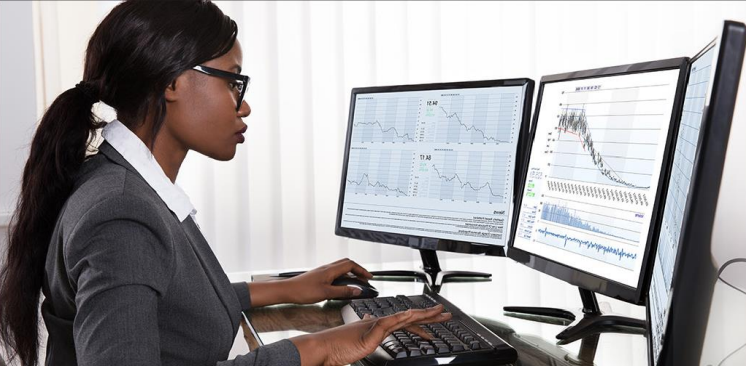


# Botswana Market Watch

## 23 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
07:00	<b>GE</b>	GfK consumer confidence	Mar	-6.20	-6.70
10:00	<b>EZ</b>	CPI y/y	Jan F	5.10%	5.00%
12:00	<b>US</b>	MBA mortgage applications	Feb 18		-5.40%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Ukraine – Russia</b>	In response to the occupation of Eastern Ukraine, the West has launched into hard-hitting sanctions on Russia that will punish the country economically	So long as an all-out war is avoided, financial markets may focus instead on supportive CBs	<b>5/5</b> (geopolitics, economy, markets)	Central Banks will likely soften their collective stance on tightening, which appears to be one of the dynamics that financial markets appear to be trading on at the moment
<b>RBNZ</b>	New Zealand's central bank hiked rates 25bp to 1.00% and even considered a 50bp hike while also planning on reducing its bond holdings	This is yet another central bank looking to unwind ultra-loose monetary policy and normalise	<b>4/5</b> (economy, monetary policy)	The RBNZ is often seen as a leading indicator of how larger developed economy central banks will behave. The developments in Ukraine are, however, adding some complication
<b>Oil prices</b>	Although still well-elevated and eyeing the \$100pb mark, the oil price has retreated off its recent highs on news that sanctions did not target the oil market	While this offers some relief, that does not prevent Russia from leveraging off its position	<b>4/5</b> (geopolitics, economy)	Oil prices are unlikely to stage a full retreat until the risk to supply dissipates and that is unlikely to happen for a while still. Furthermore, a global recovery remains on track, with CBs supporting

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>EU Banks</b>	Although the prospect of sanctions will be targeted principally at hurting Russia, there are many banks in the EU exposed to Russia	The fallout from Russian banks could hold consequences for some of the EU's biggest banks	<b>4/5</b> (markets)	The prospect of difficulties in cross-border loans and liquidity could result in some losses that EU banks will need to navigate. Some of the negative consequences will extend to the EU
<b>Ukraine – Russia</b>	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	<b>5/5</b> (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 Russia's gas supply
<b>BoE</b>	The BoE has confirmed that it will hike further in the coming months but that the developments in Ukraine have clouded the longer-term outlook	Central banks will want to tackle the inflation spike but will remain sensitive to the GDP outlook	<b>4/5</b> (monetary policy, markets)	The BoE reflects the views of the Fed and especially the ECB in "normalising", and the expectation is that the central banks will be less convinced of the need to tighten aggressively

### Highlights news vendors

**CNBC** - [Russia's Ukraine incursion could complicate the Federal Reserve's interest rate decisions](#)

**ALL AFRICA** - [Nigerian Activists Push Buhari to Sign Election Reform Bill](#)

**FT** - [West's first wave of Russia sanctions 'just the beginning'](#)

**SOUTH CHINA POST** - [Why Australia's release of sonobuoys is making China 'nervous'](#)

**REUTERS** - [West unveils sanctions with more ready if Russia launches full-scale Ukraine invasion](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.257408	1.263168	1.2816393	1.355274
BWPUSD	0.08352	0.093496	0.0851295	0.090022
GBP/BWP	16.192072	16.252704	15.841763	15.315048
BWPEUR	0.079872	0.080184	0.075456	0.078642
JPY/BWP	10.4104	10.4416	9.834825	10.2157
USDZAR	14.4528	15.67488	14.791538	15.33576
EURUSD	1.087008	1.178008	1.1124848	1.15252225
GBPUSD	1.304832	1.413984	1.335414	1.383393

Interbank Spot Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.087	0.0003	1m	-2.60325
BWPGBP	0.064	0.0003	3m	-8.0145
BWPEUR	0.0768	0.00	6m	-16.21425
BWPZAR	1.3099	0.0045	12m	-34.749

Forward Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.087	0.0003	1m	-12.15008
BWPGBP	0.064	0.0003	3m	-39.22085
BWPEUR	0.0768	0.00	6m	-79.90704
BWPZAR	1.3099	0.0045	12m	-205.9141

Dollar Index

Dollar Index	96.053	0.028
EURUSD	1.1324	-1E-04
GBPUSD	1.3592	0.001
USDJPY	115.01	-0.07
USDNGN	415.39	0
USDZAR	15.0556	-0.0002

Local Fixed income

Yield curve	Close	Change	SA 10y	US 10y	German 10y
6m	1.548	-0.003	9.165	0.09	
3y	4.75	0.87	1.9442	0.0174	
5y	5.85	-0.04	0.243	0.038	
20y	8.48	0.02	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.02	183.5	2.5	

International Fixed Income

	Close	Change
Gold	1898.1344	-7.5004
Brent Crude	96.84	1.45
3m Copper	9915	17
LME Index	4831.7	23.3
1 carat index	Invalid RIC.	#VALUE!

Equities

	Close	Change
VIX	28.81	1.06
Dow Jones	33596.61	0
FTSE	7494.21	-29.29
JSE All share	75653.84	-839.88
Bots DCIBT	7167.96	16.16
Nigeria Index	47246.9	93.43

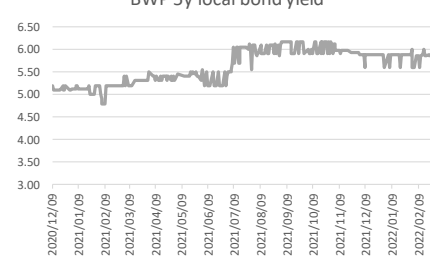
Commodities

	Close	Change
Gold	1898.1344	-7.5004
Brent Crude	96.84	1.45
3m Copper	9915	17
LME Index	4831.7	23.3
1 carat index	Invalid RIC.	#VALUE!

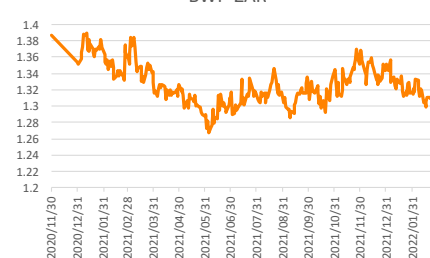
Spot BWP



BWP 5y local bond yield



BWP-ZAR



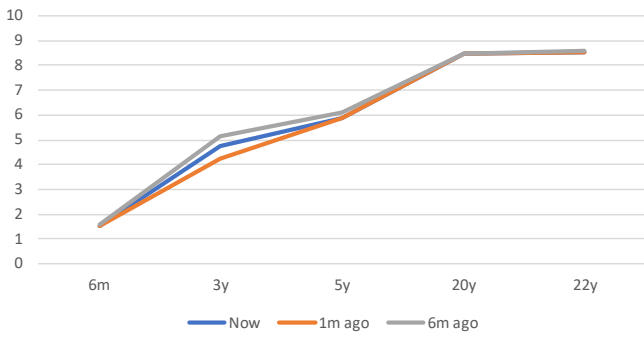
## Local and regional talking points

- News flow locally is on the thin side ahead of tomorrow's Bank of Botswana decision on rates. This morning, focus is very much on international developments surrounding the rising tensions in Eastern Europe while regionally South Africa's Finance Minister presents the annual budget today.
- It has become an important event on the SA economic events calendar because it sets out the government's plans on managing the economy and whether much-needed reforms will be forthcoming. This holds the potential to fuel even more optimism in SA's outlook and the attraction of its bond market or plunge it into greater difficulty.
- Tax collections have surpassed the original forecasts as commodity prices ran hot throughout 2021. Many analysts have openly stated that they hope South Africa puts the unexpected windfall to good use, for example paying down Eskom's debt pile, rather than spend it on increasing the size of government.

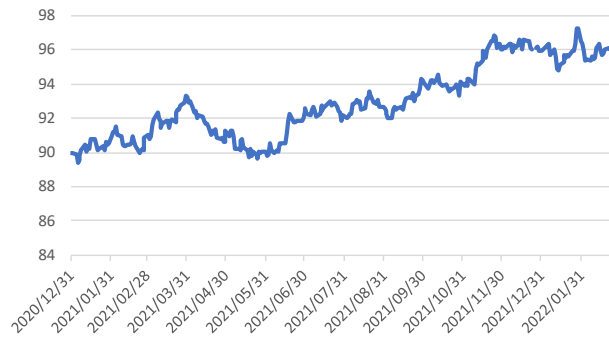
## Financial Market commentary

- It would appear that geopolitical tensions and the prospect of war in Ukraine are not enough to detract from the appeal of some emerging market currencies and bonds. Traders are positioning for the possibility that Russia's aggression will be contained to the occupation of separatist regions in Eastern Ukraine and that the sanctions imposed by the West imply that an all-out war might still be averted.
- Furthermore, the Fed has indicated that Russia's invasion of Ukraine and the financial market volatility that it has caused could complicate the central bank's decision making. The Fed will not be alone, and other central banks will also become sensitive to the idea that the geopolitical tensions could detract from global growth and undo much of the work the ultra-accommodative monetary policies have done. The result is that equity markets in Asia are much better off this morning and posting gains.
- This would not be out of character for financial markets that have historically rallied at the onset of war-like conditions. The reason is the supportive conditions created by a combination of more expansive monetary and fiscal policies. This time will be no different if investors position for a Fed, and other central banks, that continue to boost their respective economies through another phase of uncertainty.
- In terms of base metals, the narrative is the same today as it was yesterday. Aluminium and Nickel remain the outperformers in the base metal counters as both metals are strongly linked to the unfolding crisis in Eastern Europe. Russia is a significant supplier of both metals to the world markets and the threat additional sanctions will be front of mind for most investors. There are those that believe that these metals will be spared should the West enact sanctions against Russia given the historically low inventory levels for both metals. For now, we cannot make a clear call and thus expect the topside pressure to remain in place, potentially accelerating should tensions between Russia and the West escalate further.
- Moving on to the FX markets, the USD has drifted back into its familiar trading range and adopting very little directional momentum. Although a safe-haven bid will backstop the USD, it is notable that this has not been enough to propel the USD into a new bull run. Investors' focus will now turn to the Fed, and the possibility that it may turn less hawkish on developments in Ukraine. The Fed will be concerned about the impact of geopolitical tensions. Sanctions on Russia could generate some retaliation and induce more financial market volatility and another headwind to global growth.
- The BWP-USD will remain anchored above the 0.0860 level in the interbank market with investors expressing a degree of caution given the international backdrop and the Bank of Botswana decision on rates tomorrow.

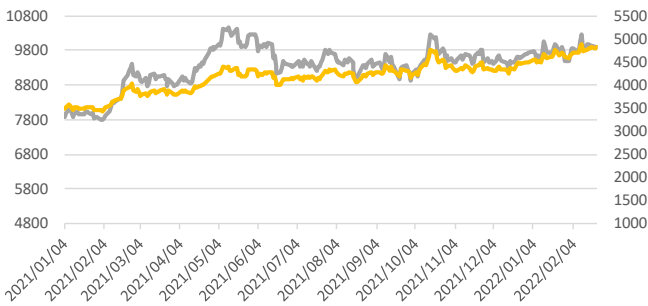
Botswana Yield Curve



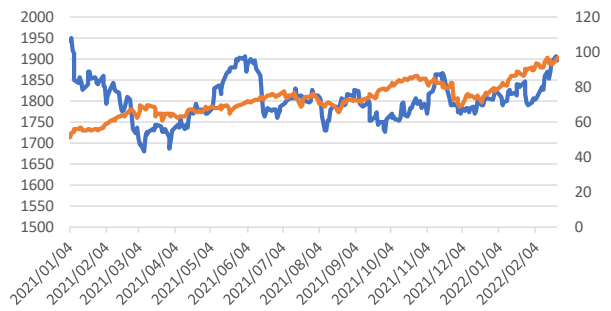
USD Index



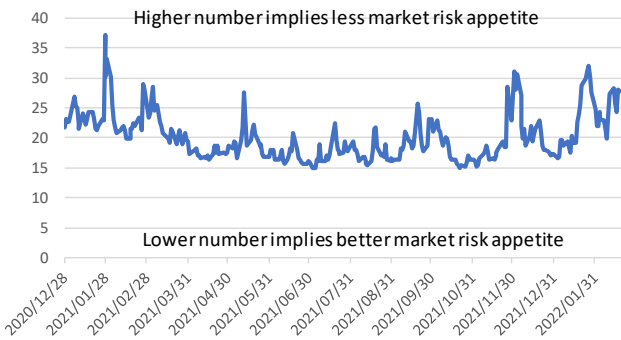
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



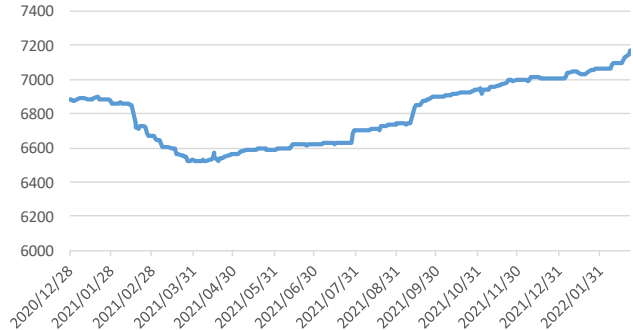
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

Mogamisi Nkate  
Phillip Masalila  
Kefentse Kebaetse  
Mompoloki Keseabetswe  
Amogelang Themba  
Tshwanelo Bogale  
Pearl David

## Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.