

# Botswana Market Watch

## 4 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>Nothing on the cards</b>			
07:00	<b>GE</b>	Trade balance	Jan	5,50bn	7,00bn
09:30	<b>GB</b>	PMI construction	Feb	58,00	56,30
10:00	<b>EZ</b>	Retail sales y/y	Jan	9.10%	2.00%
13:30	<b>US</b>	<b>Change in nonfarm payrolls</b>	Feb	<b>400k</b>	<b>467k</b>
13:30	<b>US</b>	Unemployment rate	Feb	3.90%	4.00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Ukraine - Russia</b>	Concerns arose when Ukraine's Zaporizhzhia nuclear power plant caught fire, but the fire has been contained, there is no rise in radiation and it has been secured	It produces one-fifth of Ukraine's power, is the biggest in Europe and is considered a very strategic asset	<b>5/5</b> (geopolitics, economy, markets)	Fears that bombing might damage the plant caused some concern in the markets, although the news is that the plant is being shut down safely to prevent any accident.
<b>Fed's Powell</b>	Fed Chairman Powell indicated that the war in Ukraine could impact the US economy through a variety of channels	It is unclear what the ultimate impact will be, and the Fed will play it cautiously	<b>5/5</b> (monetary policy, economy)	The desire to act aggressively with monetary policy has dissipated given the potential growth impact that the war could have on the US and global growth
<b>Russian isolation</b>	Wall St along with other financial centres are, looking at ways of freezing investments in Russian securities and other ways of reducing exposure	Sanctions of this nature will further isolate Russian assets and investments	<b>4/5</b> (economy, markets)	All over-the-counter trading in Russian assets, including depository receipts of key Russian banks, has stopped. The divestment from Russian assets will further compound wealth destruction

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>China - Russia</b>	Chinese banks are rushing to see if it is possible to maintain business ties with Russian clients without transgressing a range of Western sanctions	Alongside Russian clients, Chinese banks are also exploring alternative payment systems	<b>5/5</b> (geopolitics, Economy, markets)	Even if Chinese institutions have not been sanctioned yet, they could be if their efforts undermine the sanctions that the West has imposed on Russia in a bid to force it to stop the invasion
<b>Oil prices - Iran</b>	Although Russian oil and gas are exempt from sanctions, for now, talks with Iran could prove successful in dampening supply shortage fears	Oil prices have retreated off their highs, and all eyes will be on how Iranian talks unfold	<b>5/5</b> (economy, markets)	With the Iranian deal closer to completion and significant upside for the Iranian economy, a deal might well be struck that would alleviate the supply-side pressures in the oil market
<b>US payrolls data</b>	Given the comments from Fed Chairman Powell and the unfolding events in Ukraine, today's payrolls data will likely be overlooked	Although payrolls may well point to the need for rate hikes, the Fed will likely prioritise growth over inflation	<b>3/5</b> (economy, markets)	The payrolls data will not capture any of the effects of the war or the risks to growth and will therefore not hold the market-moving potential it otherwise might have

### Highlights news vendors

**CNBC** - [UK to call for emergency UN Security Council meeting after Russia attacks Ukrainian nuclear power plant](#)

**ALL AFRICA** - [Why Nigeria's Electricity Supply Became Worse - Minister](#)

**FT** - [France and Germany detain Russian oligarch superyachts](#)

**SOUTH CHINA POST** - [Beijing will pay if it helps Russia evade sanctions, US official warns](#)

**REUTERS** - [Saudi crown prince plays the oil card in quest for U.S. recognition](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.259136	1.265664	1.2834006	1.357952
BWPUSD	0.082656	0.093496	0.0842489	0.088992
GBP/BWP	16.041272	16.116984	15.694225	15.187158
BWPEUR	0.08112	0.081536	0.076635	0.079968
JPY/BWP	10.3376	10.3792	9.76605	10.15465
USDZAR	14.623872	15.851576	14.966619	15.50863325
EURUSD	1.058976	1.14764	1.0837958	1.12281125
GBPUSD	1.280832	1.387672	1.3108515	1.35765025

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	
			BWPUSD	BWPZAR
BWPUSD	0.0861	0.0016	1m	-17.68361
BWPGBP	0.0645	0.0015	3m	-43.92919
BWPEUR	0.0778	0.00	6m	-88.62967
BWPZAR	1.3085	-0.0064	12m	-214.2266

	Close	Change
Dollar Index	97.941	0.156
EURUSD	1.1031	-0.0033
GBPUSD	1.3342	-0.0004
USDJPY	115.42	-0.04
USDNGN	415.46	0
USDZAR	15.234	0.0365

Local Fixed income

Yield curve	Close	Change	International Fixed Income		
			Close	Change	
6m	1.552	0.001	SA 10y	9.58	0.035
3y	3.6	-0.08	US 10y	1.8405	-0.0379
5y	5.75	0.15	German 10y	0.022	0.012
20y	8.48	-0.01	Spread SA 5y vs Bots 5y bpts	227	-17
22y	8.55	0.05			

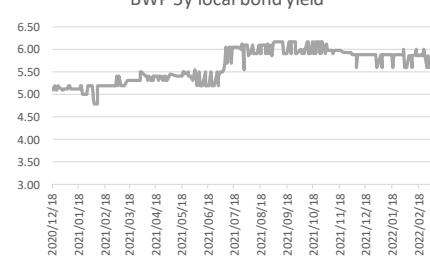
Equities

	Close	Change	Commodities		
			Close	Change	
VIX	30.48	-0.26	Gold	1935.21	9.0992
Dow Jones	33794.66	596.4	Brent Crude	110.46	-2.47
FTSE	7238.85	99.36	3m Copper	10351	185
JSE All share	77390.85	425.43	LME Index	5172.4	125.7
Bots DCIBT	7190.56	3.72	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47296.07	-121.94			

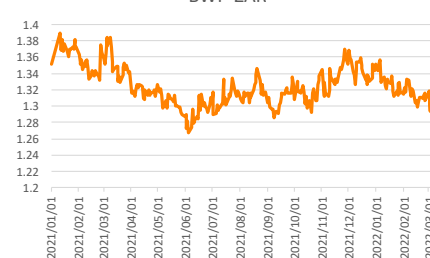
Spot BWP



BWP 5y local bond yield



BWP-ZAR



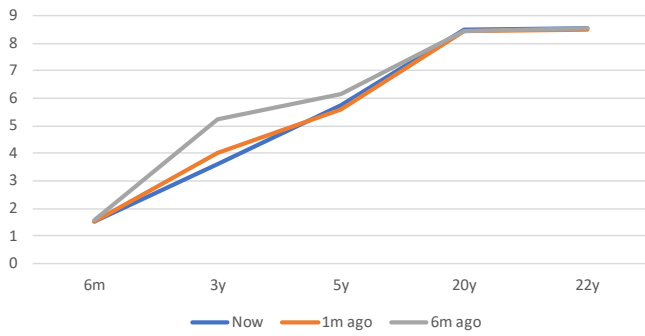
## Local and regional talking points

- News out on the local front is that Botswana is currently pitching the EU to back its bid to host the Kimberley Process (KP) Secretariat in Gaborone ahead of China and Austria who have also shown an interest according to News24. The news vendor went on to report that *This emerged from a meeting between President Mokgweetsi Masisi and Philippe Michel-Kleisbauer, president of the Botswana-France National Friendship Group on Tuesday at his offices.*
- In other news, Botswana and Zimbabwe have inked an agreement to promote tourism which is a significant hard currency earner for both countries. The Tourism MOU signing took place at the Victoria Falls in Zimbabwe and was one of five MOU's inked by the two countries. AllAfrica stated the following - *Botswana president, Mokgweetsi Masisi, said prospects were high for Victoria Falls to grow into a world tourism destination of choice with capacity to be an international hub. He said the city status accorded to Victoria Falls more than a year ago was the tonic it needed to be the best destination.*

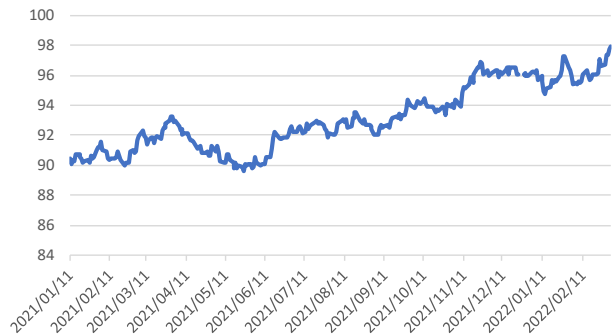
## Financial Market commentary

- Usually on US payrolls day, the focus remains very squarely on the data and the implications for US monetary policy. Following comments from Fed Chairman Powell earlier this week, we now know that the events in Ukraine that Powell himself described as a game-changer are likely to overshadow the payrolls numbers. For what it's worth, the market is looking for non-farm payrolls to rise 400k and for the unemployment rate to dip a little further. However, we already know that even if the data comes in stronger, the Fed is more inclined to move "gradually" in 25bp increments that may not occur at every successive meeting depending on the outcome of the war and the magnitude of the economic impact. It is no longer about the here and now, and rather about guestimating just what kind of impact the war will have on Europe, trade with the US and global growth.
- Concerning the war, the focus has turned to the Zaporizhzhia nuclear power station, Europe's largest nuclear power station. Any attack on the nuclear station threatens the whole of Europe, just as Chernobyl did and is therefore being carefully monitored, although the US Energy Secretary Granholm did indicate that the reactors "are protected by robust containment structures, and reactors are being safely shut down." Ukrainian officials have indicated that the power plant is secure for now. The threat to the power station had impacted overall sentiment towards financial markets and has played a role in the weaker Asian equity performance this morning. Tensions are as high as ever.
- While power concerns dominate Europe, Botswana could benefit from a rotation back to coal use, even if just for an interim period. With such enormous reserves, the rise in the coal price could offer the Botswana economy a boost. The question now is whether or not the current producers are in a position to ramp up production if needed.
- Jindal is starting construction of coal mine in the south-eastern Mmamabula coalfields this year and may not be on line in time to take advantage of the rotation. So, it will be left to Morupule and Masama to take advantage of the increased demand should this come through.
- Moving over to FX markets, No change to the USD as it retains its safe-haven bid. Slightly more conviction is evident, although the recent rally remains far from convincing. Nonetheless, it is deemed a safer currency than either the EUR or to a lesser extent the GBP. Furthermore, given that the Fed has not completely abandoned its desire to hike rates, it is likely that the USD will retain some interest with those investors still trading the monetary policy disparities between the US and its major trading partners.
- The ZAR has remained resilient supported by the higher precious group metals which have boosted the country's terms of trade. Not surprisingly we have seen the BWP respond in a similar manner and we are now clear of the 0.0860 mark in the interbank market. Expect a measured start to the session

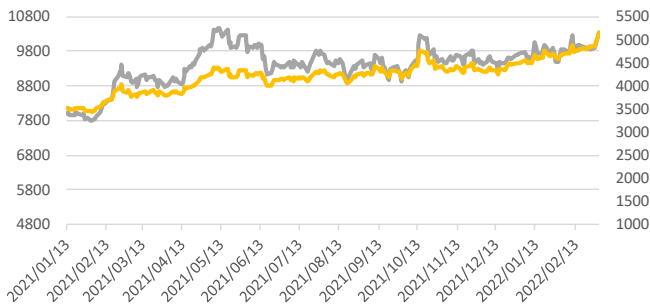
### Botswana Yield Curve



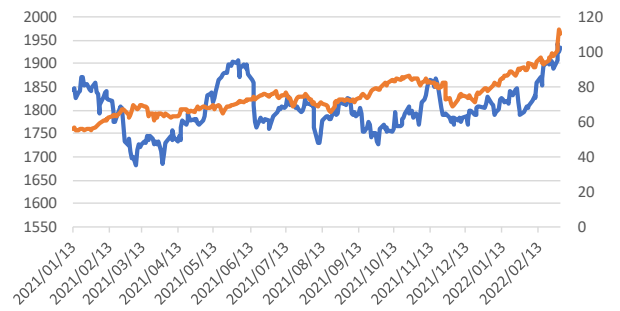
### USD Index



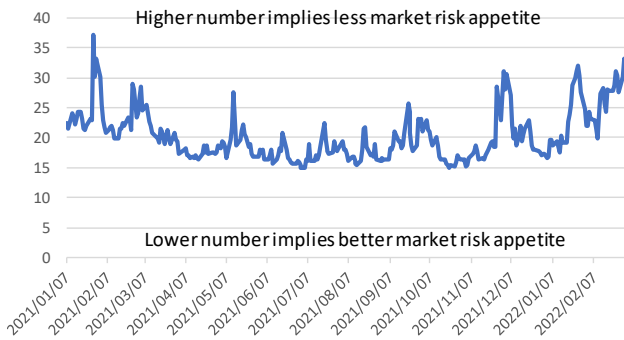
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



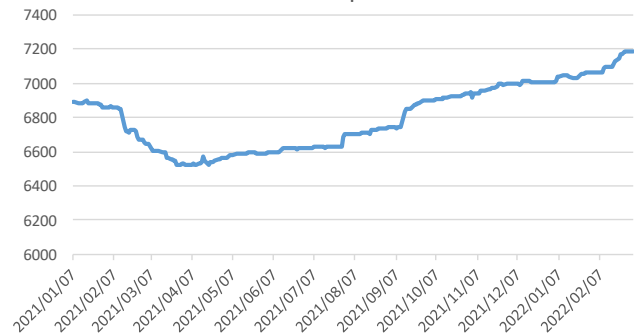
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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