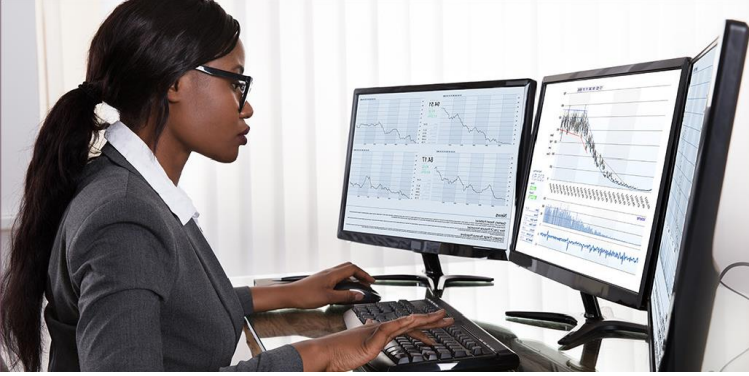


# Botswana Market Watch



| GMT                             | Country  | Data event or release   | Period                                   | Market Exp  | Previous |
|---------------------------------|--|---|--|---|----------|
| -                               | <b>BW</b>  | No Data   |  |   |          |
| <b>18:00</b>                    | <b>UK</b>  | BOE's Dhingra speaks  |  |   |          |
| Factors Overnight               |  |   |  |   |          |
| Factors Overnight               | What happened?   | Relevance   | Importance                               | Analysis  |          |
| <b>US banking system strain</b> | US authorities introduced a backstop and other emergency measures to protect customer deposits and prevent a systemic banking crisis after two US banks collapsed in dramatic fashion on Friday<br>While the Feb jobs report showed very robust employment growth, with nonfarm payrolls increasing by 311k, there were some signs of weakening momentum as hours worked declined and hourly earnings growth moderated | Banking system strain is evident following the Fed's aggressive rate-hike cycle, with the market again positioning for a policy pivot later this year | <b>5/5</b><br>(economy, monetary policy) | The emergency measures implemented will limit any risk of a system-wide banking sector collapse at this time, but more banks will come under pressure as the Fed's past rate hike filter through into the economy, ultimately ushering in a new monetary easing cycle |          |
| <b>US employment report</b>     | Chinese President Xi started his unprecedented third term with a speech encouraging more effort to ensure security, stability, and self-reliance   | A tight labour market means inflationary pressures in the US will remain elevated for a while longer  | <b>5/5</b><br>(economy, monetary policy) | The US labour market remains extremely tight and resilient, supporting the case for additional Fed rate hikes in the coming months; however, this will need to be weighed against growing financial market strain that may prevent aggressive monetary tightening     |          |
| <b>China politics</b>           |  | As China challenges the US hegemony, Xi's speeches are taking on a more challenging tone  | <b>3/5</b><br>(geopolitics)              | Rhetoric out of Beijing is becoming increasingly defensive and challenging, with US-Sino tensions on the rise amid a number of sticking points  |          |
| Factors on the Radar            |  |   |  |   |          |
| Factors on the Radar            | What happened?   | Relevance   | Importance                               | Analysis  |          |
| <b>US CPI data</b>              | US CPI data for February, scheduled for publication on Tuesday, are expected to show falling month-on-month and year-on-year inflation numbers   | While the market is positioned for the Fed to continue hiking rates this year, any downside shocks could trigger a repricing                          | <b>5/5</b><br>(economy, monetary policy) | The worst of the US inflation cycle is in the rear-view mirror, but 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                       |          |
| <b>UK budget speech</b>         | Chancellor Hunt will deliver a budget speech on Wednesday, which will likely include a small economic package that doesn't weigh too heavily on the fiscus   | Fiscal sustainability is being weighed against economic weakness, with the markets watching closely   | <b>4/5</b><br>(fiscal policy)            | Chancellor Hunt will likely announce a policy package that loosens fiscal policy temporarily, but does little to affect the longer-term sustainability of public finances   |          |
| <b>ECB monetary policy</b>      | The ECB is expected to continue its monetary tightening cycle with a 50bp rate hike this 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  | <b>5/5</b><br>(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   |          |

## Highlights news vendors

**BUSINESS LIVE** - [MICHAEL AVERY: The value in Silicon Valley Bank's cautionary tale](#)

**FT** - [California bank failure shakes global financial stocks](#)

**REUTERS** - [Kenya's Ruto appoints second central bank deputy governor](#)

**SOUTH CHINA POST** - [North Korea fires submarine missiles in response to huge US-South Korea military drills](#)

## Local and regional talking points

### Corporate Foreign Exchange

|        | CUSTOMER BUY |           | CUSTOMER SELL |            |
|--------|--------------|-----------|---------------|------------|
|        | CASH         | CASH      | TT            | TT         |
| BWPZAR | 1.302624     | 1.313856  | 1.3277267     | 1.409658   |
| BWPUSD | 0.071616     | 0.093496  | 0.0729961     | 0.077456   |
| GBPGBP | 16.760328    | 16.900728 | 16.397725     | 15.925686  |
| BWPEUR | 0.07228      | 0.072904  | 0.0682838     | 0.071502   |
| JPYBWP | 10.4104      | 10.4936   | 9.834825      | 10.266575  |
| USDZAR | 17.46192     | 18.927792 | 17.871184     | 18.5182965 |
| EURUSD | 1.029696     | 1.11592   | 1.0538295     | 1.0917775  |
| GBPUSD | 1.163424     | 1.260792  | 1.1906918     | 1.23351525 |

### Interbank Spot Foreign Exchange

|        | Close  |         | Change     |           |
|--------|--------|---------|------------|-----------|
|        | BWPUSD | BWPZAR  | 1m         | 3m        |
| BWPUSD | 0.0746 | -0.0008 | -2.03775   | -1677.751 |
| BWPGBP | 0.0615 | -0.0012 | -5.93775   | -2937.006 |
| BWPEUR | 0.0695 | 0.00    | -12.026625 | -4992.382 |
| BWPZAR | 1.357  | -0.0105 | -21.4695   | -9675.47  |

### Forward Foreign Exchange

|        | Close  |         | Change     |           |
|--------|--------|---------|------------|-----------|
|        | BWPUSD | BWPZAR  | 1m         | 3m        |
| BWPUSD | 0.0746 | -0.0008 | -2.03775   | -1677.751 |
| BWPGBP | 0.0615 | -0.0012 | -5.93775   | -2937.006 |
| BWPEUR | 0.0695 | 0.00    | -12.026625 | -4992.382 |
| BWPZAR | 1.357  | -0.0105 | -21.4695   | -9675.47  |

### Dollar Index

|              | Close   | Change  |
|--------------|---------|---------|
| Dollar Index | 103.903 | -0.673  |
| EURUSD       | 1.0726  | 0.0083  |
| GBPUSD       | 1.2119  | 0.0091  |
| USDJPY       | 134.13  | -0.85   |
| USDNGN       | 460.02  | 0       |
| USDZAR       | 18.1903 | -0.1115 |

### Local Fixed Income

| Yield curve | Close |       | Change |     |
|-------------|-------|-------|--------|-----|
|             | 6m    | 3y    | 5y     | 20y |
| 6m          | 5.358 | 0.002 | 0      | 0   |
| 3y          | 5.311 | 0.001 | 0      | 0   |
| 5y          | 6.38  | 0     | 0      | 0   |
| 20y         | 8.79  | 0     | 0      | 0   |
| 22y         | 8.99  | 0     | 0      | 0   |

### International Fixed Income

|                              | Close  |         | Change     |                              |
|------------------------------|--------|---------|------------|------------------------------|
|                              | SA 10y | US 10y  | German 10y | Spread SA 5y vs Bots 5y bpts |
| SA 10y                       | 10.115 | -0.04   | 3.6796     | -0.0154                      |
| US 10y                       | 3.6796 | -0.0154 | 2.462      | -0.034                       |
| German 10y                   | 2.462  | -0.034  | 210.5      | -4.5                         |
| Spread SA 5y vs Bots 5y bpts | 210.5  | -4.5    |            |                              |

### Equities

|               | Close    |           | Change   |               |
|---------------|----------|-----------|----------|---------------|
|               | VIX      | Dow Jones | FTSE     | JSE All share |
| VIX           | 24.8     | 2.19      | -543.54  | -77.78        |
| Dow Jones     | 31909.64 | -543.54   | 7748.35  | -49.94        |
| FTSE          | 7748.35  | -49.94    | 76454.36 | -77.78        |
| JSE All share | 76454.36 | -77.78    | 7864.01  | 4.78          |
| Bots DCIBT    | 7864.01  | 4.78      | 55794.51 | 21            |
| Nigeria Index | 55794.51 | 21        |          |               |

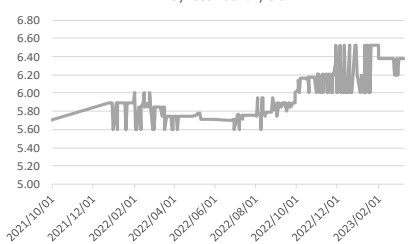
### Commodities

|               | Close   |             | Change    |           |
|---------------|---------|-------------|-----------|-----------|
|               | Gold    | Brent Crude | 3m Copper | LME Index |
| Gold          | 1867.83 | 36.94       | 1830.89   | 1.19      |
| Brent Crude   | 1867.83 | 36.94       | 1813.59   | 14        |
| 3m Copper     | 1830.89 | 1.19        | 1813.52   | -19.1     |
| 3m Copper     | 1813.59 | 14          | 1846.85   | #VALUE!   |
| LME Index     | 1813.52 | -19.1       |           |           |
| 1 carat index | 1846.85 | #VALUE!     |           |           |

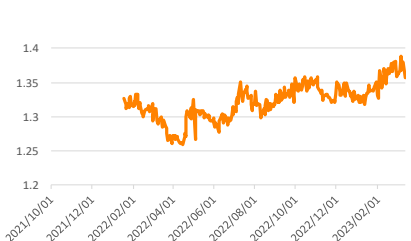
### Spot BWP



### BWP 5y local bond yield



### BWP-ZAR



President Mokgweetsi Masisi has indicated that Botswana will not drop its demand to sell a bigger share of the diamonds produced by its joint venture with De Beers, raising the stakes in talks to renew a sales deal that expires in June. Masisi told reporters that Botswana had denied itself the opportunity to sell its diamonds through the 54-year-old joint venture agreement. He added that the experience of selling diamonds outside the De Beers system, which sells unpolished, or rough, stones, had shown that Botswana could get more revenue. Last month, Masisi threatened to walk away from talks to renew the sales deal unless Botswana gets a larger share of output from the joint venture. He did not specify the size of the share it sought.

Meanwhile, De Beers CEO Al Cook, who met President Masisi on Friday, said that he had a "constructive discussion" with the president. According to Cook, "it is very clear that, front and foremost in the president's mind is the interest of the Botswana people. We, as De Beers want to play our role in a strong, strategic partnership. I'm very confident that this partnership will go forward in a very good way."

Regionally, consumer price inflation in Mozambique rose to 10.30% y/y in February from a nine-month low of 9.78% y/y in January. On a month-month basis, prices rose 0.97% during the month. Rises in the price of food and non-alcoholic beverages, transportation, and education underpinned the acceleration in the headline reading. The acceleration in inflation comes despite a resilient metical which significantly outperformed its regional peers in February. According to Bloomberg data, the MZN closed February flat against the USD, while the likes of the ZAR (-4.92%), ZMW (-3.93%) and the BWP (-3.09%) all closed the month deep in the red. While inflation in Mozambique quickened in February, the real rate at 6.95% remains sizeable and is one of the highest among its peers. A high real rate is helping to underpin the MZN's resilience.

On the global front the financial markets will start the week unpacking the collapse of Silicon Valley Bank in the United States. The bank was shuttered by the Federal Deposit Insurance Corporation on Friday representing the biggest banking failure since the Great Financial Crisis of 2008. Silicon Valley Bank was attempting to assure customers as late as Thursday that fears were unwarranted. Wednesday started the fallout when the bank announced that it would be raising \$500m from the venture capital firm General Atlantic while at the same time offloading assets worth in the region of \$21bn at a loss of \$1.8bn.

This was deemed by many to be a classic case of a run on a bank and as the panic spread the FDIC had to step in. Policymakers across the globe have been working over the weekend to understand the level of contagion that is possible. British Finance Minister Jeremy Hunt was quoted on Sunday as saying that he is working with the Bank of England and the government to minimise a fallout surrounding the UK arm of the banking group.

## Financial Market Commentary

Early-session trade suggests the ZAR is on its way to a third consecutive daily advance against a tumbling USD. Given how much rate-hike risk was already priced into the greenback, any signs of market strain or soft economic data were always going to cause a sharp correction. The USD-ZAR is thus heading back toward the 18-handle this morning as the market positions for a Fed policy pivot later this year. Momentum is firmly to the downside, with the USD struggling for traction more broadly as US Treasury yields tumble.

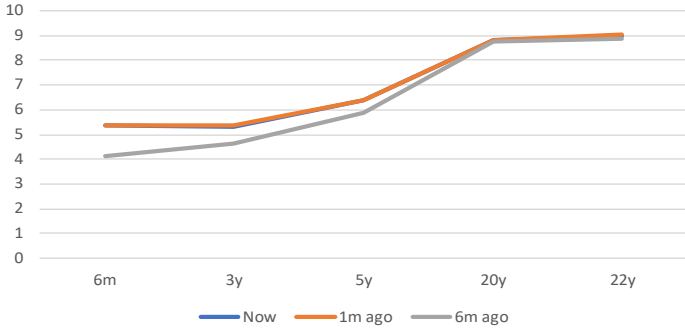
To say that Friday was a wild day for bond markets is an understatement. Notwithstanding the stronger-than-expected US nonfarm payroll number, shorter-dated US Treasury yields continued to slump on Friday, adding to the move that started on Thursday fueled by concerns over the US banking sector amid the Silicon Valley Bank crisis.

Over the two final sessions of last week, the 2yr US Treasury yield plunged by almost 50bps as traders piled into USTs. The rotation into USTs was driven by the repricing in interest rate expectations as inflation cut back on their rate hike bets and renewed risk-off conditions, prompting a flight to haven assets.

Interestingly the swap market shifted to price in a higher probability of a 25bps rate hike in March than a 50bps move. Recall that after Powell's comments earlier in the week, the market had shifted to favour a 50bps rate hike by the Fed later this month. Traders have continued to trim interest rate expectations this morning, with the US Treasury yields falling further.

Looking at the week, we expect volatility in the bond market to remain elevated as traders digest the developments surrounding the collapse of SVB and what contagion risk it poses to financial markets. We also have some important data out this week, including the CPI report out of the US, which will almost certainly result in meaningful price action.

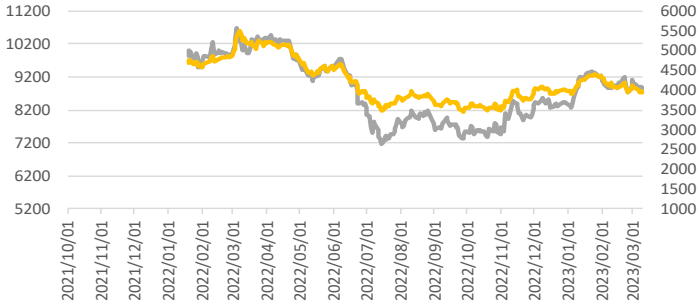
Botswana Yield Curve



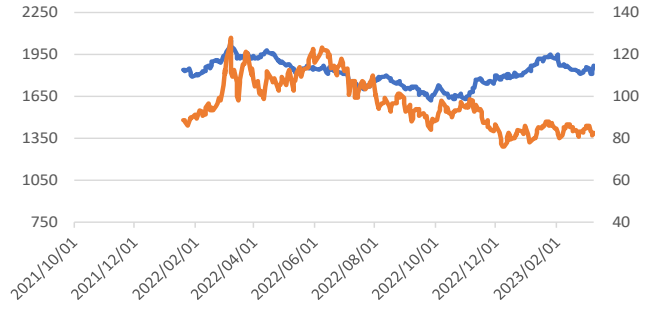
USD Index



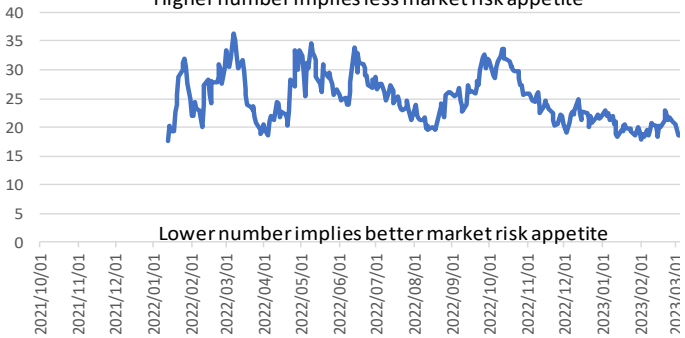
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



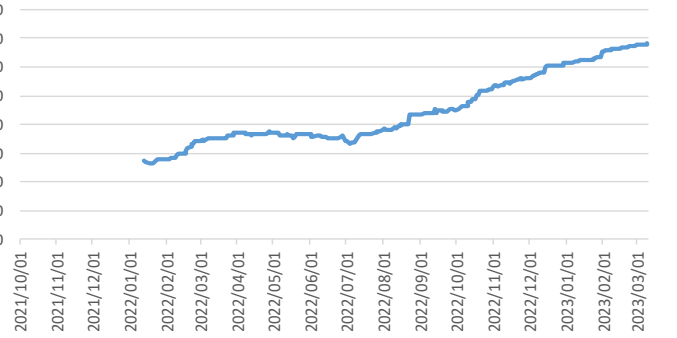
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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