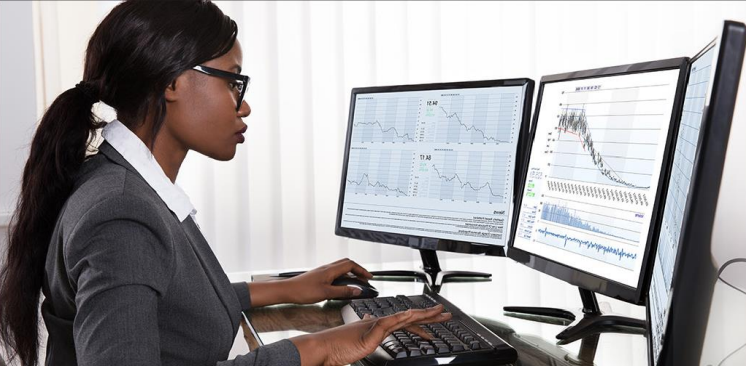


Botswana Market Watch

22 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	Botswana to place BWP6bn 7-Day certificates			
14:00	US	House price index m/m	Dec	1.00%	1.10%
14:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Dec	18.30%	18.29%
14:45	US	Markit PMI manufacturing	Feb P	56,00	55,50
14:45	US	Markit composite PMI	Feb P		51,10
14:45	US	Markit services PMI	Feb P	53	51,20
15:00	US	Consumer confidence	Feb	110,00	113,80
15:00	US	Richmond Fed manufacturing index	Feb	9,00	8,00
14:00	US	House price index m/m	Dec	1.00%	1.10%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	Russian President signed a decree recognising Donetsk and Luhansk as independent and entered both regions with tanks and other military personnel	This now constitutes an invasion, and the West will impose sanctions on Russia in the coming days	5/5 (geopolitics, economy, markets)	This places Ukraine in an awkward position to defend its sovereignty by fighting for two regions they didn't control and that identify as Russian. The response may stop at sanctions
Stock markets	Across the board, stock markets are well down, and the rotation across into safer haven bond markets has already begun	Risk appetite has collapsed, and how the West responds to Russia will be key	5/5 (economy, markets)	The initial response from the UN Security Council will likely be the imposition of hard-hitting economic sanctions
UN Security Council	The council held an emergency meeting overnight in New York to address the crisis in Ukraine. The US will announce its sanctions today, and others will follow	The UN's position in global geopolitics is now under scrutiny, and a strong response is needed	4/5 (geopolitics, economy)	Russian President has successfully deployed troops into another country's sovereign territory and will now face heavy economic consequences of the sanctions that will be announced
Factors on the Radar	What happened?	Relevance	Importance	Analysis
China tax cuts	China is set to unveil a new set of tax cuts and disbursements to local governments in a bid to prop up the economy	This will help offer some positive growth news amid all the uncertainty	4/5 (markets)	China's economy has been sluggish by its standards, and while it is mindful of the debt overhang, it is committed to reflating its economy
Ukraine - Russia	Following the Russian troop invasion into Eastern Ukraine's rebel-held regions, sanctions against Russia will follow that will hold implications for Europe	Russia's response to the sanctions could be key if it leverages off its gas pipeline into Europe	5/5 (geopolitics, economy, markets)	This holds the potential to become a lot more disruptive for the European economy and will emphasise the need for Europe to diversify its energy needs away from Russian gas supply
Central Banks	Central banks will not have had a Russian invasion and a big stock market collapse as their core scenario and will likely look to soften the blow by softening their communication on tightening	Central banks will need to proceed carefully if they do not wish to exacerbate a difficult environment	4/5 (markets)	If stock markets needed a good reason for a correction from lofty levels, this development would provide it. Whether that constitutes the end of the surge in global markets is up for debate, with the global economy primed to grow

Highlights news vendors

- CNBC - [Putin orders forces into rebel eastern Ukrainian regions after recognizing their independence](#)
- ALL AFRICA - [China and Africa - Ethiopia Case Study Debunks Investment Myths](#)
- FT - [Crude price surges above \\$97 as Putin orders troops into Ukraine](#)
- SOUTH CHINA POST - [High alert warning to China citizens in Ukraine as crisis escalates](#)
- REUTERS - [Markets brace for heavy falls as Russia-Ukraine crisis escalates](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.263744	1.272192	1.2880974	1.364956
BWPUSD	0.083232	0.093496	0.084836	0.089713
GBPGBP	16.203512	16.306576	15.852955	15.365812
BWPEUR	0.079768	0.080288	0.0753578	0.078744
JPYBWP	10.3376	10.4	9.76605	10.175
USDZAR	14.575872	15.804568	14.917494	15.46264225
EURUSD	1.084704	1.1752	1.1101268	1.149775
GBPUSD	1.304256	1.413776	1.3348245	1.3831895

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0867	-0.0002	1m	-2.452125	-11.90689
BWPGBP	0.0637	-0.0002	3m	-8.112	-38.88932
BWPEUR	0.0766	0.00	6m	-16.263	-79.28944
BWPZAR	1.3112	0.0118	12m	-34.91475	-205.1628

Forward Foreign Exchange

Dollar Index	96.216	0.138
EURUSD	1.1298	-0.0012
GBPUSD	1.3587	-0.0011
USDJPY	114.69	-0.05
USDNGN	415.37	0
USDZAR	15.1846	0.0614

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	1.551	0	SA 10y	9.075	0.005
3y	3.88	0	US 10y	1.9268	-0.0416
5y	5.89	0.04	German 10y	0.205	-0.028
20y	8.46	-0.04	Spread SA 5y vs Bots 5y bpts	181	1.5
22y	8.53	-0.02			

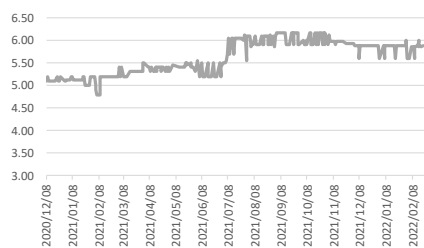
International Fixed Income

Equities	Close	Change	Commodities	Close	Change
VIX	27.75	0	Gold	1905.6348	7.7668
Dow Jones	34079.18	-232.85	Brent Crude	95.39	1.85
FTSE	7484.33	-23.75	3m Copper	9898	-58
JSE All share	75528.46	213.65	LME Index	4808.4	-4.1
Bots DCIBT	7149.17	16.15	1 carat index	Invalid RIC.	#VALUE!
Nigeria Index	47233.91	37.84			

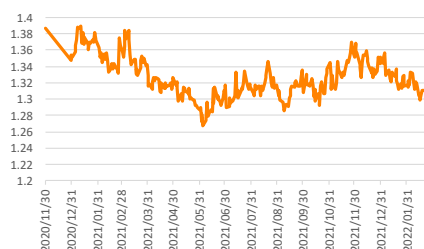
Spot BWP



BWP 5y local bond yield



BWP-ZAR



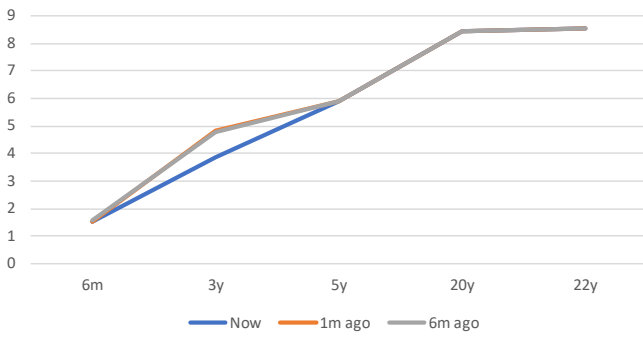
Local and regional talking points

- The state-run diamond trader, Okavango Diamond Company reported record revenue in 2021 with sales running wild as the market recovered from the COVID-19 induced slump. The company reported sales of \$963m in rough diamonds which is the highest since the company began operating in 2021. Demand for diamonds has ramped up sharply with key markets such as the United States outperforming.
- Looking ahead, there are strong indications which suggest that the 2022 financial year is going to be as good if not better than 2021. De Beers has already pushed through one of its most aggressive diamond price increases in recent years which the market seems to have absorbed without any strain or complaints.
- This news is certainly welcomed with the government needing additional revenue to plug the holes in the budget caused by the COVID-19 pandemic and the various social programmes required to underpin the economy.

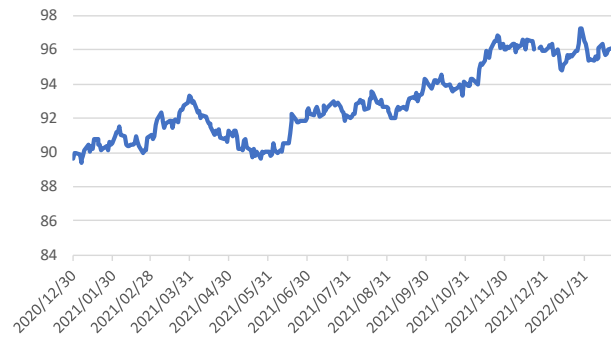
Financial Market commentary

- The focus for financial markets overnight is centred on the debacle between Russia and Ukraine as tensions heat up. There has been a broad-based rotation out of risky assets overnight as investors flock to safety after Russian President Vladimir Putin said he is recognising separatist republics in eastern Ukraine and has ordered the deployment of troops to the two breakway regions. The west has condemned the move, with both the US and Europe kicking off efforts to impose economic sanctions.
- The flight to safety has seen investors rotate into safe-haven assets such as US Treasuries as investors brace for the worst. While US Treasuries have recorded their worst start to the year in several decades, the benchmark 10yr yield has gapped lower this morning. Other safe-haven assets, including gold, are also bid this morning with the yellow metal clear of the \$1905.00/oz mark, while high beta assets such as Asian equities and US equity futures are a sea of red as the latest comments from Putin fuels bets Moscow is moving to take control of territory internationally recognised as part of Ukraine. Moreover, overnight developments have bolstered expectations that Russian forces will move closer to direct confrontation with Ukrainian soldiers.
- While a full-scale war hasn't yet started, the recognition of the two states, according to war experts, will likely see Russian soldiers deployed up to the border with the rest of Ukraine and will be seen as an act of aggression by the west. Bloomberg reported late on Monday evening that Putin has signed aid and cooperation pacts with separatist leaders at a Kremlin ceremony. In his address to Russians late on Monday, Putin said, "I consider it necessary to take the long-overdue decision to recognise the independence and sovereignty of the Donetsk People's Republic and the Luhansk People's Republic." This is the latest move from Putin to assert dominance over its former Soviet neighbour and prevent them from joining NATO. Although tensions have escalated overnight, a Russian invasion of Ukraine has not yet occurred. That said, we still expect a risk-off tone to prevail in the session ahead, given that the threat of an invasion has risen significantly.
- Moving on to the FX markets, it's a bit of a mixed bag this morning. The USD-ZAR is trading marginally higher clearing the R15.15 mark as we head into the EU open, while the AUD has recorded gains against the greenback. Safe haven currencies such as the JPY and CHF are finding favour while the dollar index is finding support above the 96.10 mark.
- The expectation is that local FX markets will open with a cautious undertone this morning. Risk appetite has certainly waned and investors will be mindful of this when trading the markets today.

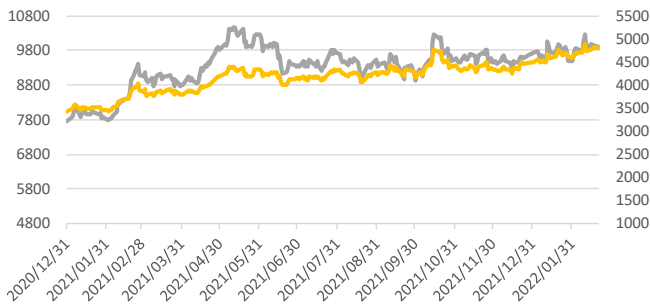
Botswana Yield Curve



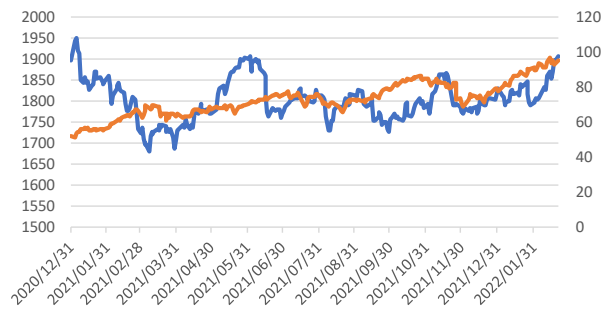
USD Index



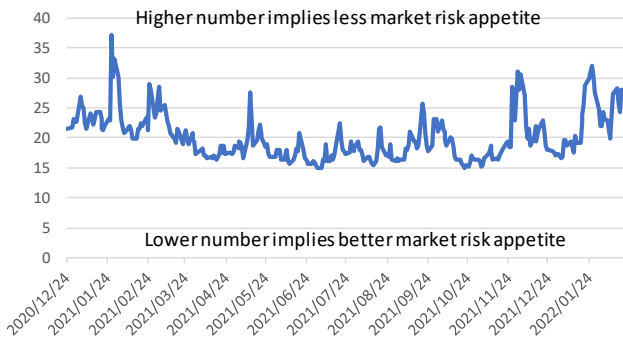
Base metals - Copper L_Hand axis LME Index R_Hand axis



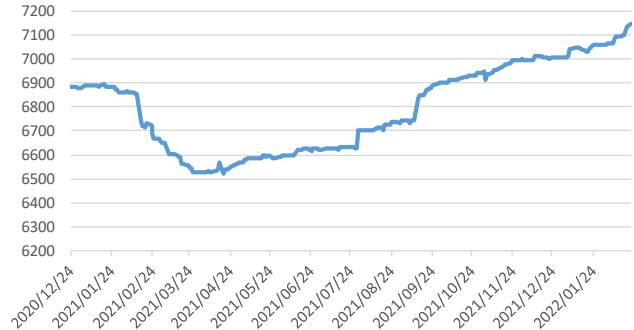
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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