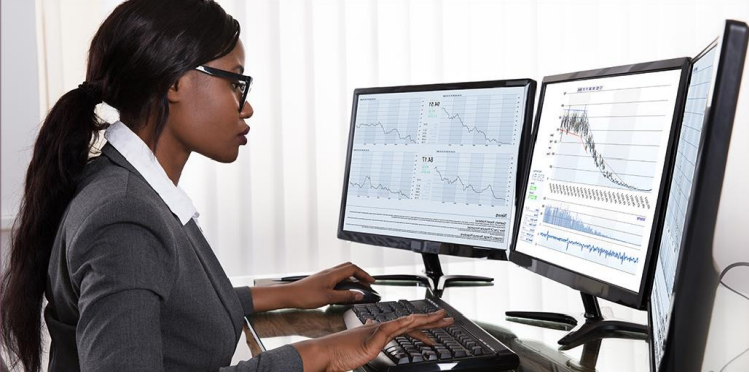


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
15 Mar	BW	CPI Y/Y	Feb		9.3%
10:00	EZ	Industrial production (wda) y/y	Jan	0.3%	-1.7%
11:00	US	MBA mortgage applications	Mar 10		7.4%
12:30	US	Empire manufacturing	Mar	-7.7	-5.8
12:30	US	PPI final demand y/y	Feb	5.4%	6.0%
12:30	US	Advance retail sales m/m	Feb	0.1%	3.0%
12:30	US	Retail sales ex. auto and gas	Feb		2.6%

Factors Overnight	What happened?	Relevance	Importance	Analysis
US inflation	US CPI data published yesterday showed headline inflation slowed marginally, while core inflation accelerated to 0.5% in month-on-month terms, but moderated to 5.5% in year-on-year terms Retail sales and industrial production data out of China came in at 3.5% y/y and 2.4% y/y, respectively, in February, pointing to steady but uneven recovery in economic activity	Disinflationary momentum in core goods and services is flagging, which could keep the Fed cautious	5/5 (economy, monetary policy)	Robust core inflation stats for February lent credence to the idea that a tight labour market is still driving price pressures in the US, and supported the argument for a 25bp rate hike later this month
China economic recovery	The minutes of the BoJ's latest policy meeting showed the board debated the feasibility of tweaking its bond yield control, and agreed that inflation and wages could overshoot expectations	The data pointed to the need for strong policy support to unleash the country's growth potential	4/5 (economy)	China's economic recovery is well underway, but isn't as strong as initial survey data suggested it would be, and appears to be very dependent on government support
BoJ meeting minutes		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)	All in all, the minutes suggested that the BoJ could begin to phase out its massive stimulus later this year, although much depends on the trajectory of wage and price growth going forward

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US retail sales	Consensus expectations are for a monthly contraction in US retail sales in February, with this largely due to seasonal factors and a high base in January Chancellor Hunt will deliver a budget speech today, which will likely include a small economic package that doesn't weigh too heavily on the fiscus	The data may raise further questions about the sustainability of the US economy's recent resilience	4/5 (economy)	There is still a degree of underlying resilience in the US economy, although this is expected to fade through the months ahead as the full extent of the Fed's aggressive monetary tightening cycle filters through into the real economy
UK budget speech	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	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 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	1.319232	1.32384	1.3446547	1.42037
BWPUSD	0.072768	0.093496	0.0741703	0.07828
GBPWP	16.635944	16.681184	16.276032	15.718808
BWPEUR	0.073424	0.073632	0.0693645	0.072216
JPYWP	10.608	10.6392	10.0215	10.409025
USDZAR	17.404224	18.870176	17.812136	18.461927
EURUSD	1.030944	1.117272	1.0551068	1.09310025
GBPUSD	1.166976	1.264744	1.194327	1.23738175

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0758	0.0002	1m	-2.106	-1677.751
BWPGBP	0.0624	0.0002	3m	-6.56175	-3043.714
BWPEUR	0.0706	0.00	6m	-12.09975	-5060.519
BWPZAR	1.3743	-0.0057	12m	-27.027	-9754.088

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0758	0.0002	1m	-2.106	-1677.751
BWPGBP	0.0624	0.0002	3m	-6.56175	-3043.714
BWPEUR	0.0706	0.00	6m	-12.09975	-5060.519
BWPZAR	1.3743	-0.0057	12m	-27.027	-9754.088

Dollar Index

	Close	Change
Dollar Index	103.694	0.097
EURUSD	1.0737	0.0005
GBPUSD	1.2155	-0.0003
USDJPY	134.64	0.42
USDNGN	460.03	0
USDZAR	18.1328	0.0192

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	5.356	0	SA 10y	10.025	0.01
3y	5.312	0.002	US 10y	3.674	0.038
5y	6.38	0	German 10y	2.45	-0.004
20y	8.79	0	Spread SA 5y vs Bots 5y bpts		
22y	8.99	0		205	1

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Equities

	Close	Change		Close	Change
VIX	23.73	-2.79	Gold	1902.1171	-11.1179
Dow Jones	32155.4	-90.5	Brent Crude	1913.235	-3.32
FTSE	7637.11	-199.72	3m Copper	1867.83	-97.5
JSE All share	75008.68	-952.08	LME Index	1830.89	-25.3
Bots DCIBT	7869.63	5.62	1 carat index	1813.59	
Nigeria Index	55722.9	-6.14			

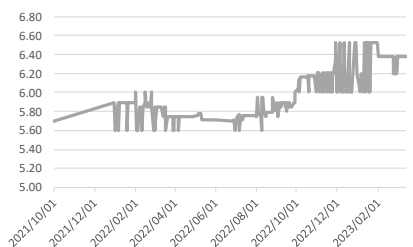
Commodities

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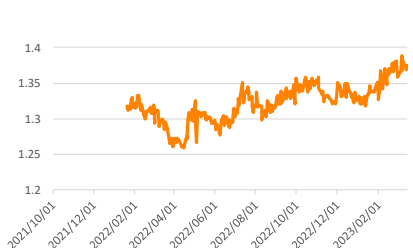
Spot BWP



BWP 5y local bond yield



BWP-ZAR

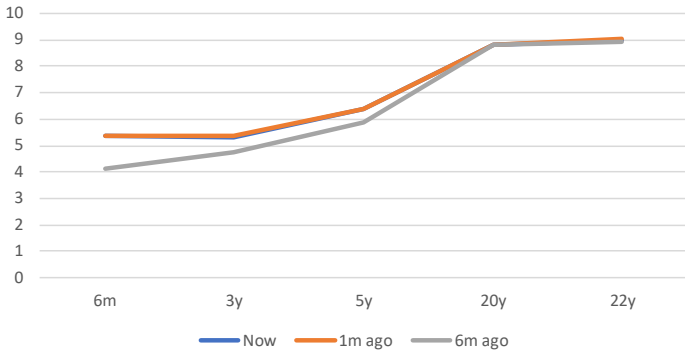


- The focus for the region in the session ahead will be centred on inflation and monetary policy dynamics. The regional calendar is headlined by inflation data out of Botswana, Nigeria, Namibia and Ghana, all of which hold market-moving potential. While inflation in Botswana has turned a corner, pulling back from a peak of 14.6% y/y in August 2022 to 9.30% y/y in January, headline inflation remains buoyed at levels that will make policymakers uncomfortable. While inflation in Namibia has pulled back from its peaks, a downward trend is yet to form, with inflation trending sideways, albeit below its peaks, in recent months. The recent weakness in the Namibian dollar is helping keep inflation buoyed.
- While there are some encouraging signs surrounding the moderation in inflation in Namibia and Botswana, inflation pressures in Nigeria and Ghana remain acute amid persistent hard currency shortages. Consensus expectations of analysts polled by Bloomberg suggest that headline inflation in Ghana slowed from 53.6% in January to 52.9% y/y in February, while consumer price inflation in Nigeria is expected to come in at 21.8% y/y, in line with the January reading.
- Meanwhile, data released yesterday out of South Africa did little to improve sentiment towards the country. Mining production and manufacturing data reflected sectors still under considerable pressure and battling to regain the ground lost through Covid. This time, it has not been the pandemic that hampered any recovery but SA's own structural difficulties, which mainly involve the underperformance of Eskom and Transnet. It implies that the productive sector remains under pressure and has not fully exploited the commodity price boom. Today, the focus in South Africa will turn to retail sales and the picture that it paints of consumptive demand. An underperforming economy will likely find it difficult to generate much growth in consumption, although the consensus expectation is for positive y/y growth.
- Globally, the rout on banking stocks abated yesterday, and investors tiptoed back into the sector, helping bank shares off their lows. That will help ease fears of an outright collapse in the sector and may prompt a modest improvement in risk appetite. The VIX (fear factor barometer) retreated sharply off its recent highs, and the evidence was clear in the bond market that weakened off the week's best levels and equity markets that recovered from their lows.

Financial Market Commentary

- Although banking stocks may have stabilised, the VIX has dropped, and equity markets staged a recovery, the USD has remained subdued and on the defensive. The USD-ZAR briefly tested 18.0350 yesterday before recovering off its lows but retains a weaker bias. Whether a break below the 18.00 handle will materialise before the Fed's FOMC decision next week is doubtful. Such an important event, thrown wide open by the past week's developments, together with the guidance that Fed Chairman Powell offers, will determine broader market direction in the following weeks. It has become a very significant risk event. While the market is tilting on the side of further monetary tightening, it has significantly downscaled its expectations of rate hikes.
- For the USD-ZAR, local developments will be less important and retail sales data today may be ignored. However, the improvement to stage 3 load shedding and the crackdown at Eskom will assist at the margin. However, there is a long way to go. The ZAR will continue to trade at a discount to attract foreign capital, and the recovery has lost some steam.
- The BWP-USD, meanwhile, continues to climb gradually, trading near 0.0758, according to Reuters data this morning. With the ZAR generally on the front foot and the USD under pressure as its overvaluation is unwound, we could see the bid bias for the BWP remain for now.
- In the precious metals markets, spot gold regained its footing yesterday and increased marginally due to a softer dollar. The dollar was watching the US inflation reading for direction yesterday following the massive risk-off conditions as a result of US banking crisis. The US consumer price index was in-line with Bloomberg economist's expectations and slowed to 6.0% y/y in February from 6.4% y/y in January.
- Over the next few days, the direction of spot gold is likely to be driven by the market's expectation for the Fed's interest rate decision next week. The question remains what guidance and how dots plot will evolve considering the recent development with some US banks versus combating inflation.

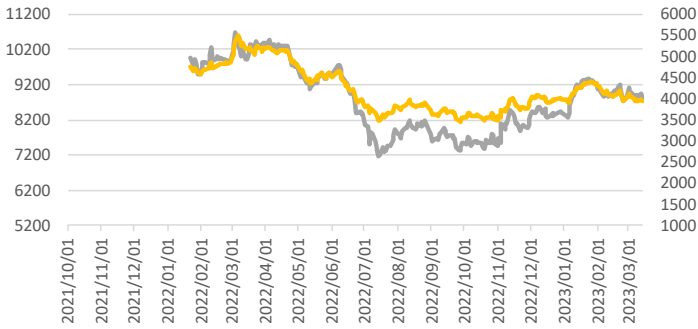
Botswana Yield Curve



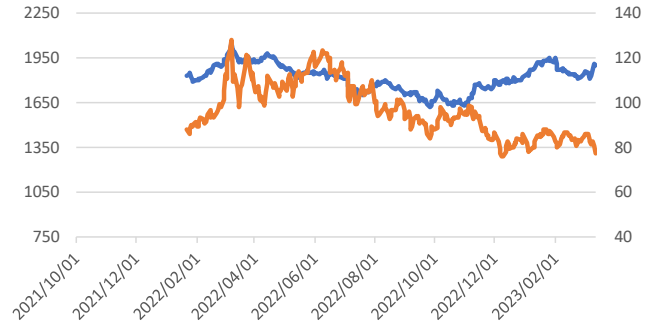
USD Index



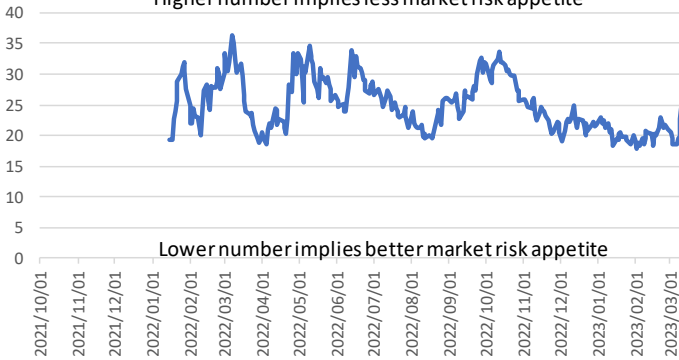
Base metals - Copper L_Hand axis LME Index R_Hand axis



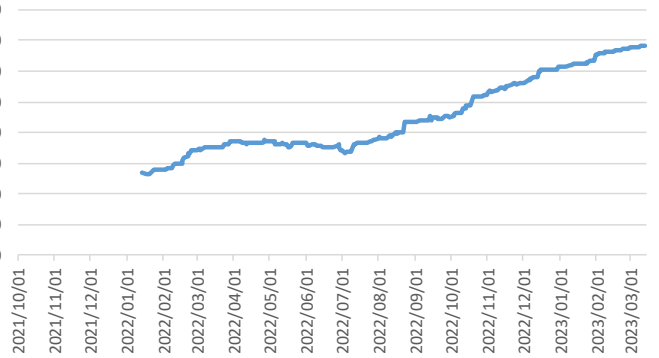
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



Access Bank Global Markets & Treasury Team

e-mail	First Name	Surname	Direct Line
nkatem@accessbankplc.com	Mogamisi	Nkate	2673674335
masalilap@accessbankplc.com	Phillip	Masalila	2673674621
kebaetsek@accessbankplc.com	Kefentse	Kebaetse	2673674336
thembaa@accessbankplc.com	Amogelang	Themba	2673674370
bogalet@accessbankplc.com	Tshwanelo	Bogale	2673674622
davidbat@accessbankplc.com	Batanani Pearl	David	2673644382
magashulan@accessbankplc.com	Ntebang	Magashula	2673644382
segwabek@accessbankplc.com	Keategile	Segwabe	2673644382

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