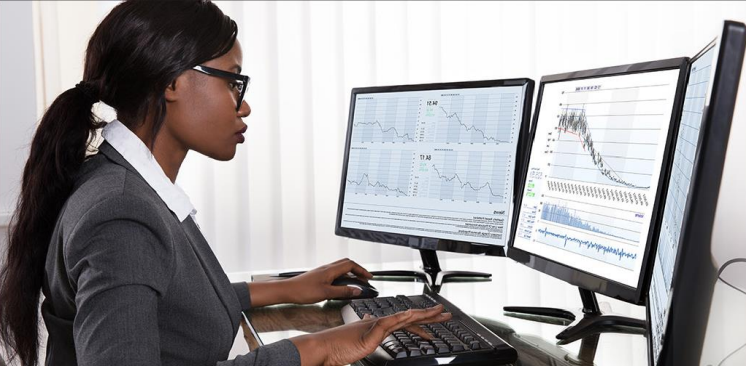


Botswana Market Watch

28 February 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
13:30	US	Wholesale inventories m/m	Jan P		2.20%
13:30	US	Advance Goods Trade Balance	Jan	\$-98,50bn	\$-100,96bn
14:45	US	Chicago PMI	Feb	62.00	65,20

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine – Russia	Russia has placed its nuclear deterrent forces on high alert in yet more action that will heighten tensions and elevate risk	The stakes are rising with each passing day and impacting market sentiment	5/5 (geopolitics, economy, markets)	Volatility across global markets has intensified, and all eyes will be on the geopolitical developments in Ukraine and how they continue to unfold
Stock markets	Stock markets closed on a firmer footing last week, making back much-lost ground, but futures are trading deep in the red this morning on news of Russia's nuclear escalation	The wild ride continues as investors try to gauge the full range of consequences for global markets	4/5 (markets, economy)	Today will see markets trade in the red and then follow geopolitical news for further direction on whether such selling will be sustained, intensified or reversed based on developments in today's Russian- Ukraine talks
More Russian sanctions	Countries have quickly moved to ban any air travel over their sovereign airspace for any Russian aeroplanes, civilian or otherwise	The pressure on Russia keeps building as it becomes increasingly isolated from the world	4/5 (economy, markets)	The Russian economy will be plunged into a very deep recession, and the wealth of the Russian population will be dealt an enormous and ultimately avoidable blow

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Ukraine – Russia war	A Russian delegation has asked to meet with Ukraine. It is unclear what will be discussed, but the Ukrainian leadership is not holding much hope	The outcome of today's meeting will likely govern market direction for the week ahead	5/5 (geopolitics, economy)	Russia may place an interesting option on the table that may include Ukraine backing away from NATO membership or offering to stop the war on a regime change. Ukraine will likely not agree
Oil prices	Oil prices continue to surge and will be prompting OPEC and holders of strategic reserves to take action so as not to derail the global economic recovery	Oil prices are single handily proving the biggest threat to global growth and a consequence of war	5/5 (economy, markets)	If the oil price can be contained, so will inflation to some degree as well as the recessionary forces that such high oil prices will impose on the global economy. This is key to global growth
Russian politics	Russia is being isolated, the war is not going to plan, propaganda is being countered, and the Russian people are clearly not in favour of this war	Putin is not only becoming isolated geopolitically but domestically as well as pressure builds	4/5 (geopolitics)	It is unclear whether this could be the end of the political road for Putin, but without control of the military, Putin is likely to find remaining in power increasingly difficult to do

Highlights news vendors

CNBC - [Putin orders Russian nuclear deterrence forces on high alert; Ukraine and Russia delegations to meet](#)

ALL AFRICA - [Central Bank Warns As Hard Times Trigger Influx of Fintech Banks](#)

FT - [List of sanctions imposed by the west against Russia over Ukraine invasion](#)

SOUTH CHINA POST - [UN plans two meetings as West condemns Putin nuclear order](#)

REUTERS - [Western businesses cut some Russia ties over Ukraine invasion](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.272576	1.277664	1.2970996	1.370827
BWPUSD	0.082848	0.093496	0.0844446	0.08961
GBP/BWP	16.029936	16.086824	15.683135	15.158738
BWPEUR	0.080496	0.080808	0.0760455	0.079254
JPY/BWP	10.3688	10.4104	9.795525	10.185175
USDZAR	14.745984	15.983656	15.091593	15.63785575
EURUSD	1.070016	1.1596	1.0950945	1.1345125
GBPUSD	1.281408	1.388296	1.311441	1.35826075

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0863	0.0006	1m	-2.81775	-15.26102
BWPGBP	0.0644	0.0003	3m	-8.1315	-41.89601
BWPEUR	0.0766	0.00	6m	-16.17525	-84.87396
BWPZAR	1.3064	-0.0035	12m	-34.125	-209.6816

Forward Foreign Exchange

	Close	Change
Dollar Index	97.368	0.753
EURUSD	1.1146	-0.0121
GBPUSD	1.3348	-0.0057
USDJPY	115.52	-0.04
USDNGN	415.39	0
USDZAR	15.3606	0.2225

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.548	-0.002	SA 10y	9.265	-0.18
3y	4.75	1.25	US 10y	1.9704	1E-04
5y	5.85	-0.15	German 10y	0.224	0.053
20y	8.5	0	Spread SA 5y vs Bots 5y bpts	192.5	3
22y	8.55	0			

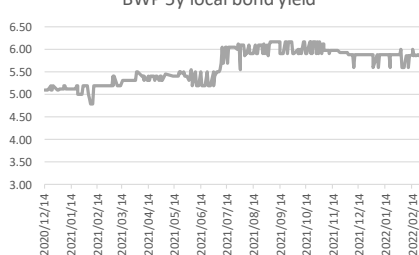
International Fixed Income

Equities	Close	Change	Commodities	Close	Change
VIX	27.59	-2.73	Gold	1887.5608	-15.5832
Dow Jones	34058.75	92.07	Brent Crude	97.93	-1.15
FTSE	7489.46	-290.8	3m Copper	9873	9
JSE All share	74205.69	-1289.94	LME Index	4840.4	-24
Bots DCIBT	7184.11	12.11	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47328.42	64.77			

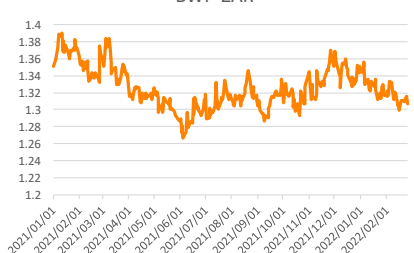
Spot BWP



BWP 5y local bond yield



BWP-ZAR



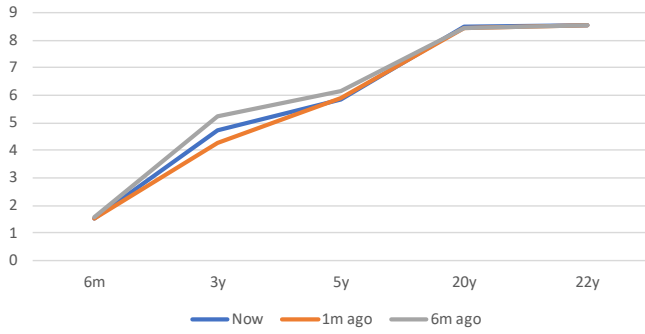
Local and regional talking points

- The transmission of monetary policy has been something the Bank of Botswana has been mulling over for some time as there has been a significant dislocation between the market prices and the cost of capital as seen in the bond market as well as the shorter dated bill market.
- The fact of the matter is that the 7-Day BoBC rate is anchored north of 11% while the key bank rate has been pegged at 3.75% since October 2022. The Bank of Botswana uses the weekly auctions of short dated paper to manage the liquidity levels and thus dictate the short term interest rates or price of money.
- It is thus not unexpected to see the Central Bank governor announce last week that there would be reforms in the pipeline which will include the replacement of the Key Rate with a Monetary Policy Rate that references the 7-Day Bank of Botswana Certificate yield.
- The BoB and Finance Ministry remain strongly committed to building a robust and sound financial market system which will allow the government to access international capital markets as well as encourage inward investment as the country moves towards its middle tier/diversified economy goals

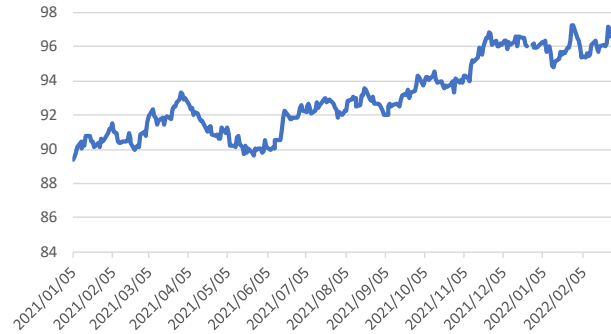
Financial Market commentary

- On Friday, we urged traders against adopting any significant positions one way or another due to the fluid nature of the geopolitical developments in Ukraine. In many ways, this is uncharted territory. The world may have seen war before, but not with the current degree of social networking to combat propaganda and mobilise resistance forces, internet connectivity that cannot be fully shut down and has facilitated constant communication, and easy access to satellite imagery. Russian President Putin has faced an immediate global backlash to his actions and is cutting an increasingly isolated, aggressive and desperate figure.
- Things are not going as planned in Ukraine. Russia's forces have not made the headway Putin had anticipated. Ukrainian resistance has been far more formidable than expected and has received more support than he would've imagined. Furthermore, sanctions upon sanctions announced over the weekend are aimed at financially carpet-bombing the Russian economy that has funded its war machine, and protests have sprung up in all corners of the globe. The pressure on all countries to respond to Russia's aggression will be taking its toll on the Russian population, which in itself appears to be responding with protest action even within Russia's borders, which is unprecedented.
- On the one hand, investors may see it as good news that so much is being done so quickly to pressure the Putin administration to stop its military action. However, on the other, it has forced Putin into retaliatory mode. In response to the actions of Europe and other global leaders, Russia has placed its nuclear deterrent forces on high alert. This further escalation may just be sabre-rattling by a desperate leader trying to scare his opposition to back down, but given his actions so far, any and all scenarios need to be considered, even the possibility of WW III.
- Such uncertainty is impacting heavily on market sentiment, with wild oscillations evident.
- Gold and US Treasuries have their safe haven bid very much in tact at the moment. The price of gold remains anchored above the \$1900.00/oz mark while the US 10yr is marked below the 1.9% level as we enter the EU open.
- The ZAR has weakened by 1.3% this morning already in Asia as emerging markets across EMEA take it on the chin. This is likely to make the local open difficult and we expect some pressure on the local unit.

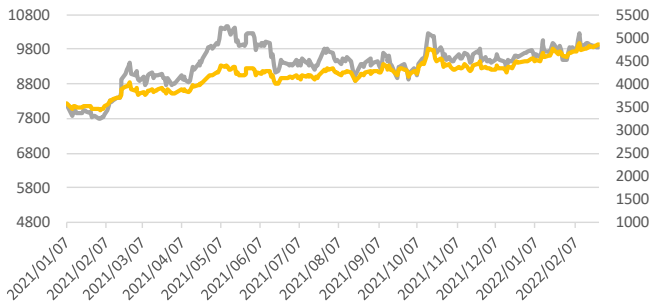
Botswana Yield Curve



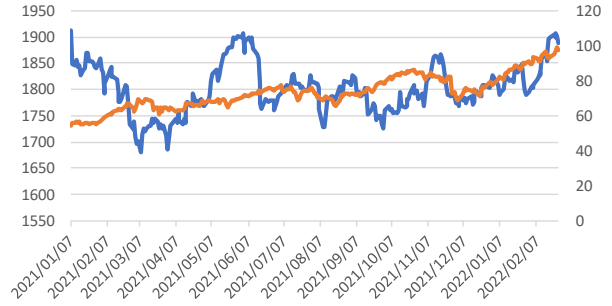
USD Index



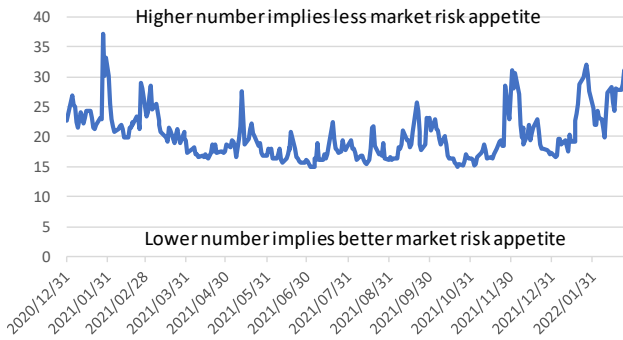
Base metals - Copper L_Hand axis LME Index R_Hand axis



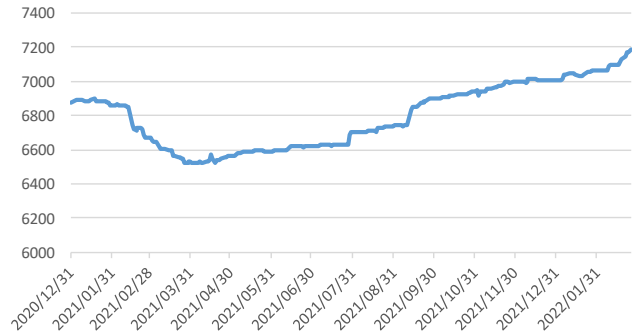
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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