

Botswana Market Watch

21 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
07:00	BW	Bloomberg economic survey	Jan	24.00%	24,2%
08:30	GE	Producer prices y/y	Feb P	59,3	59,8
09:00	EZ	Markit/BME manufacturing PMI	Feb P	58,5	58,7
09:30	GB	Markit manufacturing PMI	Feb P	57	57,3
Factors Overnight	What happened?	Relevance	Importance	Analysis	
Chinese house prices	China's new home prices rose the most since Sep m/m, as demand within the big cities picks up. That said, in y/y terms, prices rose at the slowest pace since 2015	28 out of 70 cities reported increases vs just 15 in Dec, suggesting a slight improvement	2/5 (economy)	There is a long way to go for this sector to stabilise given the high debt levels that exist and the difficulties with oversupply that played such a big role in negatively impacting Evergrande	
Japanese PMI	Japan's IHS Markit February flash manufacturing PMI fell to 52.9, which marks a five-month low from the reading of 55.4 in Jan	Although less robust output, the reading remains above 50 and still expanding	3/5 (economy, monetary policy)	Rising prices and material shortages remain a restraint on the manufacturing sector that continues to struggle in sustaining strong expansion	
Fedspeak	Fed speakers on Friday poured cold water on recent talk by St Louis Fed President Bullard that as much as a 50bp rate hike could be seen in March	The Fed's stance has been one of a gradual tightening and most on the FOMC will likely default to that	3/5 (monetary policy)	Bullard may well find himself as the hawk of the FOMC, and while he might tilt the scales in favour of more, rather than less tightening, it does not appear that his stance is widely held	
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
UK Covid restrictions	On Monday, Prime Minister Johnson will announce plans to scrap the remaining Covid restrictions as part of the "living with Covid" strategy	This will unshackle the UK economy to recover fully and may lead to other countries following	4/5 (economy, economic policy)	It is a bold step by a world leader and one that will draw some criticism. But more importantly will be closely watched. If successful could lead other countries to do the same	
Ukraine standoff	US President Biden has agreed to meet with Russian President Putin "in principle" on the condition that he has not yet invaded Ukraine	It is a clear sign that diplomacy efforts have not yet been exhausted or that all is lost	5/5 (geopolitics)	This is an extension of the guidance given by US Secretary of State Blinken last week. We maintain that it is in neither party's interest to go to war and suffer all the economic consequences	
Slow start to the week	Both the US and Canada are enjoying a long weekend which will see financial markets enjoy a more lethargic start to the week	Lower liquidity out of the US may see position sizes more generally contained	3/5 (markets)	That will not prevent a larger move from taking place if there is any significant breaking news but could lead to some consolidation up front	

Highlights news vendors

CNBC - [Biden agrees to meet with Putin 'in principle' if Russia has not invaded Ukraine](#)

ALL AFRICA - [Nigeria Military Airstrikes Kill Seven Children in Niger](#)

FT - [Biden and Putin agree 'in principle' to Ukraine summit](#)

SOUTH CHINA POST - [Hong Kong to mobilise police with task force to prepare for mass Covid testing](#)

REUTERS - [Wall St Week Ahead Surging oil prices add another worry for frazzled investors](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.25664	1.26096	1.2808565	1.352905
BWPUSD	0.083424	0.093496	0.0850317	0.089713
GBPWP	16.259152	16.301272	15.907392	15.360814
BWPEUR	0.07956	0.079768	0.0751613	0.078234
JPYWP	10.3896	10.4208	9.815175	10.19535
USDZAR	14.461056	15.684136	14.799987	15.34481575
EURUSD	1.090656	1.181648	1.1162183	1.1560835
GBPUSD	1.307232	1.416584	1.3378703	1.38593675

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0869	-0.0002	1m	-2.613	-11.67306
BWPGBP	0.0639	0	3m	-8.112	-38.88932
BWPEUR	0.0767	0.00	6m	-16.25325	-78.67257
BWPZAR	1.3103	0.0034	12m	-34.89525	-204.4122

Forward Foreign Exchange

	Close	Change
Dollar Index	95.862	-0.181
EURUSD	1.136	0.0039
GBPUSD	1.3616	0.0026
USDJPY	114.98	-0.02
USDNGN	415.37	0
USDZAR	15.0653	-0.0131

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	1.551	0.003	SA 10y	9.075	0.005
3y	3.88	-0.21	US 10y	1.9268	-0.0416
5y	5.85	-0.04	German 10y	0.205	-0.028
20y	8.5	0.04	Spread SA 5y vs Bots 5y bpts	179.5	8
22y	8.55	0.02			

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	27.75	-0.36	Gold	1897.868	0.5983
Dow Jones	34079.18	-622.24	Brent Crude	93.54	0.57
FTSE	7513.62	-66.41	3m Copper	9956	27
JSE All share	76368.34	-347.9	LME Index	4812.5	8.8
Bots DCIBT	7133.01	17.36	1 carat index	6797	-227
Nigeria Index	47140.48	-6.61			

Commodities

Local and regional talking points

- The African Free Trade Agreement remains a strategic priority for the continent as a whole with the traditional trading pattern being one of the export of raw materials and the importation of finished goods, equally intra-country trade has been difficult, plagued by red tape and poor infrastructure.
- Botswana's negotiation team at the Ministry of Trade and Industry have stated that the country is a few months away from finalising the discussions which will see Botswana ratify the African Continental Free Trade Agreement. As it stands, Botswana is one of 13 counties left on the continent to sign the agreement which was sealed by the majority of African countries in Rwanda in 2018. [\(please click here for further insights into the structure of the deal\)](#)
- In terms of the week ahead, The Bank of Botswana meets this Thursday. All eyes will be on the MPC who may find it difficult to hold rates at current levels given the economic backdrop that the world faces. Inflation is rampant across the globe and there are no signs of moderation with commodity prices remaining elevated. Friday we have the bond auction, as mentioned on Friday, appetite in times of risk tends to favour bonds of shorter duration so it will be interesting to see the take up of the issuance across the yield curve.
- In terms of South Africa, it is an important week in that the Budget will be released, and investors will learn the degree to which the SA government will commit to reforms and can change the general trajectory of the economy. A lot can be done, but the political will to take some of the more challenging, less popular decisions has been lacking in recent years.
- So, it's a week that holds much promise but with an equal dose of uncertainty. While the ZAR technically still has the potential to drift stronger and sustain a break below the 15.00 handle, there is unlikely to be much directional momentum to speak of in the run-up to the budget and all it may bring. Barring any dramatic news out of Ukraine, the start of this week will likely be a fairly consolidatory one.

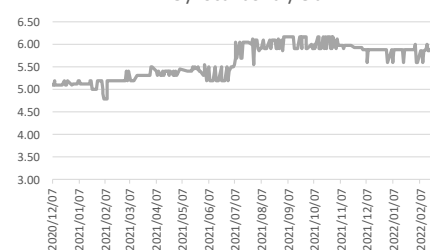
Financial Market commentary

- We start the new week in much the same way as the last one ended, with the world still firmly focused on developments in Ukraine and trying to work out the real risk of war. Investors chose to lock in some profits from any pre-existing short USD positions into the weekend, where so much was possible. This morning, we woke up to the news that US President Biden has agreed to meet with Russian President Putin on the condition that Russia has not yet invaded Ukraine.
- This is the first sign that diplomacy is still on the table and that Russia's invasion is not yet a foregone conclusion. Most investors remain sceptical of Russia's moves, but it has led to the gold price nudging a little lower off its highs, which at the margin will prevent the commodity currencies from appreciating significantly further vs the USD.
- The price of the front-month Brent contract is currently near \$93.60 per barrel, keeping to within the range between \$90 and \$95 that we have seen since late January. Investors are also tracking the news flow regarding the Iran deal, with German Chancellor Scholz suggesting that it is now or never to save the nuclear accord.
- With time running out and the negotiations picking up, it is looking likely that we will get some progress on the nuclear deal soon. As we have noted before, Iran returning to the market will add an additional 1mn barrels per day of oil output to the market over the next six to nine months. Therefore, we may see oil rise above the \$100 mark in the near term, but it will unlikely be able to sustain those gains for very long unless we get any other significant supply disruptions.
- Given this backdrop we expect a rather measured start for the local market as we enter the start of the trading week. There are a number of macro factors which will need to be unpacked before any firm direction can be taken.

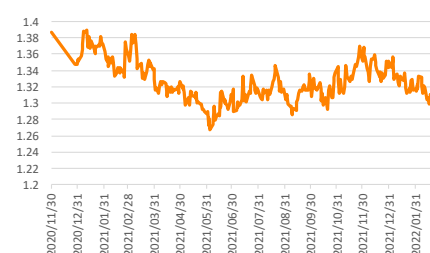
Spot BWP



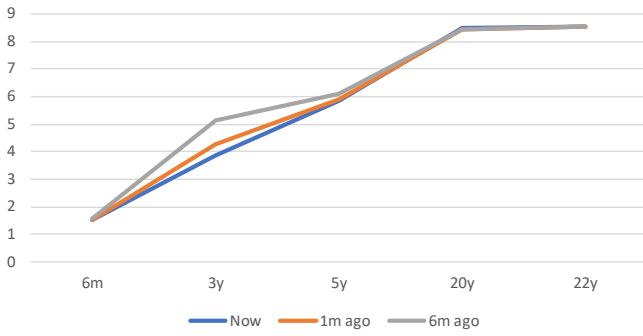
BWP 5y local bond yield



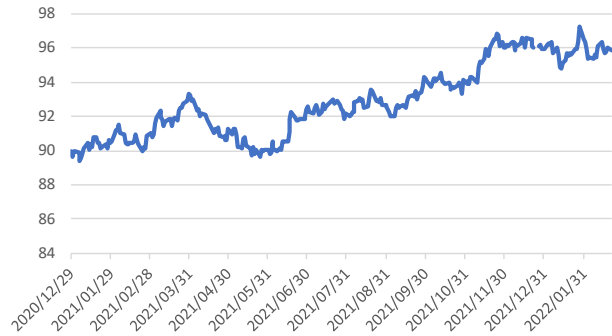
BWP-ZAR



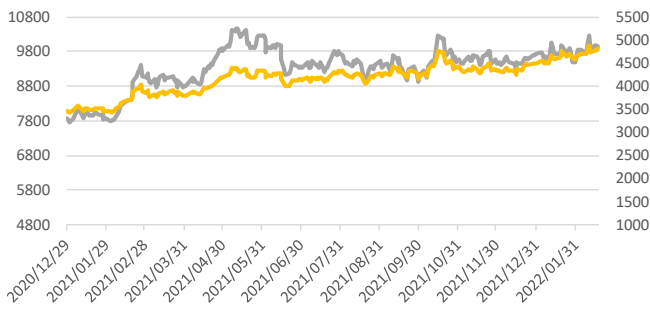
Botswana Yield Curve



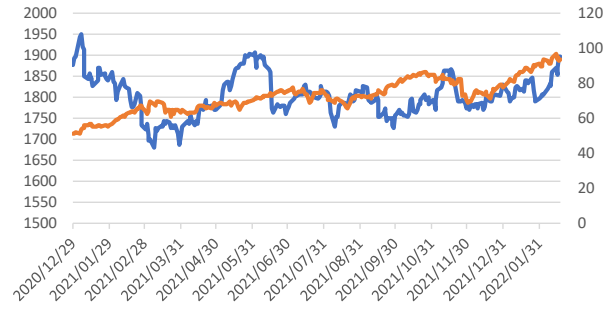
USD Index



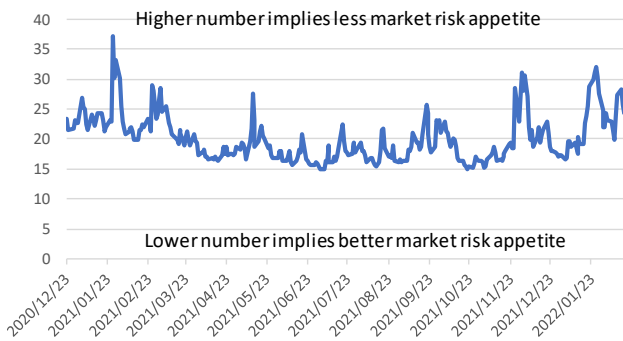
Base metals - Copper L_Hand axis LME Index R_Hand axis



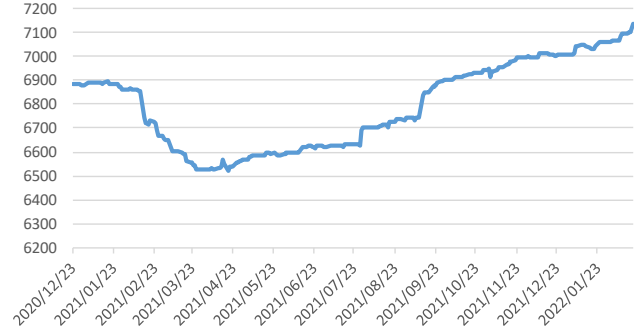
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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