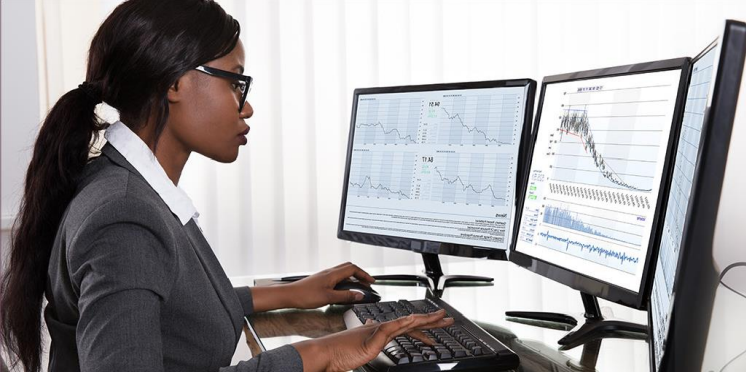


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	Botswana to sell BWP5bn of 7-day certificates			
07:00	GB	ILO unemployment rate (3mths)	Jan	3.8%	3.7%
12:30	US	CPI y/y	Feb	6.0%	6.4%
12:30	US	Real ave weekly earnings y/y	Feb		-1.5%
19:20	US	Fed's Bowman Speaks at Community Bankers Event in Hawaii			

Factors Overnight	What happened?	Relevance	Importance	Analysis
SVB contagion	Shockwaves from the collapse of Silicon Valley Bank reverberated through global financial markets at the start of the week, with global banking stocks dragging equity benchmarks lower	Market strain is evident after the aggressive rate-hike cycle in 2022, which is spilling over into the real economy	5/5 (markets)	The emergency measures implemented by authorities this weekend 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 hikes filter through into the economy
Fed policy outlook	An increasing number of economists from major US banks are calling on the Fed to pause its rate-hike cycle next week and assess the fallout of the ongoing banking sector crisis	The Fed is caught between a rock and a hard place as it feels it needs to raise rates further and risk more market turmoil to bring inflation down	5/5 (monetary policy)	The US Treasury and interest rates derivatives markets are caught between a 25bp hike and hold next week, with today's inflation print likely to be the deciding factor
White House support for banks	US President Biden vowed to take action to ensure the safety of the US banking system in a bid to reassure markets and shore up confidence amongst depositors	In the short term, this entails liquidity support, while in the long term, greater regulation is to be expected	5/5 (economy)	The US government and other authorities will act as a backstop to prevent further bank runs and a system-wide crisis, although the recent episode will likely have serious economic and political ramifications

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US CPI data	US CPI data for February, scheduled for publication today, are expected to show falling month-on-month and year-on-year inflation numbers	Falling inflation and growing banking sector strain may provide a ceiling for Fed rate hikes this year	5/5 (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
UK budget speech	Chancellor Hunt will deliver a budget speech tomorrow, 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	4/5 (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
ECB monetary policy	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	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

Highlights news vendors

BUSINESS LIVE - [Absa confident strong balance sheet will offset impairments jump](#)

FT - [Morocco must adapt to growing climate threat, warns finance minister](#)

REUTERS - [Ivory Coast rains to strengthen cocoa mid-crop, farmers say](#)

SOUTH CHINA POST - [Cyclone Freddy kills over 100 in Malawi and Mozambique](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.321344	1.32768	1.3468074	1.42449
BWPUSD	0.072576	0.093496	0.0739746	0.078177
GBPGBP	16.674216	16.745976	16.313476	15.779862
BWPEUR	0.073424	0.073736	0.0693645	0.072318
JPYBWP	10.4936	10.5456	9.913425	10.31745
USDZAR	17.478432	18.950568	17.888083	18.54057975
EURUSD	1.027968	1.114048	1.052061	1.089946
GBPUSD	1.168224	1.265992	1.1956043	1.23860275

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	
BWPUSD	0.0756	0.0002	1m	-2.19375
BWPGBP	0.062	-0.0007	3m	-6.50325
BWPEUR	0.0704	0.00	6m	-12.37275
BWPZAR	1.3743	0.0068	12m	-28.275

Dollar Index

	Close	Change
EURUSD	1.0707	-0.0022
GBPUSD	1.2165	-0.0016
USDJPY	133.62	0.44
USDNGN	460.02	0
USDZAR	18.2191	0.0404

Local Fixed income

Yield curve	Close	Change	International Fixed Income	
6m	5.356	-0.002	SA 10y	10.035
3y	5.31	-0.001	US 10y	3.5468
5y	6.38	0	German 10y	2.273
20y	8.79	0	Spread SA 5y vs Bots 5y bpts	206
22y	8.99	0		2.5

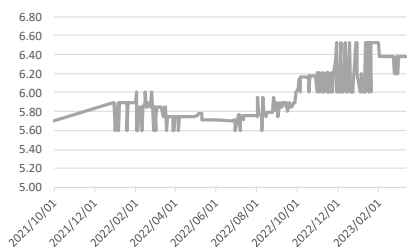
Equities

	Close	Change	Commodities	
VIX	26.52	1.72	Gold	1913.235
Dow Jones	31819.14	-345.22	Brent Crude	1867.83
FTSE	7548.63	-131.63	3m Copper	1830.89
JSE All share	75502.28	-1209.69	LME Index	1813.59
Bots DCIBT	7869.63	5.61	1 carat index	1813.52
Nigeria Index	55788.37	-27.63		

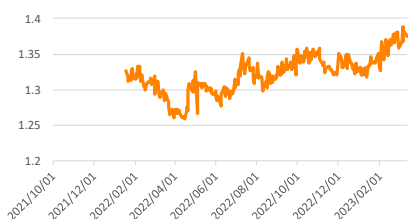
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- A lot has changed in the past few days. Bank failures are now a theme, confidence levels have dropped sharply, the Fed is on notice that their actions have real consequences and rates and bond yields have reversed dramatically in the past two trading days. Investors have moved from pricing in 2-3 more rate hikes in the US, and rates remaining elevated to pricing in almost no rate hikes and two rate cuts before the end of the year. It is a difference approaching almost 100bp on the longer-dated futures and highlights just how significantly expectations have changed.

- Stock markets have come under pressure and may still lose more ground, although they have recovered from their lows. Nonetheless, this is the environment where risk appetite is tested and poses a dilemma for traders. On the one hand, they would like to bet against the USD as the rate outlook changes and the USD is heavily overbought. However, on the other hand, the rise in risk aversion means that emerging market currencies may find the going tough through a rotation to safety.

- In regional news, TotalEnergies has indicated that it will not export LNG from Mozambique before 2027 at the earliest as it considers whether to restart a project halted two years ago by an Islamic State-linked insurgency. Stephane Le Galles, the project manager, said, "from the time we restart to production, we need another four years to build the facility. That means exports of liquefied natural gas would only begin in 2027 at best." TotalEnergies halted the project in April 2021 after IS-linked rebels raided a nearby town, killing dozens of people. The resumption of the \$20bn project is seen as crucial to Mozambique's economic future and has gained greater global significance after Russia's invasion of Ukraine forced European nations to seek alternative supplies of fuel.

Financial Market Commentary

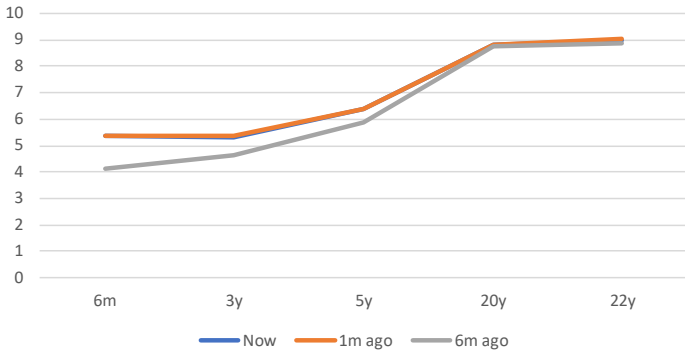
- Such a dramatic collapse in US rates as we have seen this week so far would ordinarily translate into a substantially weaker USD. Although the USD has retreated on recent developments, one might've expected even more. What has supported the USD is the rout in banking stocks that spread worldwide. Furthermore, as US Treasury yields subsided, so have they dipped in other DM and EM jurisdictions. The result was that the negative speculation against the USD was checked. Add to that the global rise in risk aversion and the USD's appeal as a safe haven, and it has found support at these slightly weaker levels. That does not mean that the USD is not vulnerable to another sell-off. It is the most overvalued DM currency currently and deserves to depreciate. However, through this phase of uncertainty, that may not happen just yet. That being said, the US is the epicentre of the current banking woes, and that will keep investors concerned.

- The EUR-USD has nudged back above 1.0700 and sustained that, although it is off yesterday's best. The GBP, on the other hand, has run out of some steam trading down to 1.2150 this morning, although it has recovered a substantial chunk of February's losses. The JPY is off its best levels and on the defensive this morning but is still trading back below 134.00, the lowest in some four weeks.

- Meanwhile, after three consecutive days of USD-ZAR declines, the pair appears to have run into some support overnight and is consolidating just north of the 18.2000 mark. This is consistent with rising US Treasury yields this morning, as the market takes some time to assess the financial market turmoil seen over the past few days. Today's moves will likely be determined by US CPI data, which will be significant for the Fed's policy decision next week. Should the data reflect softer-than-expected core inflation, the USD-ZAR may extend its recent slide towards the 18-handle.

- The BWP-USD, meanwhile, is trading near 0.0756, according to Reuters data. A stronger ZAR and weakening USD are providing the support to the pair, but given all the uncertainty and volatility in the markets, it is too early to call for a further rally in the near term.

Botswana Yield Curve



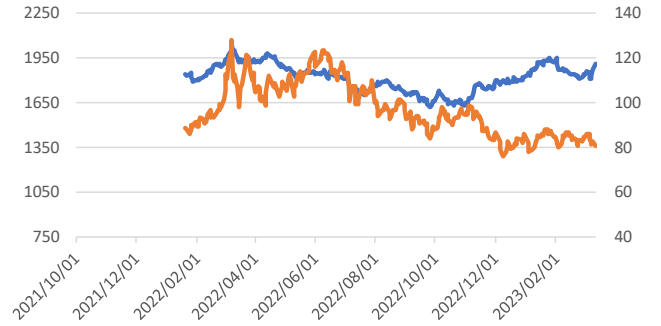
USD Index



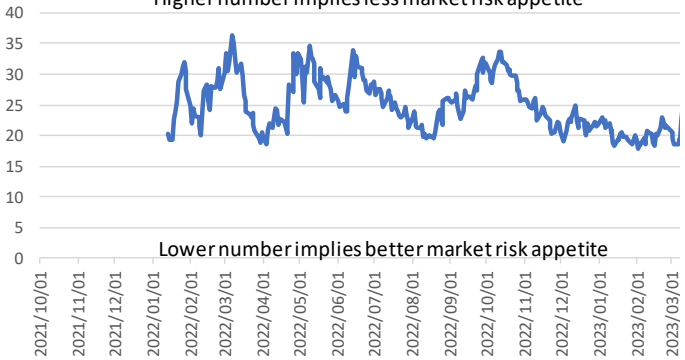
Base metals - Copper L_Hand axis LME Index R_Hand axis



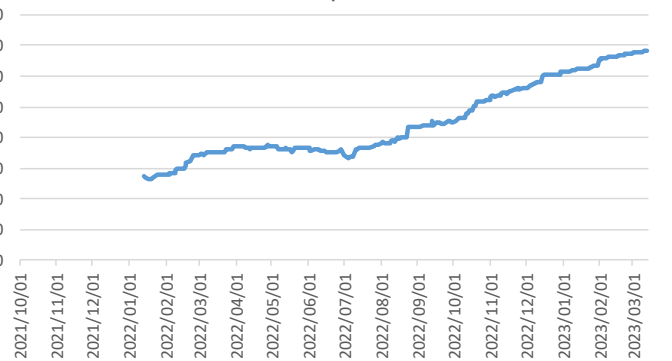
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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