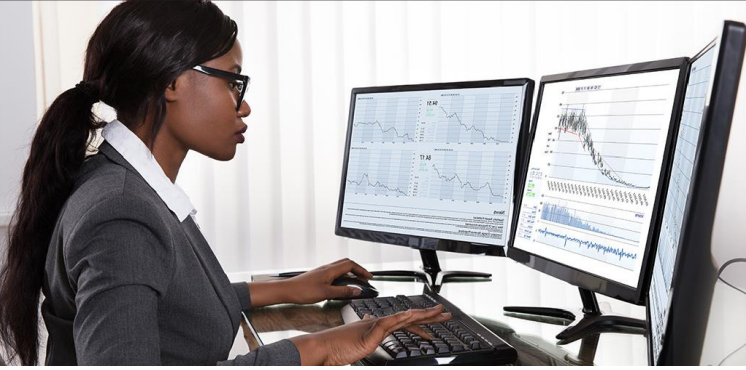


Botswana Market Watch 14 February 2022



| GMT | Country | Data event or release | Period | Market Exp | Previous |
|-----------------------------|---|---|--|---|----------|
| | BW | Nothing on the cards | | | |
| Factors Overnight | What happened? | Relevance | Importance | Analysis | |
| EM vulnerable | The TRY has become untradable, and the RUB could follow suit if an invasion of Ukraine follows, with liquidity drying up in both markets, highlighting the risk dynamics within EMs | This holds some consequences for the rest of the EM basket that will be vulnerable to a general rotation away from risk | 4/5 (markets) | For those trading emerging markets, the basket of happily traded markets just shrank. The danger for such markets, however, is that it triggers a broader rotation to safety, especially if Russia does invade | |
| US yield Curve | Following comments from the Fed's Bullard that the Fed Funds rate may need to rise by 100bp by June, the yield curve has flattened significantly further | Such flattening portends the next slowdown, although the Fed will be quick to play that down | 4/5 (economy) | The fact that oil prices are surging, that the pandemic is not over and that the Fed is looking to remove excess stimulus means that risks to global growth abound | |
| Oil prices | Oil prices once again popped higher on Friday on fears that a Russian invasion of Ukraine would result in disruptions to oil supplies to Europe | If European demand is sourced from elsewhere, the supply vs demand dynamic will change | 5/5 (market) | Oil prices are now rapidly heading towards the \$100pb mark, with prices above \$95pb currently, a fresh 7yr high. Given its role in driving inflation, this may prompt a strong CB response | |
| Factors on the Radar | What happened? | Relevance | Importance | Analysis | |
| US Fed speak | Focus will be turning to more Fed speak as investors try to gauge how to interpret recent comments from the Fed's Bullard, amid the higher than expected inflation | Normalisation of monetary policy will be a key theme throughout the year and will drive markets | 4/5 (economy, monetary policy) | Bullard will be taking to CNBC today and will be pressed on his views that the Fed Funds rate needs to be 100bp higher by June, implying a much more aggressive rate hike trajectory than first thought | |
| Ukraine standoff | Propaganda remains in full swing on both sides of the border. NATO allies continue to warn of a high probability of invasion and the probability that Russia may fabricate pre-text to "retaliate." | Russia, for its part, says it is simply protecting its border and has no plans to invade Ukraine. Markets are on edge | 5/5 (geopolitics) | This stands as the single biggest geopolitical risk at the moment and one that holds the potential to derail global financial markets and deal overall risk appetite a blow. All eyes will remain on the Ukraine standoff this week | |
| Global risk appetite | Equity markets will have a lot to digest this week, from the ongoing standoff in Ukraine, to the rapidly rising oil price, to indications that the Fed will hike much more than expected | Risks to global growth are now elevated, and equity markets may reflect that added risk through selling off | 4/5 (markets) | A global rise in risk aversion is something to keep track of as it holds implications not just for risk appetite but for emerging market currencies and any other markets that are sensitive to global growth | |

Highlights news vendors

CNBC - [China's tech giants push toward an \\$8 trillion metaverse opportunity — one that will be highly regulated](#)

ALL AFRICA - [Moody's Has Bought a Leading African Rating Agency - Why It's Bad News](#)

FT - [Scholz to warn Putin of western resolve on Ukraine](#)

SOUTH CHINA POST - [China paints picture of African partnership with gleaming public works](#)

REUTERS - [U.S. says Russia may create pretext to attack Ukraine](#)

Corporate Foreign Exchange

| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|--------|--------------|---------------|--------------|---------------|
| | CASH | CASH | TT | TT |
| BWPZAR | 1.26864 | 1.278336 | 1.2930878 | 1.371548 |
| BWPUSD | 0.083232 | 0.093496 | 0.084836 | 0.089713 |
| GBPWP | 16.125408 | 16.238144 | 15.776541 | 15.301328 |
| BWPEUR | 0.079456 | 0.08008 | 0.075063 | 0.07854 |
| JPYWP | 10.4104 | 10.4936 | 9.834825 | 10.266575 |
| USDZAR | 14.632896 | 15.863432 | 14.975855 | 15.52023275 |
| EURUSD | 1.088736 | 1.17988 | 1.1142533 | 1.15435375 |
| GBPUSD | 1.299456 | 1.407848 | 1.329912 | 1.37738975 |

Interbank Spot Foreign Exchange

| | Close | Change | | BWPUSD | BWPZAR |
|--------|--------|---------|-----|-----------|-----------|
| BWPUSD | 0.0867 | -0.0004 | 1m | -2.5935 | -10.25896 |
| BWPGBP | 0.0639 | -0.0003 | 3m | -8.04375 | -36.58651 |
| BWPEUR | 0.0764 | 0.0002 | 6m | -15.951 | -74.37485 |
| BWPZAR | 1.3179 | -0.0027 | 12m | -33.95925 | -199.1784 |

Forward Foreign Exchange

| | Close | Change | | Close | Change |
|--------------|---------|---------|------------------------------|--------|---------|
| Dollar Index | 96.088 | 0.006 | SA 10y | 9.195 | 0.025 |
| EURUSD | 1.134 | -0.0009 | US 10y | 1.9181 | -0.1252 |
| GBPUSD | 1.3536 | -0.0024 | German 10y | 0.292 | 0 |
| USDJPY | 115.51 | 0.1 | Spread SA 5y vs Bots 5y bpts | 190.5 | -19.5 |
| USDNGN | 416.51 | 0 | | | |
| USDZAR | 15.2399 | 0.0392 | | | |

Local Fixed income

| Yield curve | Close | Change | | Close | Change |
|-------------|-------|--------|------------------------------|--------|---------|
| 6m | 1.549 | -0.001 | SA 10y | 9.195 | 0.025 |
| 3y | 4.75 | 0.75 | US 10y | 1.9181 | -0.1252 |
| 5y | 5.85 | 0.25 | German 10y | 0.292 | 0 |
| 20y | 8.5 | 0.05 | Spread SA 5y vs Bots 5y bpts | 190.5 | -19.5 |
| 22y | 8.55 | 0.05 | | | |

International Fixed Income

Equities

| | Close | Change | | Close | Change |
|---------------|----------|---------|---------------|-----------|--------|
| VIX | 27.36 | 3.45 | Gold | 1859.9591 | 33.389 |
| Dow Jones | 34738.06 | -526.47 | Brent Crude | 94.44 | 3.03 |
| FTSE | 7661.02 | 28.98 | 3m Copper | 9860.5 | -393.5 |
| JSE All share | 76382.95 | -105.73 | LME Index | 4721.4 | -156.1 |
| Bots DCIBT | 7097.25 | 12.87 | 1 carat index | 6674 | -279 |
| Nigeria Index | 47202.3 | 129.11 | | | |

Commodities

Local and regional talking points

- The government has adjusted the country's entry restrictions from today stating that those wishing to enter Botswana will need to show proof of being fully vaccinated. Vaccinated individuals will no longer need to show proof of a negative PCR test. Equally, unvaccinated persons must be willing to be vaccinated at the port of entry they've at or face deportation. Returning citizens who are unwilling to get the jab face a fine of R6 500, imprisonment for a year or both.
- Locals will be gearing up for the inflation reading tomorrow which has the risk of outperforming to the upside. The world is in an environment of sustained inflationary pressures with soft commodity and energy prices remaining lofty. Up until now the Bank of Botswana has preferred to take the view that the current spate of inflation is transitory, this may change in the coming months with economists and analysts alike seeing certain parts of the inflation equation as structural in nature.
- South Africa also releases inflation data this week. Consensus anticipates a decline in inflation to 5.7% from 5.9% ensuring inflation remains within the target band for a little longer. The final arbiter on whether this will remain the case will be the ZAR price of oil. Regular readers will know that the outlook for domestic inflation is a factor to consider when searching for longer-term guidance on the ZAR and stands as a barometer for the kind of price stability that should reflect in the ZAR over time. For now, domestic inflation remains well below that of the US and suggests that the ZAR's resilience is, therefore, somewhat justified.

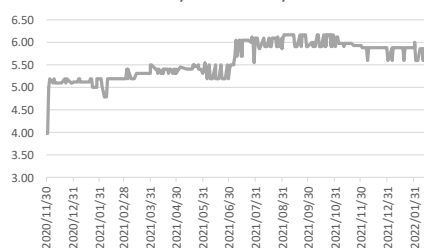
Financial Market commentary

- The Standoff on Ukraine's border is one factor that holds the potential to rock markets, just as US earnings and some of this week's data do if they change expectations on US interest rates. For now, it remains challenging to pick clear direction on currency markets and the USD, with many cross-winds blowing. Directional momentum is weak, and the consequences of a transition from an ultra-accommodative monetary policy world to a more normalised world holds much risk for asset prices as central banks remove one of the key drivers of equity markets.
- Oil was heading for its first weekly loss since December last week, but a surge in prices on Friday meant that it continued with its bullish rally for an eighth straight week now. The commodity remains bid this morning, with Brent rising above the \$95 per barrel handle as concerns remain over the Russia-Ukraine situation. Traders are also increasingly struggling to get their hands on actual barrels of oil, with prompt spreads widening out further while the dated-front-line swap spread has widened out to a record level at over \$2.35 per barrel. These swaps are used to hedge against the difference between physical prices and futures prices.
- Brent's prompt spread, meanwhile, has surged to \$1.92 per barrel, up from 70cents a month ago, in a sign that oil likely still has topside to come, bringing the \$100 per barrel mark into view. Our view remains, however, that the current bullish momentum will not be sustained into the second half of the year, with US supply set to rise as rigs increased by their most in four years last week, while talks with Iran are progressing to suggest supply levels should be ramped up. The risk to this view, of course, is the Russia-Ukraine saga. If tensions erupt here and Russia chooses to invade Ukraine, the oil market will be sent into a tailspin and prices will surge.
- In terms of the FX markets, the safe haven bid is very much evident as we enter the start of the EU session. Investors are concerned about the escalation of tensions in the Ukraine and thus are finding safety in the likes of the Swiss Franc, Dollar and Japanese Yen. Proxy currencies for risk such as the Australian Dollar and South African Rand are trading weaker for now.
- Looking at the local unit, we expect the Pula to have a measured start to the day as investors digest the various forces at play. For now the 0.0860 level remains the support level to watch, however risk off trading conditions are building and readers need to be appraised of the potential for short term volatility.

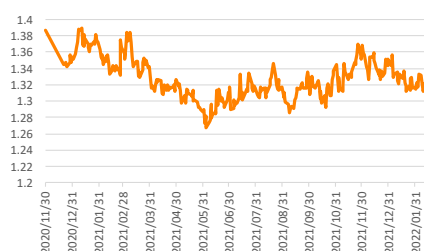
Spot BWP



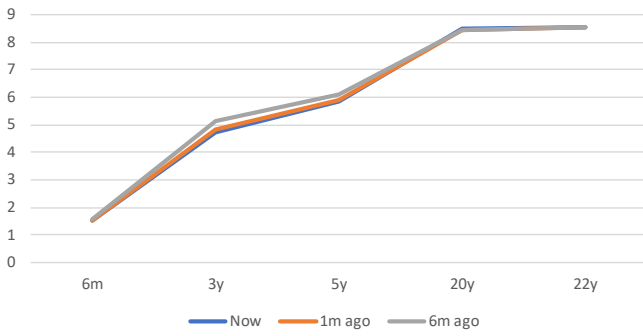
BWP 5y local bond yield



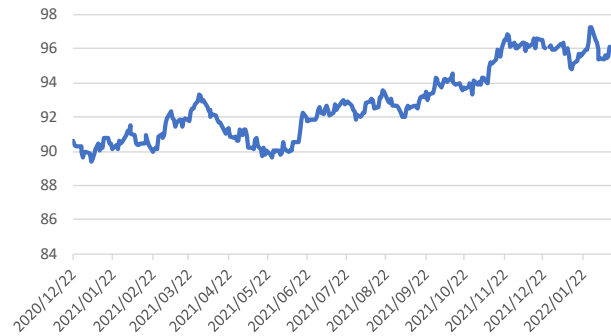
BWP-ZAR



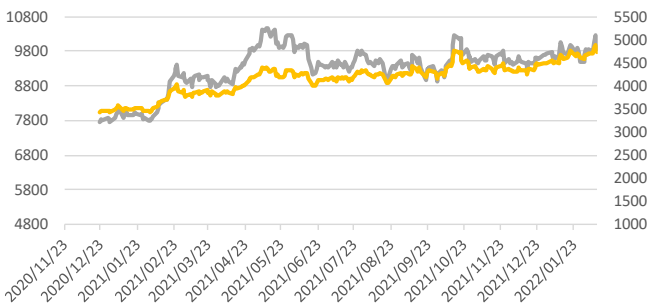
Botswana Yield Curve



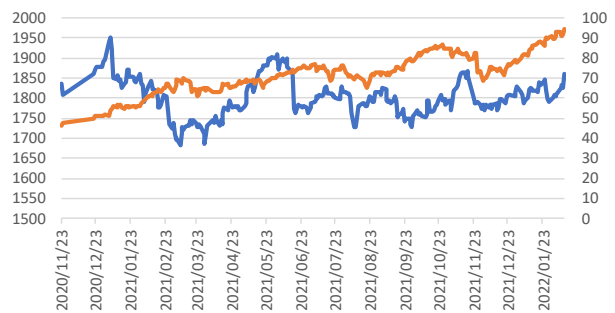
USD Index



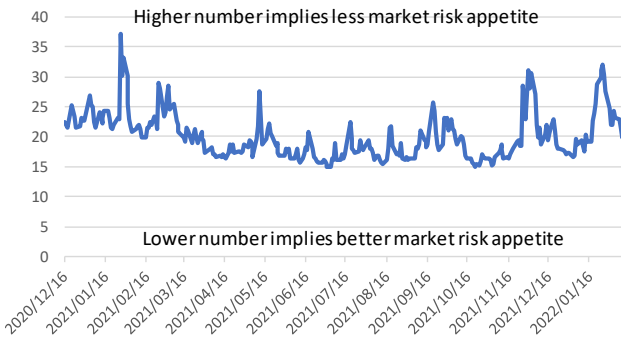
Base metals - Copper L_Hand axis LME Index R_Hand axis



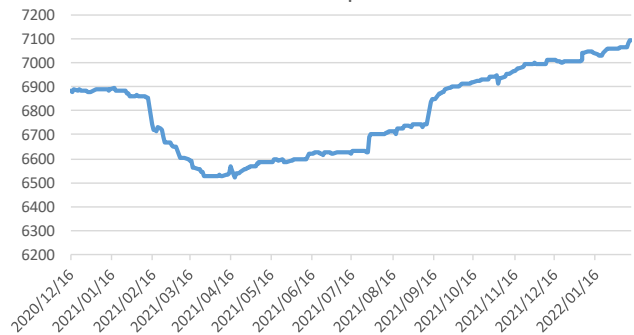
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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