

Botswana Market Watch

2 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
10:00	EZ	CPI estimate y/y	Feb	5.30%	5.10%
12:00	US	MBA mortgage applications	Feb 25		-13.10%
13:15	US	ADP employment change	Feb	310k	-301k
15:00	CA	Canada central bank rate decision	Mar 2	0.50%	0.25%
15:00	US	Fed Chair Powell Testifies Before House Panel			
19:00	US	U.S. Federal Reserve Releases Beige Book			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	Greater effort is being made to bomb and occupy Kyiv. Forces are lining up to enter, although it would appear that Ukrainian forces continue to hold out	The risk of Kyiv falling to Russia remains strong, with Russia committing more military resources	5/5 (geopolitics, economy, markets)	Kyiv is considered key to controlling Ukraine, although it is unlikely to stop the fighting. Resistance has stepped up, and Russia will be facing far more passionate resistance than anticipated
Oil prices	Oil prices topped \$109 pb or the highest levels since 2013 in what will deal the global economy a devastating blow	Consumption will negatively affect GDP growth as disposable income craters	4/5 (markets, economy)	Inflation will spike further, and central banks will be left with tough choices to make in what is rapidly turning into another heavy blow to global growth
US State of the Union	Biden made sure he admonished Putin and the Russian invasion, gave a standing ovation to the Ukrainians fighting and vowed to make Putin pay for his actions. He also sought to tackle inflation	Biden's language builds pressure on Russia, but his speech will do little to stop Putin in the s-term or inflation	4/5 (economy, geopolitics)	Beyond the US stance on Ukraine, Biden also gave a glimpse of his plan to fight inflation which was nothing more than localising production. It is a poor attempt that ignores the forces of parity pricing on global markets

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+	The market continues to position for Russian oil supplies being taken off the market. OPEC is trying to raise production and is marginally successful as Libya slowly comes back on stream	Oil induced inflation is likely to remain a feature in most countries and will again highlight the need for alternatives	5/5 (economy, markets)	Oil prices are imposing high costs to the global economy at a time when countries are trying to recover from the pandemic. The timing is bad, and OPEC is unable to respond with much higher production to keep oil prices high
Commodity prices	Investors are positioning for tight supplies of commodities that will keep prices well elevated. This will only add to the inflation problem	Commodity currencies will enjoy support, although risks to growth are building	4/5 (economy, markets)	Central banks will have some tough choices to make. Will they respond to the intensifying inflation pressures or choose not to add to the global headwinds to growth?

Highlights news vendors

CNBC - [‘Enormous cost’: Ukraine war is likely heading into a more destructive and deadly phase](#)

ALL AFRICA - [Uganda Reassures Unhappy Coffee Farmers After ICO Exit](#)

FT - [Biden declares Putin ‘isolated from the world’ and hints at more sanctions](#)

SOUTH CHINA POST - [Russia faces tough Ukraine resistance and logistical issues, experts say](#)

REUTERS - [Asian shares slip, oil above \\$110 as Russia sanctions bite](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.262592	1.273536	1.2869232	1.366398
BWPUSD	0.08208	0.093496	0.0836618	0.088683
GBPWP	16.072264	16.189992	15.724547	15.255954
BWPEUR	0.079976	0.0806	0.0755543	0.07905
JPYBWP	10.2336	10.3064	9.6678	10.083425
USDZAR	14.767104	16.024528	15.113208	15.6778435
EURUSD	1.067136	1.15648	1.092147	1.13146
GBPUSD	1.277376	1.38424	1.3073145	1.3542925

Interbank Spot Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0855	-1E-04	1m	-2.886
BWPGBP	0.0642	0.0004	3m	-8.112
BWPEUR	0.0768	0.00	6m	-16.56525
BWPZAR	1.3184	0.0024	12m	-35.334

Forward Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0855	-1E-04	1m	-2.886
BWPGBP	0.0642	0.0004	3m	-8.112
BWPEUR	0.0768	0.00	6m	-16.56525
BWPZAR	1.3184	0.0024	12m	-35.334

	Close	Change
Dollar Index	97.421	0.012
EURUSD	1.1116	-0.001
GBPUSD	1.3306	-0.0015
USDJPY	115.04	0.15
USDNGN	415.59	0
USDZAR	15.3843	-0.0381

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	9.505	1.7156	-0.071	211
3y	4.75	1.07	9.505	1.7156	-0.071	-20.5
5y	5.85	0.25	9.505	1.7156	-0.071	
20y	8.5	0.01	9.505	1.7156	-0.071	
22y	8.55	0.02	9.505	1.7156	-0.071	

International Fixed Income

	Close	Change
SA 10y	9.505	0.055
US 10y	1.7156	-0.106
German 10y	-0.071	-0.23
Spread SA 5y vs Bots 5y bpts	211	-20.5

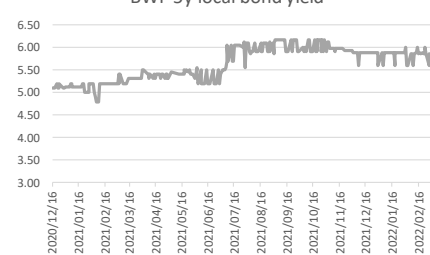
Equities

	Close	Change	Commodities	Close	Change
VIX	33.32	3.17	Gold	1943.219	35.3162
Dow Jones	33294.95	-166.15	Brent Crude	104.97	3.98
FTSE	7330.2	-31.21	3m Copper	10061.5	178
JSE All share	77110.69	1884.82	LME Index	4965.3	109.5
Bots DCIBT	7186.84	1.57	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47482.73	66.11			

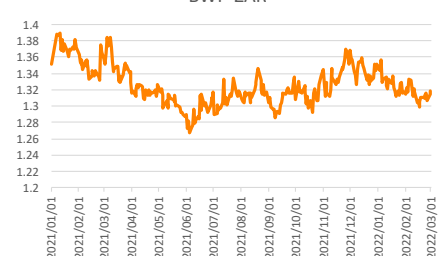
Spot BWP



BWP 5y local bond yield



BWP-ZAR



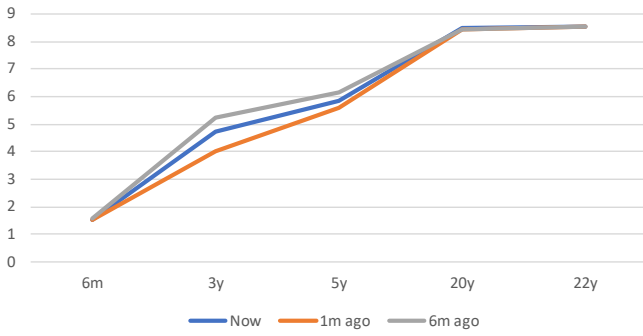
Local and regional talking points

- Local news flow is on the thin side once again today however the backdrop of the Ukrainian conflict and what this means for the region is being unpacked across meeting rooms this morning.
- Regionally, exporters who have sent produce to Russia are concerned about whether or not the shipments will be in fact allows to clear the border or even if payment for these goods will be possible given the fact that the west has blocked seven Russian banks from accessing the Swift payments system, and while they might shift across to the Chinese Clearing House Interbank Payments System (CIPS) the disruption will still be enormous.
- As it stands only soft commodities are being allowed to enter Russia, equally nothing is coming out apart from oil and natural gas at present.
- Taking a look at base metals, aluminium looks on target to test the record highs of \$3525/tonne seen on Friday last week. The metal is remains well bid on the back of the Ukrainian conflict which has supply chains stretched and energy prices testing new highs making certain smelting operations in the EU uneconomical to run.

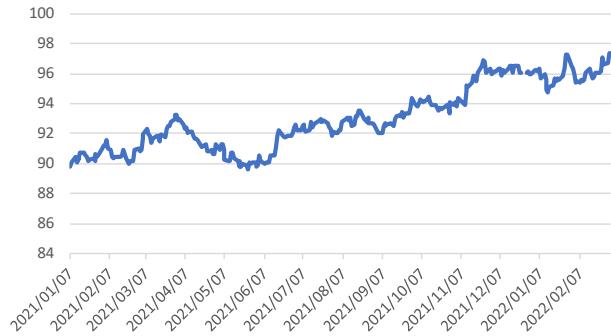
Financial Market commentary

- The flight to save havens remains in place at the moment. The safe haven bid has pushed bullion to levels above the \$1935.00/oz handle and we have remained there for the Asian session. Investors are gravely concerned about the potential of the Ukrainian conflict becoming more acute. Whether it be by design or desperation, the bombing in Ukraine has intensified and the damage now being imposed on Ukraine is nothing short of catastrophic. The response has been and remains a passive-aggressive one. The Western world refuses to engage militarily with Russia but has stepped up sanctions very aggressively and has isolated Russia almost entirely, save for cutting off any trade on oil and energy products
- Oil prices have surged higher, commodity prices have risen, and central banks will be left to make some very tough choices in the face of rising and stubbornly high inflation. Equity markets are correcting and the risk is that the world starts to price in a long and protracted war in Ukraine that consumes resources and keeps markets priced heavily for risk.
- Ironically, the ZAR and by extension the BWP have remained more resilient than many might expect given the current environment, mainly due to the rise in commodity prices. This will limit the damage oil prices exert on households and businesses, although prices are still rising. Talk of releasing strategic reserves has not been enough to prevent oil prices from rising, and stock market volatility has followed.
- Another factor assisting the ZAR or hurting the USD has been the retreat in US bond yields as a rotation to safety unfolds. The relative carry that was supporting the USD has moderated, and the USD is struggling to gain traction, even in the face of such difficulties. That said, the USD does enjoy a safe-haven bid for now, and this could change if matters escalate still further. How the war unfolds through the remainder of the week will be key.
- Looking ahead, the USD-ZAR is likely to retain a slight bid tone, and the risk appears to be skewed to the topside (ZAR weakness) if matters escalate still further in Ukraine.
- In closing, we expect the local unit to take much of its direction from the ZAR for now. Given the topside risks facing the USD-ZAR we would see the pressures to the downside to remain entrenched in the BWP-USD for now.

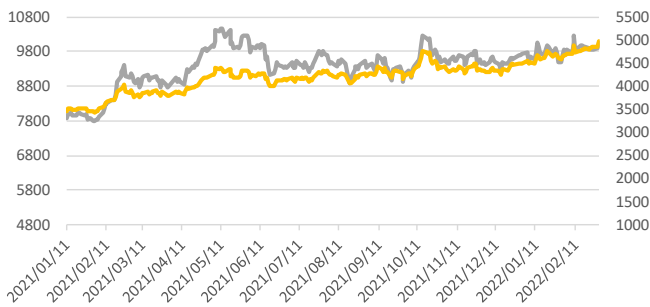
Botswana Yield Curve



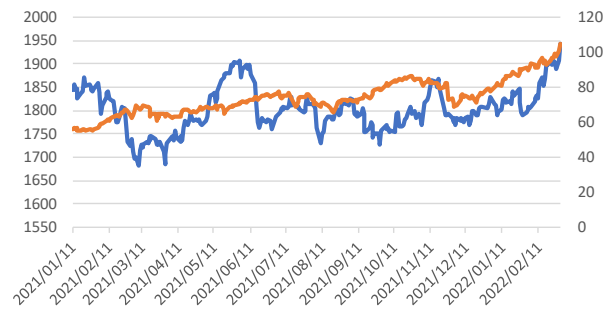
USD Index



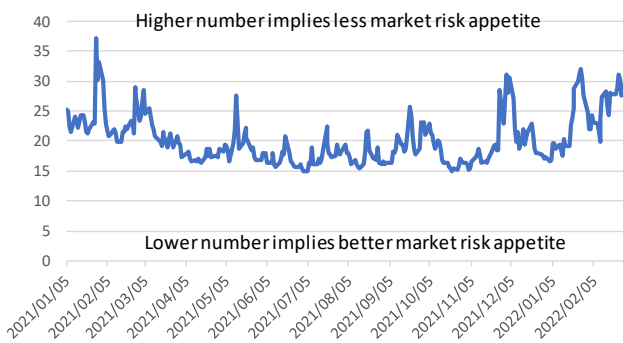
Base metals - Copper L_Hand axis LME Index R_Hand axis



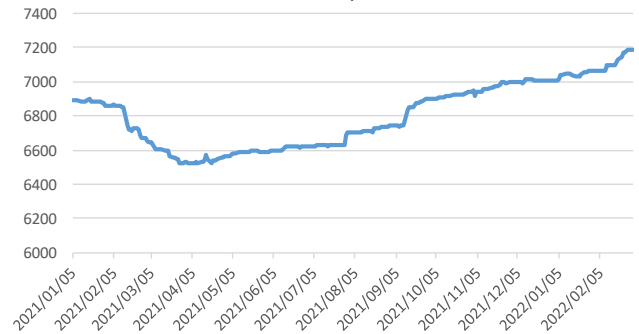
Oil R_Hand Axis - Gold L_Hand Axis



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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