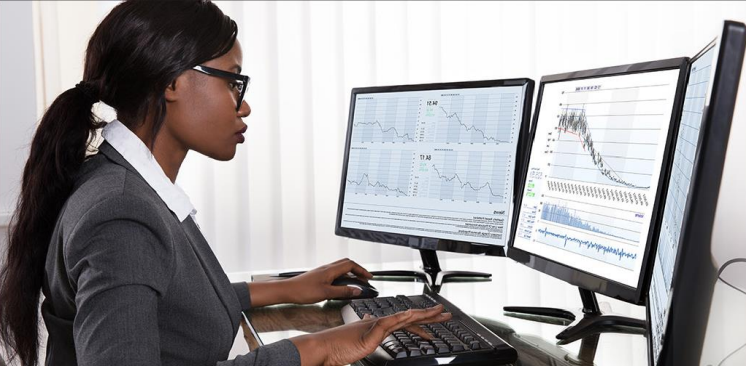


Botswana Market Watch

1 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	BWP5bn of 7-Day Certificates on offer			
09:00	EZ	Markit/BME manufacturing PMI	Feb F	58,40	58,40
09:30	GB	Markit manufacturing PMI	Feb F	57,30	57,30
09:30	GB	Net consumer credit	Jan	0,96bn	0,80bn
09:30	GB	M4 money supply y/y	Jan		6.40%
13:00	GE	CPI y/y	Feb P	4.90%	4.90%
14:45	US	Markit PMI manufacturing	Feb F		57,50
15:00	US	ISM manufacturing PMI	Feb	58,00	57,60

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine – Russia	In yesterday's talks, Ukraine sought an immediate ceasefire and Russian withdrawal in the first round of direct talks; Russia stuck to its demands	No breakthrough was achieved, but dialogue will remain open to keep hope alive of a ceasefire	5/5 (geopolitics, economy, markets)	Russia would like Ukraine to recognise the two separatist regions as independent, wants regime change and for Ukraine to reject joining NATO. These are all non-negotiable at this stage
Oil prices	The oil markets remain exceptionally volatile at the moment, with Brent trading back below the \$100 per barrel level this morning	Investors continue to weigh supply disruptions vs a global slowdown due to war and oil prices	4/5 (markets, economy)	There is a natural tendency to trade on supply disruptions in the short term, but the longer-term growth considerations are equally important and set to keep prices constrained.
RBA	The RBA has chosen to keep rates at 0.1% and reiterated its desire to remain patient. Ukraine was listed as a new uncertainty to monitor carefully	RBA will exhibit patience in hiking rates and will be sensitive to GDP developments	4/5 (economy, monetary policy)	The RBA also pointed to a colling in the housing boom, which will also help limit the degree to which rates might increase, but the overriding message was one of patience

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Ukraine – Russia war	Russia continues to target Kyiv, despite the impressive resistance by the Ukrainian forces. Further sanctions and isolation continue to be imposed on Russia	Russia continues to talk aggressively but is steadily losing credibility and support	5/5 (geopolitics, economy)	The stark economic reality that will follow these sanctions will provide an enormous test for the Putin regime. History is littered with regime change examples once economies collapse
Oil prices – OPEC+	OPEC+ will be analysing risks at its ministerial meeting tomorrow, but it is unlikely that they will be able to materially impact prices, given constraints affecting members' production capacities	Oil prices are single handily proving the biggest threat to global growth and a consequence of war and weak supply	5/5 (economy, markets)	Inflation remains the overriding threat to the global growth outlook, and OPEC+ will need to make significant investments and adjustments to their production capacity to be able to meet current demand without Russia's output
Chinese trade	China has warned of huge challenges to global trade as uncertain global demand, labour shortages and disruptions to logistical supply chains all weigh	China remains a barometer for global trade, and such warnings warrant serious consideration	4/5 (economy)	Adding to the mix of concerns will be the effects of the oil price, which is raising the cost of production logistics and is curtailing global demand amid the war in Ukraine and Russia's sanctions

Highlights news vendors

CNBC - [Asia-Pacific markets mostly gain as investors weigh Russia-Ukraine conflict](#)

ALL AFRICA - [Ukraine Crisis Should Hasten Efforts to Rethink Policy Toward Africa](#)

FT - [Citigroup discloses near-\\$10bn exposure to Russia as sanctions tighten](#)

SOUTH CHINA POST - [Russian convoy '60km long' near Kyiv as Moscow defends invasion](#)

REUTERS - [Russia's isolation intensifies as Ukraine fighting rages](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.26192	1.271232	1.2862383	1.363926
BWPUSD	0.082176	0.093496	0.0837596	0.088786
GBPGBP	16.182712	16.297424	15.832605	15.357188
BWPEUR	0.079456	0.08008	0.075063	0.07854
JPYBWP	10.244	10.3168	9.677625	10.0936
USDZAR	14.738592	15.979704	15.084028	15.63398925
EURUSD	1.074816	1.1648	1.100007	1.1396
GBPUSD	1.287648	1.395056	1.3178273	1.3648745

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0856	-0.0007
BWPGBP	0.0638	-0.0006
BWPEUR	0.0763	0.00
BWPZAR	1.3149	0.0021
Dollar Index	96.853	0.146
EURUSD	1.1197	-0.0022
GBPUSD	1.3413	-0.0006
USDJPY	115.12	0.13
USDNGN	415.52	0
USDZAR	15.3536	-0.0078

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.73975	-16.83569
3m	-8.12175	-42.23328
6m	-16.23375	-85.49809
12m	-34.5345	-210.4373

Local Fixed income

Yield curve	Close	Change
6m	1.549	0.001
3y	3.68	-1.07
5y	5.6	-0.25
20y	8.49	-0.01
22y	8.53	-0.02

International Fixed Income

	Close	Change
SA 10y	9.45	0.185
US 10y	1.8216	-0.1488
German 10y	0.159	-0.065
Spread SA 5y vs Bots 5y bpts	231.5	39

Equities

	Close	Change
VIX	30.15	2.56
Dow Jones	33892.6	834.92
FTSE	7458.25	282.08
JSE All share	76090.51	508.58
Bots DCIBT	7185.68	4.04
Nigeria Index	47394.53	56.38

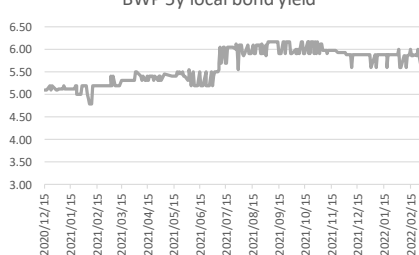
Commodities

	Close	Change
Gold	1907.9028	20.342
Brent Crude	100.99	3.06
3m Copper	9883.5	10.5
LME Index	4855.8	15.4
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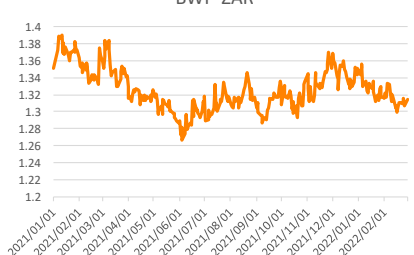
Spot BWP



BWP 5y local bond yield



BWP-ZAR



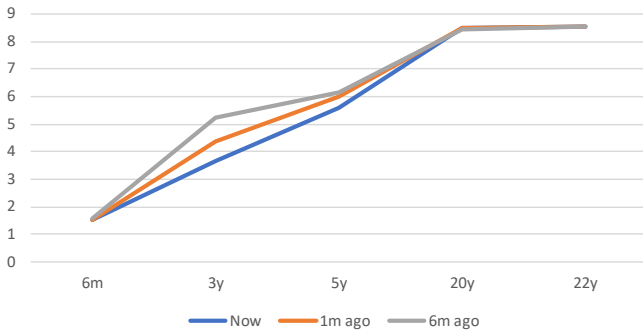
Local and regional talking points

- Local news flow is on the thin side this morning however that is not to say that there is nothing that is not news worthy.
- Botswana continues to build out its mining industry with exploration in the Kalahari Copper Belt a priority. We hold the view that this strategy will pay dividends in the coming decades as copper has a legislative tailwind in terms of demand given the move to green-energy. The decarbonisation of the world will require massive amounts of electrification which will require copper.
- In the very near term, copper received a leg up yesterday as Chile reported its lowest copper output reading since 2011 which raised supply fears. Production from the world's top producer of the red metal fell by 15% month on month in January and 7.5% year on year according to the bureau of statistics who failed to provide a clear reason for the drop. January is traditionally a lower production month, however there may be additional elements which crept into the lower than usual output such as some mines catching up on maintenance work which was put on hold during the COVID-19 lockdowns. Water scarcity may also be playing a role in the central mining regions who have been plagued by drought for over a decade now.

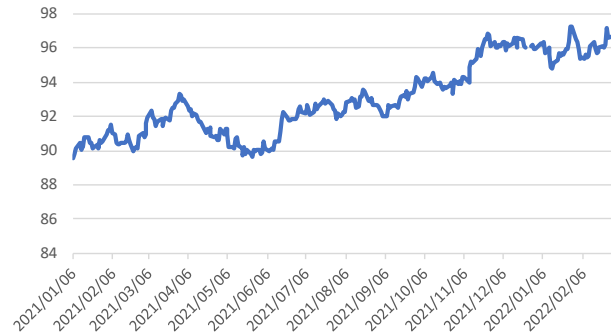
Financial Market commentary

- Threats from Russia continue to be countered with even more crippling sanctions. With a double-digit recession now on the cards, the Russian economy will collapse. The Western world continues to isolate Putin, the Oligarchs, and any Russian interests abroad, including freezing Russia's own reserves. The moves have been far-reaching and brutal, and while the final round of sanctions might include the energy markets as well, that is something Western leaders have held off on for now. It goes without saying that such enormous economic pain will be difficult for the Russian population to accept. History is littered with examples of where deep economic recessions often generate the kind of revolt that eventually leads to regime change. Let's not forget, this is all of Russia's own making, given that their country was not under threat and that they were the original aggressors.
- For financial markets, this remains difficult to read. The full consequences of the war will not be fully understood for some time to come. Imposing sanctions on Russia is all well and fine, but Russia was integrated into the global economy through trade linkages. Cutting Russia off cuts the sanction-imposing country off too, and the consequence is that they will also suffer a negative growth episode. Perhaps not as severe, but some countries in Europe are more interconnected than others, Germany being one of them.
- It also implies that the authorities will presumably turn even more tolerant of inflation and not "normalise" policies too quickly out of fear of imposing yet another headwind at this time. US bond yields have presumably dipped on the increased demand for safe havens. At the same time, it also removes the obvious monetary policy divergence argument that has supported the USD in recent months. That would go a long way to explaining why the USD has not surged stronger, despite the uncertain times and the demand for safe-haven assets.
- For the USD-ZAR, and the BWP-USD there has been an element of risk off coming through the market. Both have been subject to the volatility in global markets and the ebb and flow of risk appetite. The USD-ZAR is trading at the higher end of its range of late, while the BWP-USD has equally seen an offered tone develop which has taken the pair below the 0.0860 pivot point in the interbank market.
- Investors are reminded that today we have a deluge of PMI numbers out globally coupled with the local auction of BWP5bn 7-day certificates, which coupled with the geopolitical crisis in Eastern Europe will give traders and investors enough to digest through the coming session.

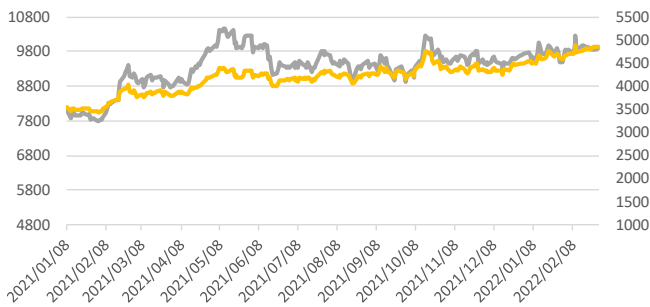
Botswana Yield Curve



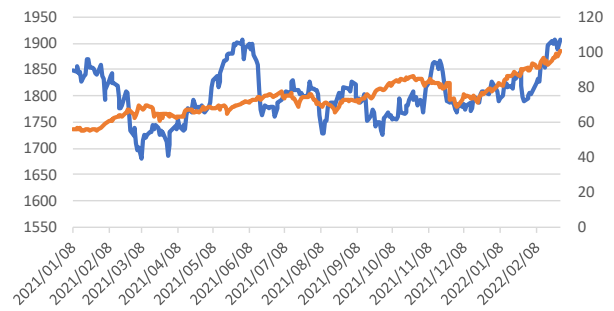
USD Index



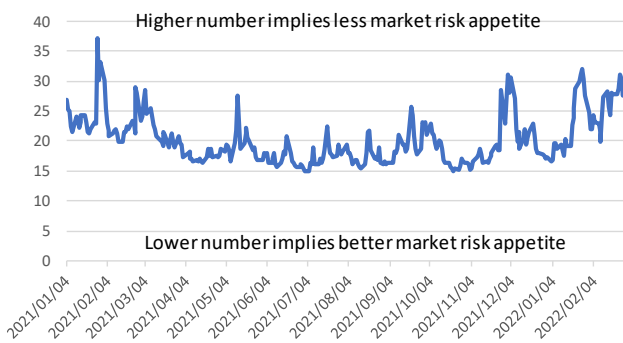
Base metals - Copper L_Hand axis LME Index R_Hand axis



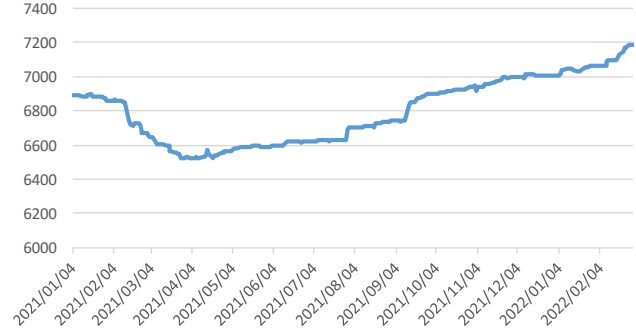
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

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

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