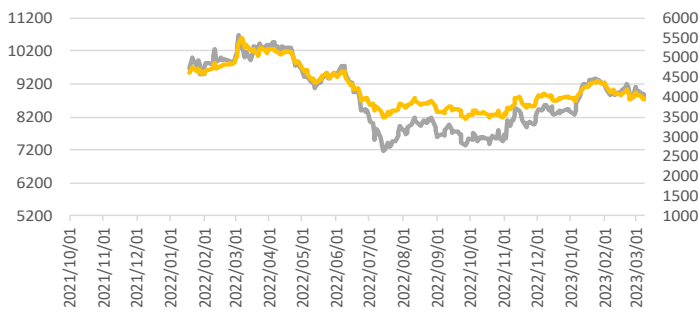
Botswana Yield Curve



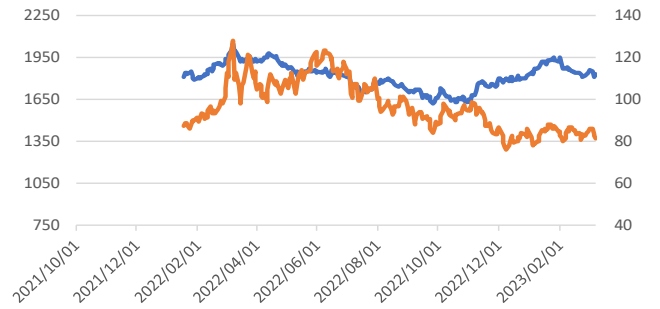
USD Index



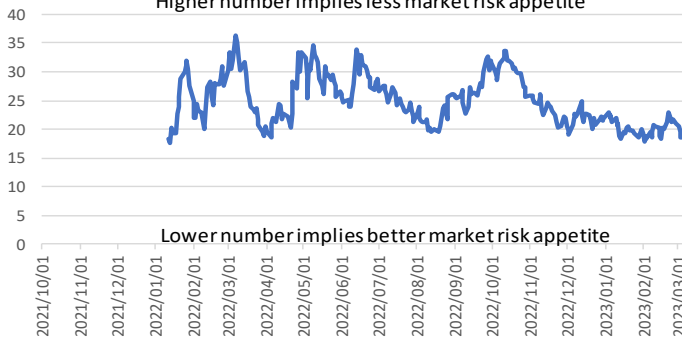
Base metals - Copper L_Hand axis LME Index R_Hand axis



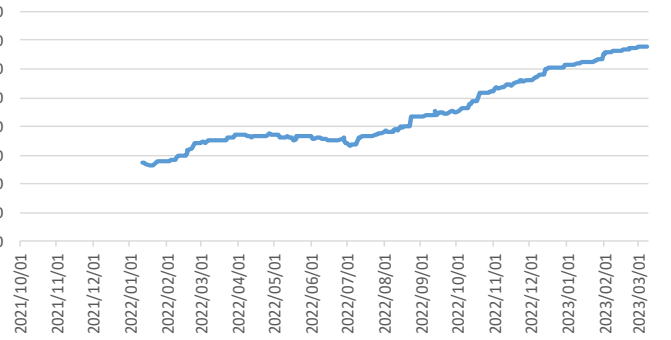
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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