

Botswana Market Watch

3 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
09:00	EZ	Markit composite PMI	Feb F	55,80	55,80
09:30	GB	Markit composite PMI	Feb F	60,20	60,20
10:00	EZ	Unemployment rate	Jan	7.00%	7.00%
12:30	EC	ECB Publishes Account of February 2022 Policy Meeting			
13:30	US	Initial jobless claims	Feb 26		232k
15:00	US	ISM non-manufacturing composite PMI	Feb	60,90	59,90
15:00	US	Factory orders	Jan	0.50%	-0.40%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	Russian troops have continued with their attack on key Ukrainian cities and appear to have captured the strategic port of Kherson as tensions escalate	Russia is now into its eighth day of the invasion and remains determined to occupy Ukraine	5/5 (geopolitics, economy, markets)	That being said, Russia's advance on Kyiv has still not proved successful as Ukrainians continue to resist invasion, supported with arms and ammunition from the West
Oil prices	Oil prices have continued to surge to \$116pb overnight to raise the spectre of a major economic hit in the coming months	Oil prices will boost inflation and stifle growth if prices remain high	5/5 (markets, economy)	OPEC and other oil producers will struggle to make up Russia's production which accounts for 10% of the world's oil output
US Fed guidance	Fed Chairman Powell was on the news wires yesterday confirming that the war in Ukraine was a game-changer and that the Fed would hike rates "gradually."	The message was a less hawkish one than previously anticipated and offered markets relief	4/5 (economy, Monetary policy)	The Fed also inadvertently signalled that central banks would likely prioritise growth above inflation and would help offset some of the recessionary effects that higher oil prices might have

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Ukraine - Russia war	Al Jazeera now report that over 1mn refugees have fled Ukraine, with more streaming across the border in what could become an enormous humanitarian crisis	Europe will not only have to deal with the direct fallout of the war but the cost of assisting refugees	5/5 (geopolitics, economy)	The impact on all the economies of Europe combined will be enormous and is indeed a game-changer in terms of global growth and how it might change economic policies the world over
Oil prices - OPEC+	OPEC's decision to continue increasing production by just 400k per day is more about what is possible rather than reflecting the desire of OPEC to drive prices significantly higher	The higher oil price will eventually encourage investment back into the industry to ramp up supply	5/5 (economy, markets)	In the interim, the disruption of the Russian oil supply must be priced in and will likely be painful. It will impact inflation and growth simultaneously and force a change in broader economic policies as it has already with the Fed
Stagflation risk	With oil prices surging and boosting inflation amid a major hit to global growth as Europe faces a tough 2022 given the impact of the war, stagflation becomes a real concern	It highlights the challenge faced by central banks in deciding whether to prioritise growth or inflation	4/5 (economy, markets)	It is a tough combination to face, but inflation will prove cyclical as oil prices will not remain elevated indefinitely. However, it does mean that global growth will be more challenged through 2022 than initially thought

Highlights news vendors

CNBC - [Russia's Sberbank collapses 95% on London stock exchange as it exits Europe](#)

ALL AFRICA - [Buhari Approves U.S.\\$8.5 Million to Evacuate 5,000 Nigerians From Ukraine](#)

FT - [Moscow acknowledges heavy casualties as missiles rain on Ukraine](#)

SOUTH CHINA POST - [How China's dilemma over Ukraine may loom large at key political gathering](#)

REUTERS - [Global banks eschew risk as they navigate Russia sanctions quagmire](#)

Local and regional talking points

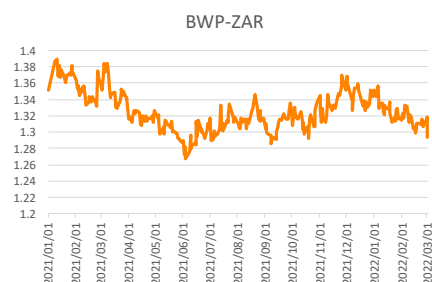
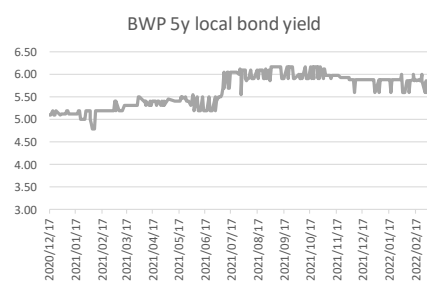
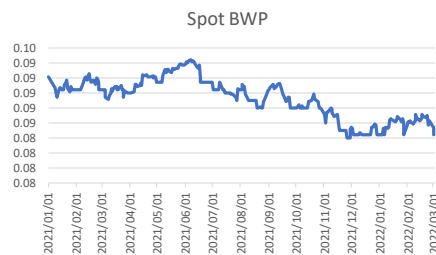
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.243968	1.262496	1.2679403	1.354553
BWPUSD	0.08112	0.093496	0.0826833	0.088271
GBPWP	16.266224	16.498456	15.914311	15.546622
BWPEUR	0.079144	0.080288	0.0747683	0.078744
JPYWP	10.1608	10.3064	9.599025	10.083425
USDZAR	14.7216	15.958904	15.066638	15.61363925
EURUSD	1.065312	1.154504	1.0902803	1.12952675
GBPUSD	1.286784	1.39412	1.316943	1.36395875

Interbank Spot Foreign Exchange		Forward Foreign Exchange			
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0845	-0.001	1m	-2.77875	-16.38573
BWPGBP	0.063	-0.0012	3m	-8.229	-43.58873
BWPEUR	0.076	0.00	6m	-16.42875	-88.0019
BWPZAR	1.2934	-0.013	12m	-35.3145	-213.4673

	Close	Change
Dollar Index	97.514	0.129
EURUSD	1.1097	-0.0024
GBPUSD	1.3402	-0.0001
USDJPY	115.67	0.17
USDNGN	415.59	0
USDZAR	15.3247	0.0176

Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.551	0.001	SA 10y	9.545	0.04
3y	3.68	-1.07	US 10y	1.8784	0.1628
5y	5.6	-0.25	German 10y	0.01	0.081
20y	8.49	-0.01	Spread SA 5y vs Bots 5y bpts	244	33
22y	8.5	-0.05			

Equities			Commodities		
	Close	Change		Close	Change
VIX	30.74	-2.58	Gold	1926.1108	-17.1082
Dow Jones	33891.35	-597.65	Brent Crude	112.93	7.96
FTSE	7429.56	-128.05	3m Copper	10166	104.5
JSE All share	77536.12	1020.18	LME Index	5046.7	81.4
Bots DCIBT	7190.56	1.16	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47360.79	88.2			

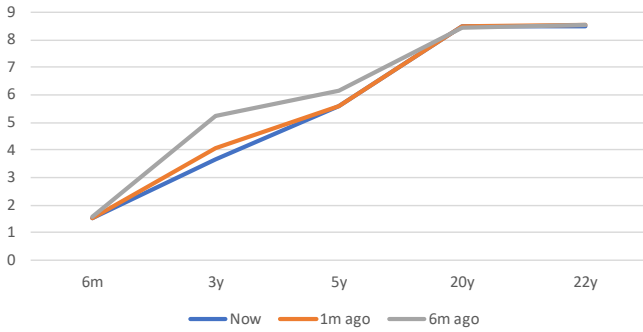


- The price of oil has hit a new high this morning as the conflict in the Ukraine rages on. The price of a barrel of Brent crude is currently changing hands at \$117.11, up 3.7% on the session thus far.
- The impact of the higher energy costs will filter into the inflation readings of all countries going forward and Botswana will not be spared this fate. The country imports all of its fuel needs and thus will have no ability to shelter itself from the rising prices.
- The concern doing the rounds at the moment is that the Ukrainian conflict pushes many countries into a stagflation scenario. While this is certainly possible in the Eastern European countries, we would view it as premature to call for this outcome in Botswana. The country has mineral resources which have risen in price and there are demand tailwinds for these commodities such as copper which will underpin the economy.
- Equally Botswana's government is committed to diversifying the economy and moving Botswana into the class of a diversified/middle tier economy.

Financial Market commentary

- Another day of whipsaw financial market price action yesterday with markets responding to Federal Reserve Chairman Powell's comments, indicating that the central bank would begin to "carefully" raise interest rates. Powell poured cold water on any expectations of a more aggressive stance by the Fed and termed the current Russian war with Ukraine a game-changer. In his comments, Powell highlighted the difficulties central banks will have in deciding on interest rates when uncomfortably high inflation is juxtaposed with the adverse growth event of the war. Powell inadvertently signalled that central banks will more than likely default to protecting the economy above prioritising GDP growth.
- The effect of his comment was powerful and immediate, with Wall St rallying hard on the news. Analysis of stock market performances post previous wars shows that stock markets often perform surprisingly well after the onset of war. This is less about conspiratorial views on arms manufacturing and more about the supportive policies that the authorities implement to help offset the effects of uncertainty and the drag on growth that war can often impose. This time might be similar, the recent drops in stock markets notwithstanding.
- Gold pared its gains of late driven by the rotation into equities following the Fed's comments. That said, we still favour buying gold on any dips with the macro and geopolitical backdrop remaining favourable. We do not rule out a test of the \$2000.00/oz level in the coming weeks and months.
- Moving over to base metals, Aluminium hit an all-time high this morning of \$3650/tonne before pulling back slightly to trade at \$3642.50/tonne going into the start of the EU session. The metal is fixated, and rightly so on the conflict in Eastern Europe and what this means to supplies of the metal. Sanctions against Russia have increased and for context some 900 000 tonnes of Russian aluminium supply is at risk here.
- Stocks of aluminium at LME registered warehouses have more than halved in the last year to 809 750 tonnes compared to just under 2 000 000 tonnes last March. We expect the trend to continue which will increase price pressures.
- The USD continues to attract a safe-haven bid for the time being, but should any of the news flow out of Ukraine improve, it may well retreat and retreat sharply. It has struggled to gain much ground despite all the risk aversion currently in the market. The Fed's softer stance on interest rates will likely mean that it will become vulnerable to a sell-off should risk appetite improve once more. For now, all eyes on the Ukrainian war with Russia and what the ultimate consequences of the war will be for financial markets.
- The local unit sold off yesterday however we expect the pressure to subside today with the ZAR returning to levels around R15.30. The Pula could well clear the 0.0850 mark again in the interbank market.

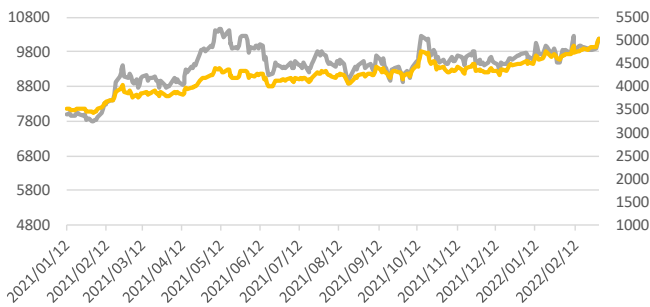
Botswana Yield Curve



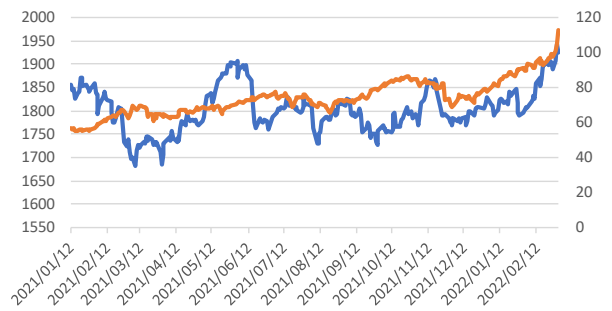
USD Index



Base metals - Copper L_Hand axis LME Index
R_Hand axis

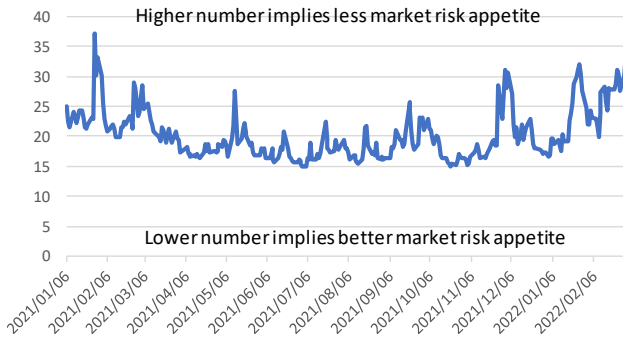


Oil R_Hand Axis - Gold L_Hand Axis

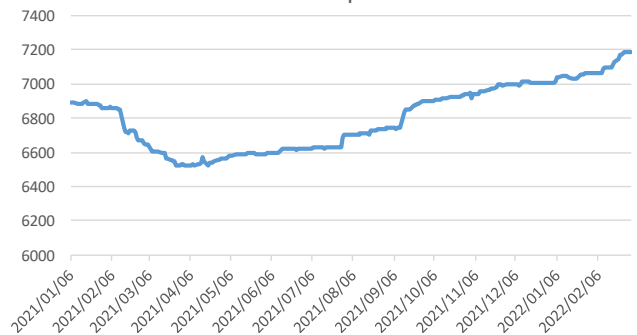


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



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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