

# Botswana Market Watch

## 7 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	Nothing on the cards			
<b>07:00</b>	<b>GE</b>	Retail sales y/y	Jan	9.10%	0.00%
<b>09:30</b>	<b>GE</b>	Factory orders y/y	Jan	6.10%	5.50%
<b>20:00</b>	<b>EZ</b>	Sentix investor confidence index	Mar	9,50	16,60
	<b>US</b>	Consumer credit	Jan	\$24bn	\$18,90bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Ukraine - Russia</b>	Strong Ukrainian resistance, backed by unitions and monetary support from the West, means that Russia has not been able to invade as anticipated	Minimal gains have been achieved for Russia relative to the size of the economic cost suffered	<b>5/5</b> (geopolitics, Economy, markets)	Military experts describe the invasion as chaotic and appear to be backfiring on Russia as their advance continues to stall, as supplies to their troops are ambushed
<b>US yield curve</b>	The yield curve has flattened aggressively with the 2v10 yr spread now compressing to just 24bp	The compression is now similar to that seen just prior to the pandemic	<b>5/5</b> (monetary policy, economy)	Investors look at this as a sign of a downturn and will position for stagflation, where central banks will need to hike despite weak GDP
<b>Oil prices</b>	Oil prices briefly traded through \$130pb in another devastating blow to the global economy that has not yet fully recovered from the pandemic	Supply-chain linked inflation will be exacerbated due to the sharp rise in oil prices	<b>5/5</b> (economy, markets)	The prospect of stagflation now becomes quite real. World leaders are desperately looking at all avenues to make up the difference in oil output should sanctions on Russian oil follow

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Ukraine - Russia</b>	More fighter jets could be on their way to Ukraine from Poland as the US offer F-16 fighters to Poland as a replacement. Military support for Ukraine is ongoing	Russian troops have stalled and will likely struggle to gain air superiority either given this support	<b>5/5</b> (geopolitics, Economy, markets)	Russia grossly underestimated the degree of resistance or the collective response from the rest of the world. Furthermore, the war effort is now looking unsustainable
<b>GDP growth revisited</b>	Europe now looks set to enter another recession; US growth appears to be moderating rapidly, while Russia will suffer another enormous blow double-digit contraction to GDP growth	Fed Chairman Powell described this war as a game-changer, and that will become clear through the revisions to GDP growth	<b>5/5</b> (economy, markets)	Russia and Ukraine have strong trade linkages with the world. Disruption to their trade supplies implies shortages across many jurisdictions. Only countries producing alternatives might benefit
<b>Oil market</b>	Oil prices have surged on the news that the West will be looking to implement a full ban on Russian oil and oil products	Discussions are active with amongst other, Venezuela to find other oil supplies	<b>5/5</b> (monetary policy, economy)	Sanctions on Russian oil would likely be a game-changer and cut off any USD funding to the Russian economy. That would ensure imminent collapse

### Highlights news vendors

**CNBC** - [Russian forces remain stalled as fighting flares in Ukraine; global oil prices skyrocket](#)

**ALL AFRICA** - [Pressure Mounts On Osinbajo to Declare for President](#)

**FT** - [Crude price jumps on talk of US oil ban as Russia steps up shelling of civilian areas](#)

**SOUTH CHINA POST** - [China can't count on global markets for food security, Xi says](#)

**REUTERS** - [Stocks slide, commodities spike as Ukraine war shakes markets](#)

## Local and regional talking points

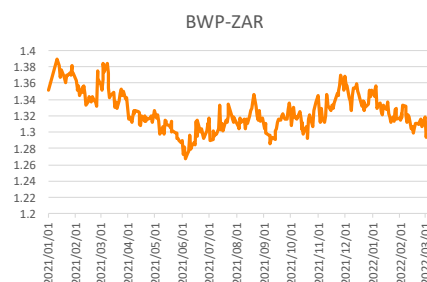
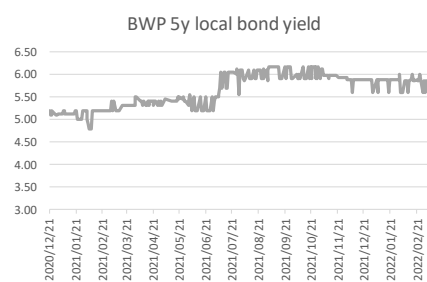
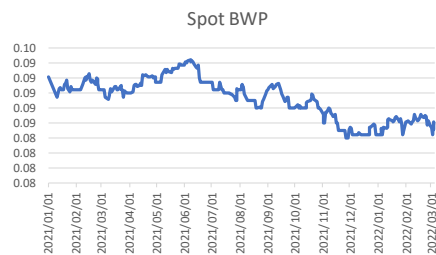
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.258176	1.269024	1.2824221	1.361557
BWPUSD	0.081792	0.093496	0.0833682	0.088374
GBP/BWP	16.016936	16.131024	15.670416	15.200388
BWPEUR	0.081432	0.082056	0.0769298	0.080478
JPY/BWP	10.1816	10.2544	9.618675	10.03255
USDZAR	14.766912	16.023176	15.113012	15.67652075
EURUSD	1.044	1.131416	1.0684688	1.10693825
GBPUSD	1.268544	1.37436	1.2982755	1.34462625

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change		
BWPUSD	0.0852	-0.0009	BWPUSD	BWPZAR
BWPGBP	0.0644	-0.0001	1m	-18.16163
BWPEUR	0.078	0.00	3m	-7.8585
BWPZAR	1.3112	-0.0072	6m	-15.6975
			12m	-33.735
				-214.9866

Dollar Index	98.913	0.265
EURUSD	1.0876	-0.005
GBPUSD	1.321	-0.0015
USDJPY	114.89	0.11
USDNGN	415.41	0
USDZAR	15.3892	0.0001

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.551	-0.001	SA 10y	9.68	0.1
3y	4.75	1.15	US 10y	1.7375	-0.103
5y	5.85	0.1	German 10y	-0.101	-0.123
20y	8.5	0.02	Spread SA 5y vs Bots 5y bpts	232	5
22y	8.55	0			

Equities			Commodities		
	Close	Change		Close	Change
VIX	31.98	1.5	Gold	1968.4535	33.2435
Dow Jones	33614.8	-96.69	Brent Crude	118.11	7.65
FTSE	6987.14	-190.71	3m Copper	10674	323
JSE All share	74734.37	-145.27	LME Index	5355.8	183.4
Bots DCIBT	7188.58	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47268.61	-64.72			

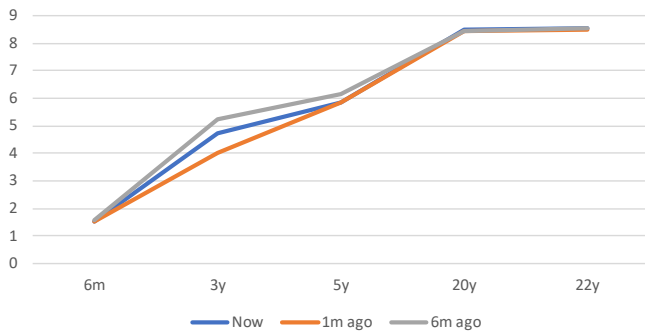


- Inflation is embedded in the global economy at the moment and Botswana has not escaped this fate. It is thus not surprising to see unions representing the public service pushing for a 5% increase in wages at the start of the talks.
- Unions have put forward that their members cannot make ends meet with inflation at a 13-year high. Food inflation is up by 7% while energy costs have skyrocketed and there is no relief in sight given that oil scaled the \$130 per barrel mark this morning.
- MMEGI reported - *Insiders confirmed to Mmegi this week that civil servants' representatives would be aiming for a five percent increase across the board to ensure broader coverage of all workers. The target increment could have been higher, but unions want to accommodate the impact of COVID-19 on government's finances, Mmegi was informed. "We hope that negotiations will go smoothly as government promised because earlier this year, they declared that there would no salary increase," an insider close to the latest development said. "Life is very expensive and there is no way the government can avoid increasing workers' salaries. "Government should be committed to resuscitating the bargaining council because this issue of salary increases could have long been dealt with fairly."*

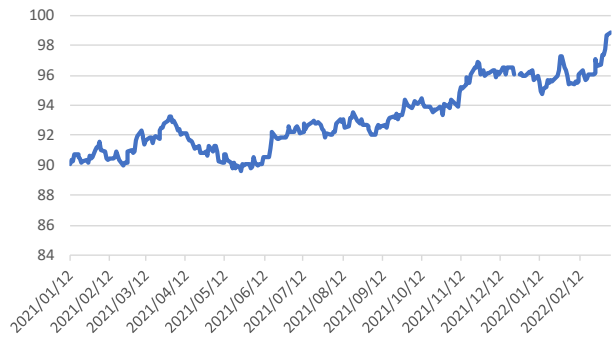
## Financial Market commentary

- If there were any doubts the war on Ukraine would have global consequences, those have now been dispelled. Brent crude oil is trading above \$130.00 per barrel. It is a devastating blow to the global economy still smarting from the effects of the pandemic, which now needs to contend with the genuine prospect of stagflation as inflation is boosted, and central banks try and keep a lid on prices. It also highlights how a global solution to this war is needed. It has already progressed far beyond any previous wars like Iraq, Afghanistan, Libya, and others whose trade linkages with the world were much smaller.
- One would ordinarily link it all through to a collapse in stock markets, a global rise in risk aversion, a dive for developed economy bond markets and a sharp correction in emerging markets. However, that is not unfolding. Equity markets are indeed responding by selling off, but it is questionable whether bonds are the safe-haven they used to be against a backdrop of rising inflation. Moreover, with the US yield curve flattening as aggressively as it is, it may well invert this week or next to point to another recession in the US.
- Against this backdrop, Botswana will be in a better position than most given its drive to increase its output of coal and copper. Commodity prices are surging higher. As the world battles high oil prices, coal prices have risen sharply. Equally, gold, PGMs and some industrial metals are also experiencing strong rallies as the world prepares for a shortage of such commodities.
- Moving over to the rand, we have the regional liquidity provider trading north of R15.40 showing signs of further weakness. That said, with commodity prices trading where they are and SA's terms of trade as supportive as they are, SA might be looked at as a hedge against this current turmoil. SA's fiscus could well receive further support from a robust mining sector to reduce one of the apparent risks to SA. At the same time, the ZAR would enjoy a substantial trade surplus and foreign interest wanting to shield themselves against supply shortages of grains, minerals and energy. Therefore, while it may seem obvious that the ZAR should depreciate due to a rotation from risk, how else would foreigners expose themselves to an opportunity in a commodity producer, if not in the likes of LATAM currencies or the ZAR?
- The USD surged on Friday and remained bid this morning, although it has retreated off its best levels. Although the Fed is still expected to hike given last week's stronger than expected non-farm payrolls numbers, the Fed will carefully assess the GDP growth impact that the war is having to decide just how aggressively to tighten. This morning, the USD has retreated from its best levels and looks a touch expensive. Much will depend on the unfolding war in Ukraine and how much longer it lasts.

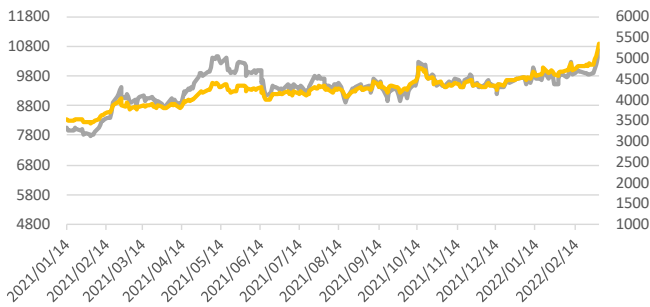
### Botswana Yield Curve



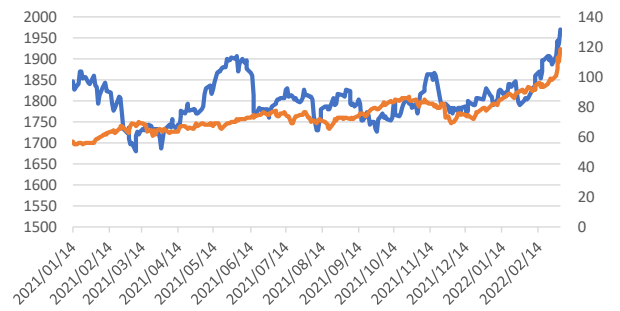
### USD Index



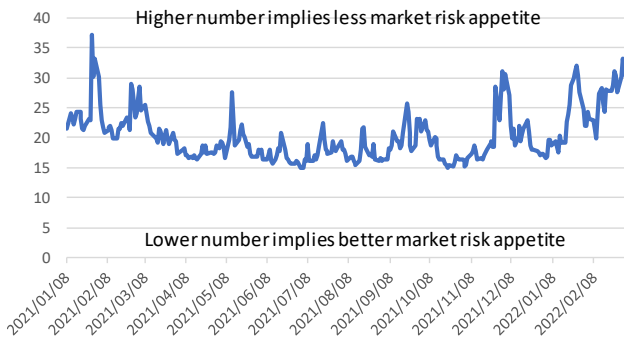
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



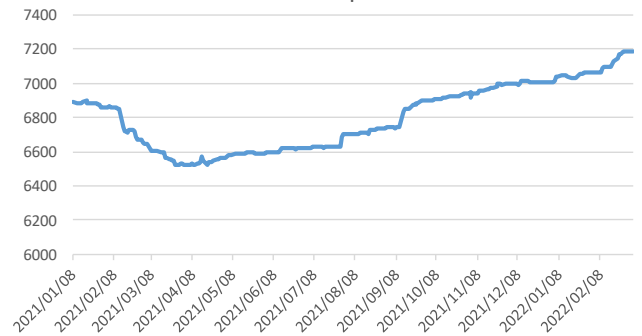
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

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

## Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Acces Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.

