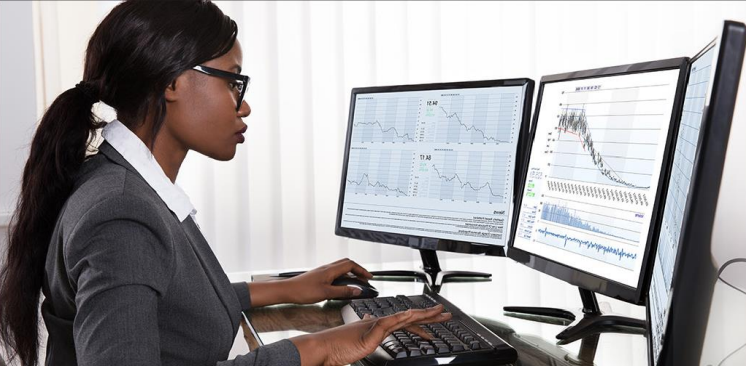


Botswana Market Watch

25 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	Botswana to place BWP 750m 91-Day Certificates			
12:00	BW	Botswana to place BWP 750m 182-Day Certificates			
12:00	BW	Botswana to place 200m 5.5% 2027 Bonds			
12:00	BW	Botswana to place 200m 5.3% 2043 Bonds			
12:00	BW	Botswana to place 100m 7.75% Bonds			
09:00	EZ	M3 money supply sa y/y	Jan	6.70%	6.90%
13:30	US	Durable goods orders m/m	Jan P	0.60%	-0.70%
13:30	US	PCE core y/y	Jan	5.10%	4.90%
15:00	US	Michigan consumer confidence	Feb F	61,70	61,70
15:00	US	Pending home sales y/y	Jan		-6.60%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine – Russia	Ukraine's capital of Kyiv has been struck by "horrific Russian rocket strikes", and it will only be a matter of time before Russia has taken full control	It may be too late to stop the invasion and Russia taking control, and sanctions are not a deterrent	5/5 (geopolitics, economy, markets)	Isolation of Russia's economy in recent years has rendered it far more resilient, and sanctions will therefore take some time to have any effect at all. Regional instability will follow
Stock markets	Stock markets made a stunning recovery after plunging at the opening of yesterday's trading session. Implies investors will look through current volatility	It is likely that cheap valuations will win vs fear and that any sell-offs will present great buying opportunities	4/5 (markets, economy)	Despite all the risks, the amount of stimulus applied in recent years is enormous and will still reflect in higher stock markets strong earnings to help justify current valuations
Crypto	As the central bank of Ukraine suspends all digital transfers in a crackdown, Ukrainians are making use of cryptocurrency	It highlights the use of a currency that is decentralised and out of official control	4/5 (economy, markets)	This may help facilitate normal daily activity in a way not previously possible and potentially render Ukrainians more resilient than might've been the case

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia Sanctions	In the coming days, we will fully understand the length and depth of the sanctions that will be imposed on Russia and whether they will have any effect	Crippling the Russian economy will test Putin's popularity and control but may not change the outcome	4/5 (geopolitics, economy)	Sanctions are imposed after the fact, so the damage is already done. Knowing what sanctions might be imposed, Putin obviously felt the rewards would be worth the cost
Oil prices	The oil price had at one point surged impressively, with Brent crude trading above 105 yesterday. That reversed on news that strategic reserves may be released as an interim measure	The effect would be to help contain the rise in oil prices and mitigate the effect on inflation and household finances	5/5 (economy, markets)	Pressure will also build on OPEC to do more to help offset any shortfall in Russia as sanctions start to bite and demand outstrips supply. The release of strategic supplies only offers interim support
China – Taiwan	There are fears that the invasion of Ukraine has given China some perspective on what to expect from any invasion of Taiwan, as Taiwan reported Chinese aircraft in its airspace	China views Taiwan as its territory and has warned that foreign interference in its domestic affairs will not be tolerated	4/5 (geopolitics)	There is no suspicious build-up of troops in China, but it has not gone unnoticed that China has not condemned Russia for its invasion of Ukraine and will be paying close attention to the impact of sanctions on the Russian economy



Highlights news vendors

CNBC - [Russia pounds Ukraine as U.S. and European sanctions mount](#)

ALL AFRICA - [Mozambique's Insurgency Spreading to Other Provinces - Study](#)

FT - [Ukraine latest: World's largest chipmaker pledges to comply with US sanctions against Russia](#)

SOUTH CHINA POST - ['Prime target' Ukraine president vows to stay in Kyiv as Russian troops advance](#)

REUTERS - [Asian shares rebound but markets eye long-term Russia-Ukraine risk](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.255392	1.260288	1.2795845	1.352184
BWPUSD	0.082272	0.093496	0.0838575	0.08858
GBP/BWP	16.248232	16.306264	15.896708	15.365518
BWPEUR	0.079352	0.079664	0.0749648	0.078132
JPY/BWP	10.2648	10.3064	9.697275	10.083425
USDZAR	14.648352	15.875288	14.991673	15.53183225
EURUSD	1.0776	1.167816	1.1028563	1.14255075
GBPUSD	1.28976	1.397656	1.3199888	1.36741825

Interbank Spot Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0857	-0.0012	1m	-14.91883
BWPGBP	0.0641	-1E-04	3m	-41.55938
BWPEUR	0.0766	0.00	6m	-84.25055
BWPZAR	1.316	0.0048	12m	-208.9266

Forward Foreign Exchange

Dollar Index	96.847	-0.29
EURUSD	1.1225	0.0034
GBPUSD	1.3438	0.0063
USDJPY	115.15	-0.37
USDNGN	415.39	0
USDZAR	15.2586	-0.0968

Local Fixed income

Yield curve	Close	Change	SA 10y	US 10y	German 10y	Spread SA 5y vs Bots 5y bpts
6m	1.55	0.001	9.445	2.808	0.171	189.5
3y	3.5	-1.25	1.9703	-0.0279		-0.5
5y	6	0.15				
20y	8.5	0				
22y	8.55	0				

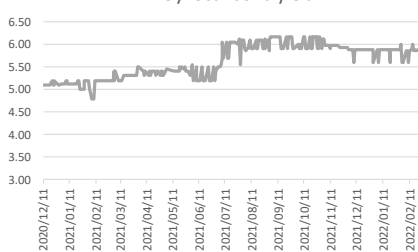
International Fixed Income

Equities	Close	Change	Commodities	Close	Change
VIX	30.32	-0.7	Gold	1903.144	-4.4054
Dow Jones	33223.83	-464.85	Brent Crude	99.08	2.24
FTSE	7207.38	3.97	3m Copper	9864	-2
JSE All share	73697.11	-666.79	LME Index	4864.4	53
Bots DCIBT	7180.07	0	1 carat index	Invalid RIC.	#VALUE!
Nigeria Index	47272.04	-39.63			

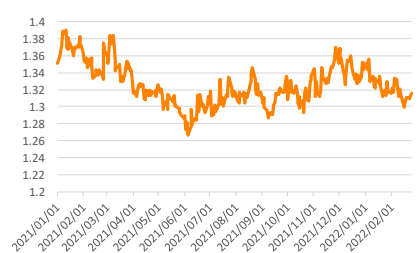
Spot BWP



BWP 5y local bond yield



BWP-ZAR



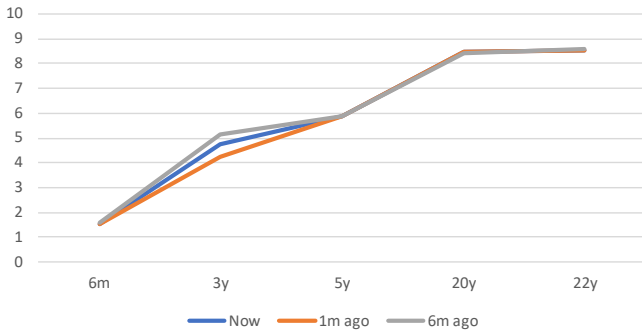
Local and regional talking points

- The Bank of Botswana gave its verdict on interest rates yesterday and decided that remaining unchanged at 3.75% was the best course of action for the economy. The decision came even as the bank stated that risks to inflation remain skewed to the upside although they once again affirmed that they do not expect inflation to be persistently above the medium term objective range of 3-6%.
- The BoB expects prices to fall in the second quarter of 2022 and returning to the target range by the third quarter of 2022.
- Although the risks to inflation are to the upside, the bank pointed out that the risks are likely to be moderated by the possibility of weak domestic and global economic activity, with a likely further dampening effect on productivity due to periodic lockdowns and other forms of restrictions in response to the emergence of new COVID-19 variants.
- The next MPC meeting will take place on the 28th April 2022.
- It is against this backdrop that Gaborone will be coming to the debt capital markets with bonds across the curve. The problem for many local investors is that the yields on offer are deeply negative when compared to inflation. Granted the BoB expects these to moderate, and investors by their very nature are forward looking, but it will be interesting to see whether or not there is indeed appetite for taking on government issuance under these conditions.

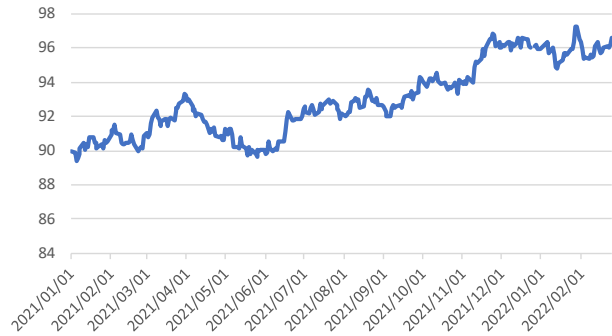
Financial Market commentary

- Financial markets will be difficult to trade until the dust has settled on global geopolitics that for now remain fraught with uncertainty. Strong crosswinds dominate, as the fear of war in Europe contrasts starkly with the buying opportunities a sharp sell-off in assets offers investors, brave enough to believe that the world will recover, and the effects of all the stimulation applied in previous months will eventually manifest in higher asset prices.
- The USD-ZAR has been caught up in these crosswinds in the past few trading sessions, and if one can avoid trading such a wild market, one should. It is clear that volatility will be with us for a while to come and that such volatility makes directional momentum difficult to identify. What is unfolding has precious little to do with anything fundamental, and applying traditional analysis is not helpful. Therefore, position-taking has become a lottery, and trading is nothing more than speculative.
- Moreover, investors will not understand the full consequences of Russia's invasion of Ukraine for a long time to come. It will affect monetary and fiscal policies, change defence budgets across Europe, alter geopolitical strategies for decades to come, impact commodity prices, especially oil, and likely influence how Europe and the world choose to utilise energy. This event will likely prove a catalyst for some deep-rooted changes that will probably have far-reaching consequences not yet understood.
- Overnight, the stunning recovery in US equity markets has brought some calm to risk markets, and the ZAR has made an impressive recovery which will likely filter through the BWP aiding in underpinning the currency ahead of the 0.0860 mark in the interbank market.
- Ahead of the weekend when so much could change implies that neutral positions will likely be favoured, which is prudent. The sharp sell-off that followed news of Ukraine's invasion could easily unwind. Investors are urged not to trade on the panic or take any long-term decisions on currency hedging until some normality returns to trading behaviour.

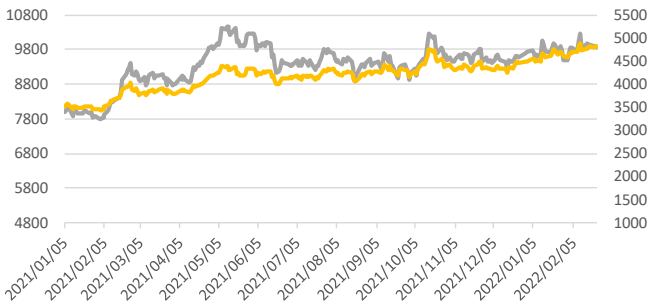
Botswana Yield Curve



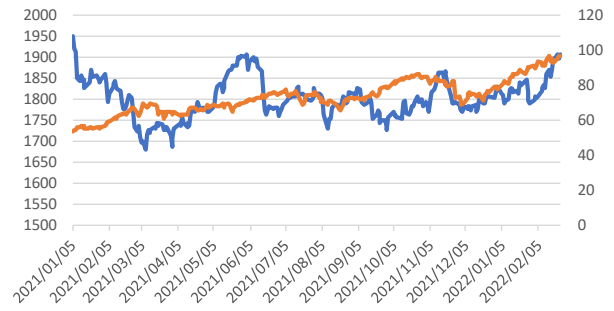
USD Index



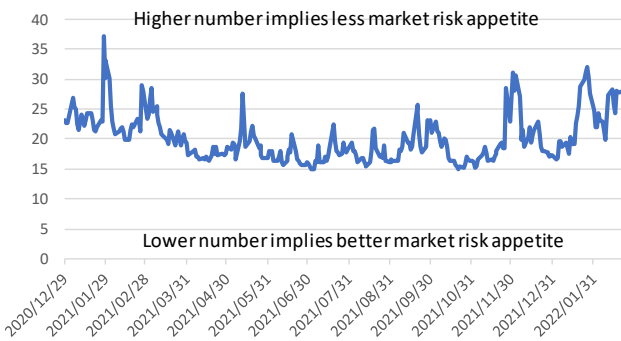
Base metals - Copper L_Hand axis LME Index R_Hand axis



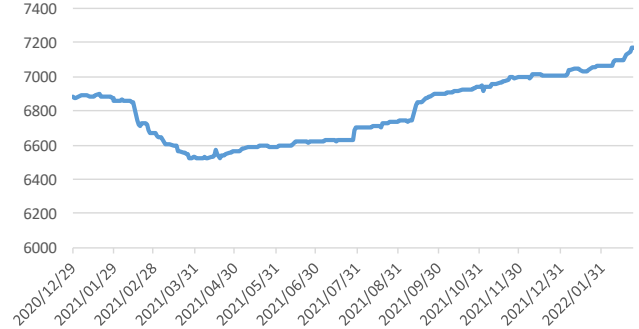
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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