

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
12:00	GB	BoE bank rate	Mar 23	4.25%	4.00%
12:30	US	Chicago Fed activity index	Feb		0.23
12:30	US	Initial jobless claims	Mar 18		192k
12:30	US	Current account balance	4Q	\$-213.2bn	\$-217.1bn
14:00	US	New home sales	Feb	650k	670k
15:00	EZ	Consumer confidence	Mar P	-18.2%	-19.0%

Factors Overnight	What happened?	Relevance	Importance	Analysis
US monetary policy	The Fed hiked its benchmark rate by 25bps as it continued to fight high inflation, although a notable change in its policy statement language suggested that it was nearing the end of its rate-hike cycle	Recent banking sector turmoil has brought forward expectations for a policy pause and pivot	5/5 (monetary policy)	The Fed remains intent on fighting inflation and signalling that systemic banking sector risk is limited; however, it is turning more cautious over the impact of its rate hikes on the economy, and will likely be highly reactive and data-dependent going forward
UK inflation	UK CPI data surprised to the upside with headline inflation accelerating to 10.4% y/y and core inflation to 6.2% y/y, supporting the case for a BoE rate hike later today	The high CPI print means that the BoE needs to remain focused on fighting inflation despite recent banking sector stress	5/5 (economy, monetary policy)	The higher-than-expected CPI numbers will remind the BoE that underlying price pressures remain sticky and that the grind back towards target may be a long one, in turn ensuring a rate hike at today's policy meeting
Brexit	British PM Sunak won parliamentary backing for a key element of a reworked post-Brexit deal on Northern Ireland, despite opposition from the province's biggest unionist party	The issue of Northern Ireland has been one of the most contentious related to Britain's 2020 departure from the EU	3/5 (geopolitics)	The deal enables Britain to prevent new EU laws applying to goods in Northern Ireland if asked to do so by a third of lawmakers in the province's devolved legislature, with its passing now putting Brexit in the rear-view mirror

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK monetary policy	Recent financial market instability has complicated what was already a knife-edge policy decision for the BoE this week, although the central bank is expected to hike rates by 25bps rather than hold after yesterday's red-hot inflation data	The BoE is caught between a rock and a hard place as it weighs persistent price pressures against rising financial market instability	5/5 (monetary policy)	Notwithstanding recent banking sector stress, the BoE is expected to hike rates by 25bps in what might be the last rate hike of the cycle, as it continues to fight high inflation and an overly tight UK labour market
Swiss monetary policy	The SNB is expected to hike its benchmark policy rate by 50bps at its first quarterly meeting for the year today, despite heightened financial uncertainty following its decision to support troubled lender Credit Suisse	Today's policy decision and forward guidance will provide clues on how the SNB plans to weigh high inflation against financial sector stress	5/5 (monetary policy)	An unanticipated rise in Swiss inflation in February and growing market acceptance of Credit Suisse's situation have tilted the balance of risks in favour of a 50bp rate hike today, although future decisions will depend on whether or not financial stability holds up
Global PMIs	Flash PMIs scheduled for release out of the world's major economies on Friday will provide a further read on global growth momentum during the first quarter	Amid warnings of a broad-based global downturn, the PMIs will provide some jurisdictional nuance	4/5 (economy)	Recent PMI data pointed to an improvement in sentiment in February, although this may not have lasted through March given recent signs of past monetary tightening efforts filtering through into the real economy

Highlights news vendors

BUSINESS LIVE - [IMF slashes its growth forecast for SA, warns of economic stagnation](#)

FT - [Federal Reserve presses ahead with quarter-point rate rise despite banking turmoil](#)

REUTERS - [World Bank agrees \\$7 bln, 5-year partnership with Egypt](#)

SOUTH CHINA POST - [Uganda's harsh new anti-gay legislation blasted by UN, rights groups](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.312896	1.324128	1.3381966	1.420679
BWPUSD	0.072384	0.093496	0.0737789	0.078074
GBPGBP	16.86308	16.998592	16.498254	16.017904
BWPEUR	0.071864	0.072488	0.0678908	0.071094
JPYBWP	10.244	10.3272	9.677625	10.103775
USDZAR	17.41248	18.874856	17.820585	18.46650575
EURUSD	1.046688	1.134328	1.0712198	1.10978725
GBPUSD	1.183008	1.281696	1.2107348	1.253967

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	
			BWPUSD	BWPZAR
BWPUSD	0.0754	0.0004	1m	-2.028
BWPGBP	0.0615	1E-04	3m	-6.09375
BWPEUR	0.0694	0.00	6m	-11.67075
BWPZAR	1.3741	-0.0091	12m	-27.03675

	Close	Change
Dollar Index	102.069	-0.277
EURUSD	1.0907	0.0052
GBPUSD	1.233	0.0066
USDJPY	130.69	-0.75
USDNGN	459.95	0
USDZAR	18.1361	-0.0877

Local Fixed income

Yield curve	Close	Change	International Fixed Income	
			Close	Change
6m	5.355	-0.003	SA 10y	9.995
3y	5.312	0.002	US 10y	3.5
5y	6.38	0	German 10y	2.329
20y	8.79	0	Spread SA 5y vs Bots 5y bpts	200.5
22y	8.99	0		2.5

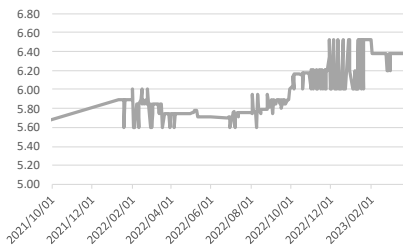
Equities

	Close	Change	Commodities	
			Close	Change
VIX	22.26	0.88	Gold	1969.5811
Dow Jones	32030.11	316.02	Brent Crude	1940.1461
FTSE	7566.84	132.37	3m Copper	1978.7122
JSE All share	75243.44	0	LME Index	1987.9301
Bots DCIBT	7870.64	-11.85	1 carat index	1919.1161
Nigeria Index	54936.11	16.2		

Spot BWP



BWP 5y local bond yield



BWP-ZAR



• South Africa's headline CPI rose marginally from 6.9% y/y in January to 7.0% y/y in February, bucking the downtrend seen in the prior three months. This outcome was against expectations for a slight decline in the headline CPI to 6.8% y/y. Meanwhile, core inflation rate, which excludes volatile food and energy prices, rose from 4.9% y/y in January to 5.2% y/y in February, the highest level recorded since February 2017, providing further evidence that prices may be somewhat sticky. Although consumer price inflation has peaked in SA, it remains elevated. Inflationary pressures are turning out to be more stubborn than initially anticipated, partly due to producers needing to claw back margins lost to mitigate against load-shedding and infrastructural failures. Ongoing rand weakness is also a factor contributing towards higher domestic prices as it raises the cost of imported goods. While much will depend on the outcome of the US Fed's interest rate decision, the latest headline CPI print corroborates the case for the SARB to remain hawkish next week in an effort to curb inflation.

• Meanwhile, the Fed stuck to its guns and hiked rates by 25bp at its March FOMC meeting, taking the upper bound of the Fed Funds Rate to 5.00%. The statement showed that the Fed still believes that some additional tightening is still warranted going forward, while acknowledging the current stresses in the banking sector. The median forecast, as presented in the dot plot, is for rates to be at around 5.1% for the end of 2023 and 4.3% for the end of 2024. Finally, the pace of the reduction in bond and MBS holdings will continue at the current rate. This was fairly surprising given expectations that the balance sheet run-off would be slowed or even halted to alleviate some stress within the banking sector. Chair Powell, however, then went on to suggest that the Fed did consider pausing its rate hikes, while also affirming that the disinflation trend in the US remains intact. These comments were seen as dovish and drove a notable repricing of rate cut risk in the US market, with three cuts now expected this year from June onwards.

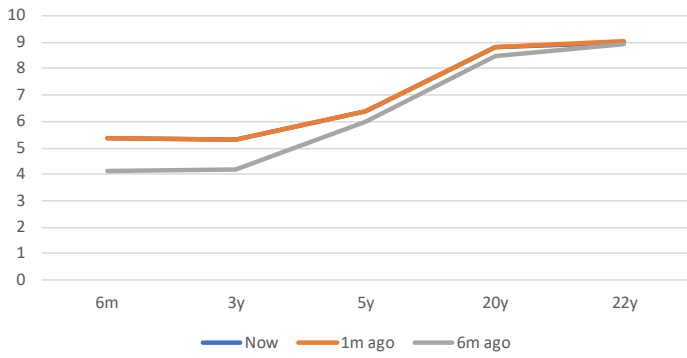
Financial Market Commentary

• It was all about the Fed yesterday, and the Fed chose to hike rates by 25bp. However, it is not clear exactly what the Fed accomplished by any of this. Bond yields actually fell during the trading session, and investors still chose to dwell on the guidance that the Fed was looking to pause soon. Any weaker-than-expected data in the coming weeks will translate into speculators bringing forward the timing of rate cuts in the US, which should detract even further from the USD. Most currencies have taken full advantage of the USD's slide, and the momentum could build if any upcoming data points disappoint. Recall that labour market data is lagging, and focusing too squarely on something that responds only after a credit cycle is in full swing is not the best indicator to judge the health of the US economy. The EUR-USD surged powerfully yesterday and is trading above 1.0900 this morning, while the GBP has similarly followed suit and is trading back above 1.2320 today. Even the JPY shows that more carry trades are unwinding as it dips towards 130.00 against the USD leaving the greenback firmly on the defensive. Building permit data out of the US will not help matters, while any further slippage in weekly jobless claims will simply pile on the pressure on the USD. Short USD positions will likely be favoured today.

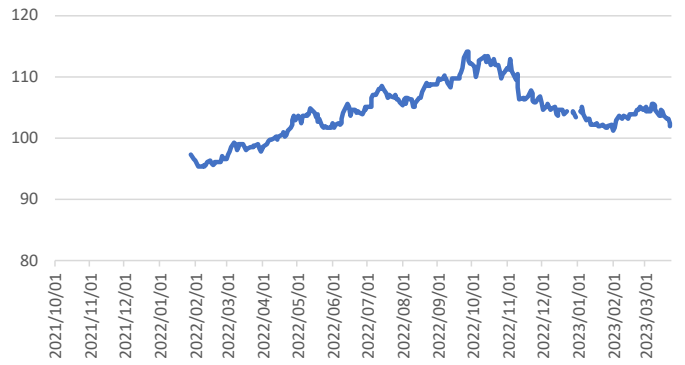
• The ZAR and most other currencies have taken advantage, and the USD-ZAR has sunk back down to 18.1350 this morning. Although it remains above key support, the shift in sentiment is palpable, and the USD-ZAR looks set to test the support it failed to break below 18.1000, possibly as early as this morning. Unfortunately, news on the local front is not positive, or the break might've happened sooner. For instance, the IMF has significantly downgraded the outlook for growth to just 0.1% for 2023 and increased SA's budget deficit to over 6%. This is understandable, given the load shedding, Transnet's problems and the dip in commodity prices. However, it still does not make for pretty reading. At face value, this may restrict the performance of the ZAR, although as the year unfolds, such weak growth will typically detract from demand for imports. History tells us that weak GDP growth does not always translate into a weaker ZAR. Sometimes quite the opposite, and 2023 might turn into another example of that, especially if the USD continues to lose ground as the Fed pivots towards easier monetary policy.

• The BWP-USD, meanwhile, has climbed to 0.0754 according to Reuters data, closing above 0.07500 for the first time since 13 March, with the bulls now to eye the prior intraday highs around 0.07600.

Botswana Yield Curve



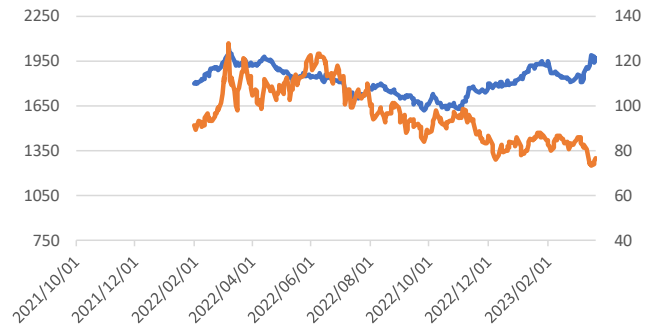
USD Index



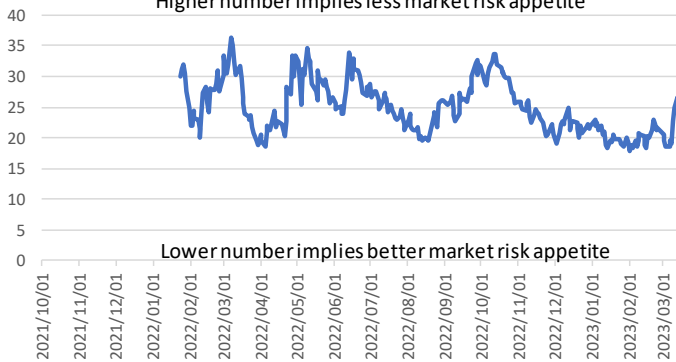
Base metals - Copper L_Hand axis LME Index R_Hand axis



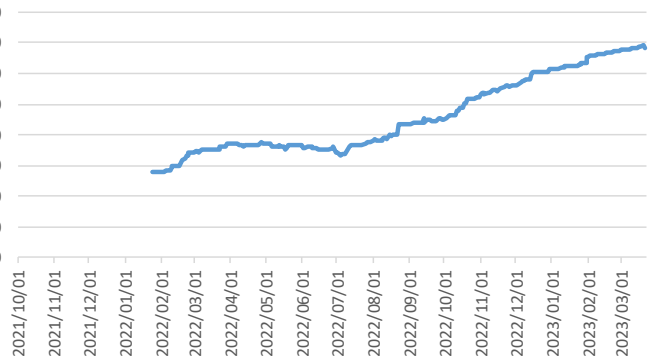
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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