

Botswana Market Watch

15 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
13:00	BW	Botswana to place BWP5bn of 7-Day Certificates			
	BW	CPI y/y	Jan		8.7%
10:00	EZ	GDP sa y/y	4Q P	4.60%	4.60%
10:00	EZ	ZEW economic sentiment	Feb		49,40
10:00	GE	ZEW economic sentiment	Feb	55,00	51,70
10:00	EZ	Trade balance nsa (EUR)	Apr		-1,50bn
13:30	US	Empire manufacturing	Feb	10,00	-0,70

Factors Overnight	What happened?	Relevance	Importance	Analysis
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Gold	The gold price has rallied to an eight-month high in the past week following a rise in global levels of risk aversion.	Gold retains its status as a hedge against inflation and financial market volatility	4/5 (markets)	For commodity producers mining gold, this is good news and will help support their currencies and help ward off high inflation
Fed speak	St Louis Fed President Bullard was on CNBC yesterday, where he reiterated his belief that rates would need to rise more aggressively to combat inflation	Four consecutive strong inflation reports have boosted expectations of a 50bp rate hike in Mar	4/5 (economy, monetary policy)	While Bullard might be convinced of the need to hike more aggressively, others at the Fed are less convinced, while financial markets would likely experience heightened volatility
Oil prices	Oil prices remain well bid 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 still nudging towards the \$100pb mark, with prices above \$95pb currently. Given its role in driving inflation, this may prompt a strong CB response

Factors on the Radar	What happened?	Relevance	Importance	Analysis
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Global stock markets	Stock markets have become hyper-sensitive to any factors that might detract from or derail earnings and continue to reflect high degrees of vulnerability	Equity market valuations are being questioned and are generating a rise in risk aversion	4/5 (economy, monetary policy)	Global financial markets will continue to focus on geopolitical developments in Ukraine and on Fed speak that might offer insight into the policy stance the Fed and others might implement
Ukraine standoff	Ukrainian President Volodymyr Zelenskiy on Monday called for a day of unity on the 16 th Feb, the day Russia is rumoured to be planning an invasion	For its part, Russia continues to say it will not invade and believes that diplomacy is not dead	5/5 (geopolitics)	Comments from Russia, or not the kind of comments one would expect from a country about to invade another. Not even the UN is convinced that Russia plans to invade Ukraine
Supply chain bottlenecks	The WTO has postulated that the demand shock behind the global trade bottlenecks will ease through the months ahead	This is great news for inflation and will promote policy normalisation	3/5 (markets)	The Baltic dry index has retreated sharply recently in a sign that logistical supply constraints are finally easing to more normalised levels

Highlights news vendors

CNBC - [U.S. closes its embassy in Kyiv, citing 'dramatic acceleration' of Russian troops](#)

ALL AFRICA - [Nigeria Health Watch Awards Exemplary Reporting On Epidemic Preparedness and Response Funding](#)

FT - [US damps hopes for diplomatic solution to Ukraine crisis with Russia](#)

SOUTH CHINA POST - [The universities and disciplines China aims to turn into world-beaters](#)

REUTERS - [Ukraine president calls for 'day of unity' for Feb. 16, day some believe Russia could invade](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.247424	1.257408	1.2714629	1.349094
BWPUSD	0.082848	0.093496	0.0844446	0.08961
GBPWP	16.200808	16.318224	15.85031	15.376788
BWPEUR	0.079248	0.079872	0.0748665	0.078336
JPYWP	10.3584	10.4312	9.7857	10.205525
USDZAR	14.454144	15.675088	14.792913	15.3359635
EURUSD	1.086528	1.177384	1.1119935	1.15191175
GBPUSD	1.299552	1.408264	1.3300103	1.37779675

Interbank Spot Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0863	-0.0004	1m	-10.43997
BWPGBP	0.0638	-0.0001	3m	-36.58651
BWPEUR	0.0763	0.00	6m	-74.98663
BWPZAR	1.3047	-0.0076	12m	-199.9239

Forward Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0863	-0.0004	1m	-10.43997
BWPGBP	0.0638	-0.0001	3m	-36.58651
BWPEUR	0.0763	0.00	6m	-74.98663
BWPZAR	1.3047	-0.0076	12m	-199.9239

Dollar Index

	Close	Change
EURUSD	1.1318	0.0013
GBPUSD	1.3536	0.001
USDJPY	115.38	-0.15
USDNGN	415.91	0
USDZAR	15.056	-0.0625

Local Fixed income

Yield curve	Close		Change	
	6m	3y	5y	20y
6m	1.55	0.001	SA 10y	9.22
3y	4.09	-0.66	US 10y	1.9858
5y	5.89	0.04	German 10y	0.273
20y	8.46	-0.04	Spread SA 5y vs Bots 5y bpts	189.5
22y	8.53	-0.02		-1

International Fixed Income

	Close		Change	
	SA 10y	US 10y	German 10y	Spread SA 5y vs Bots 5y bpts
SA 10y	9.22	0.025		
US 10y	1.9858	0.0677		
German 10y	0.273	-0.019		
Spread SA 5y vs Bots 5y bpts	189.5	-1		

Equities

	Close		Change	
	VIX	Dow Jones	FTSE	JSE All share
VIX	28.33	0.97	Gold	1870.2948
Dow Jones	34566.17	-503.53	Brent Crude	96.48
FTSE	7531.59	-11.38	3m Copper	9920
JSE All share	75765.16	-202.24	LME Index	4759.5
Bots DCIBT	7097.25	0	1 carat index	6681
Nigeria Index	47066.77	-84.04		7

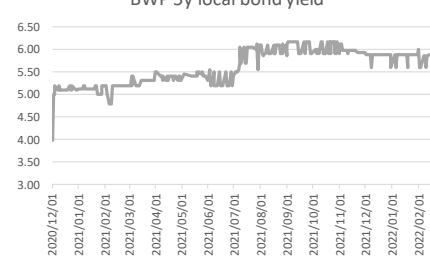
Commodities

	Close		Change	
	Gold	Brent Crude	3m Copper	LME Index
Gold	1870.2948	10.3357		
Brent Crude	96.48	2.04		
3m Copper	9920	59.5		
LME Index	4759.5	38.1		
1 carat index	6681	7		

Spot BWP



BWP 5y local bond yield



BWP-ZAR



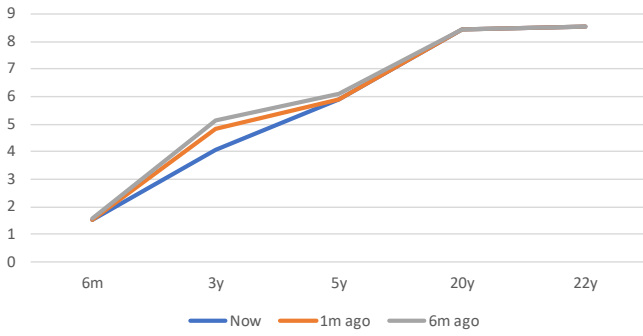
Local and regional talking points

- Bloomberg and the Statistics Botswana has the January reading of consumer price inflation due for release today. December's inflation reading came in at 8.7% and the risk for today's print is that it outperforms to the upside. As mentioned yesterday, the world is in an environment of sustained inflationary pressures with soft commodity and energy prices remaining lofty. This is likely to keep inflation out of the Bank of Botswana's target band of 3-6% for much of 2022, one factor preventing run-away inflation is that domestic demand has not catapulted as it has in other economies such as Chile. 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 being more structural in nature.
- Zimbabwe continues to struggle with the implementation of its own local currency as citizens and investors alike show no faith in the country's financial system. The President Emmerson Mnangagwa has ruled out paying teachers in US dollars, which is core to the demands of those teachers on strike. Teachers have been on strike since last week demanding a minimum salary of \$540 a month, the currently receive around \$100 in local currency. Zimbabwe has been a source of regional instability and this is unlikely to change soon.

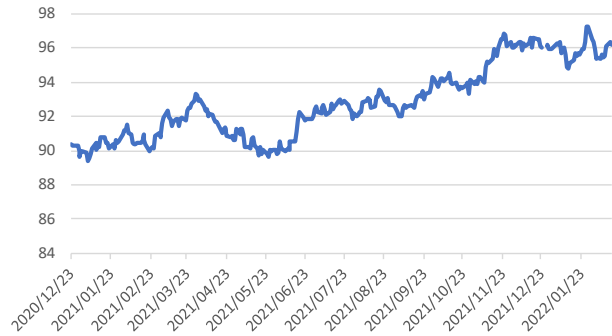
Financial Market commentary

- Tensions in Ukraine are running high, risk assets are experiencing volatility, the USD appears to be a little more bid, yet the ZAR appreciates against the USD. The ZAR's remarkable performance reflects a much higher degree of resilience than most market participants thought possible. Given the ZAR's status as a more volatile emerging market currency, heightened levels of risk aversion reflected in the VIX are precisely the kind of catalyst that would ordinarily drive the ZAR substantially weaker.
- Yet this morning, the debate revolves around whether the ZAR might be able to sustain a break below the 15.00 handle. There is an unlikely mix of inflation disparities between SA and many of its developed economy trading partners, shifting in SA's favour, high commodity prices fueling a trade and current account surplus, and high carry attractiveness lending the ZAR support.
- Concerning commodity prices, the gold price has surged to the highest levels since June 2021 due to heightened geopolitical risk in Ukraine and the risk it poses to global financial markets. Gold retains its status as a hedge against inflation and financial market volatility. However, even the CRB industrial metals index improved considerably in recent weeks, despite having retreated off its recent highs.
- Then there is also the possibility that funds may be making their way to SA because the investible universe of EM currencies has shrunk courtesy of the troubles in Turkey and Russia. By comparison, SA's relatively stable political and policy backdrop coupled with comparatively high bond yields has encouraged foreign exposure. Of course, much of this depends on the commodity cycle and how long that might run. The biggest threat is improvements in logistical supply chains and tighter global monetary policies. However, while the dynamics are currently ZAR supportive, a break of 15.00 is possible.
- This in turn will undoubtedly lend further support to the Pula at least in the short term with a close above the 0.0870 mark in the interbank market certainly not out of the question.
- Investors are reminded that we have the 7-Day certificate auction today where BWP5bn worth of paper will be on offer. There are also a number of important data releases out of the EU and the US which will keep investors focused.

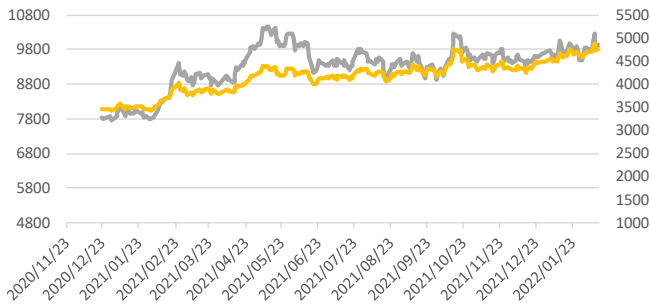
Botswana Yield Curve



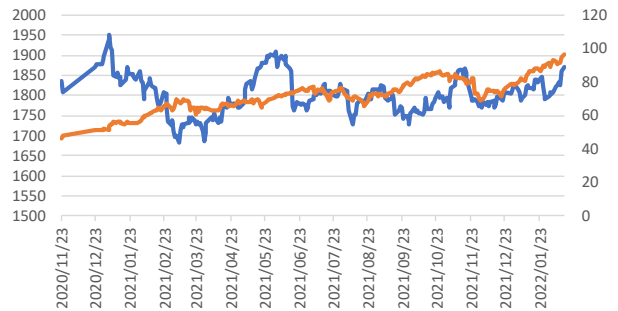
USD Index



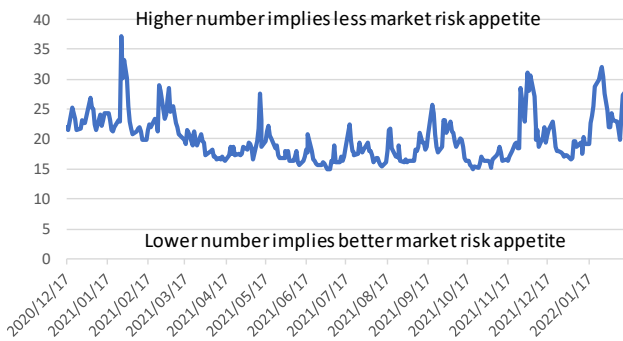
Base metals - Copper L_Hand axis LME Index R_Hand axis



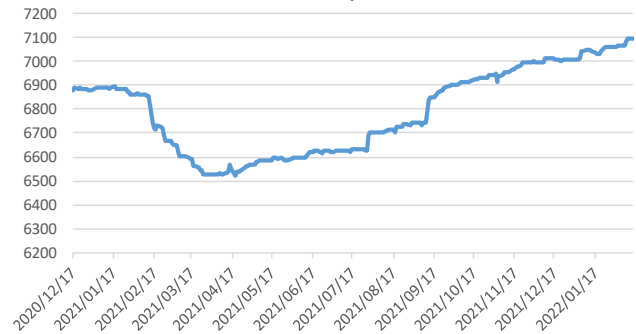
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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