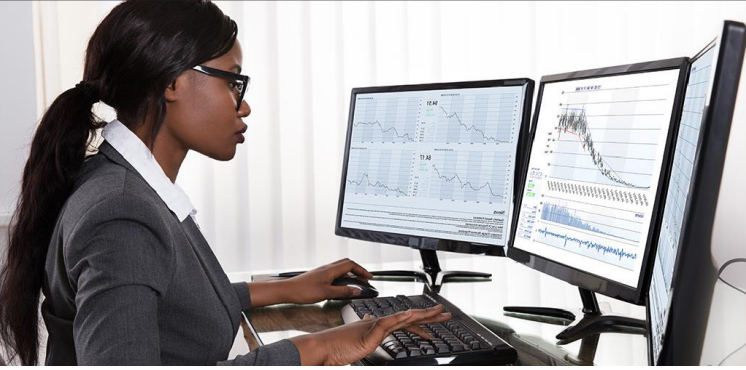


Botswana Market Watch

14 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	CPI y/y Nothing out internationally	Feb		10.6%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine – Russia	As fighting continued straight through the weekend, reports emerged that Russia had asked China for weapons and aid	China's embassy in Washington indicated it is unaware of the request	5/5 (geopolitics, economy, markets)	China might not want to embroil itself in Russia's geopolitics and further pressure Putin to seek a negotiated end to the invasion
UK inflation	The number of British producers raising prices reached the highest levels since 2000 according to a survey conducted by trade body "Make UK."	This is inflation at the producer level. Some of the shock will be absorbed, but CPI will be forced higher	4/5 (economy, monetary policy)	Inflationary pressures will likely prove temporary, although the spike in commodity prices due to the War on Ukraine has no favours the UK. The BoE will likely respond with a hike
Oil prices	Oil prices are down again this morning and exhibiting a bearish bias as investors trade on hopes that a negotiated settlement could end the War	A move back below \$110 pb is good news, and a further dip could unfold soon if talks are successful	4/5 (economy, fiscal policy, markets)	A sharp retreat in oil prices would go a long way to easing the pressure on global markets and inflation and could also ease the pressure on central banks to act urgently

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Ukraine – Russia	There are some indications that the two Presidents of Ukraine and Russia are progressing towards a meeting to discuss solutions	Investors will hope that a negotiated settlement can end this War	5/5 (geopolitics, Economy, markets)	Ukraine has suffered enough destruction that a negotiated settlement might be accepted, although outright ultimatums from Russia will be rejected
Central banks	This week the Fed's FOMC and the BoE's MPC will be meeting to decide on monetary policy. In both instances, a further rise of 25bp is anticipated	High inflationary pressures have forced the central banks' hands, and they will respond	4/5 (economy, monetary policy, markets)	The guidance offered will turn less hawkish than originally anticipated as investors position for a difficult economic climate that will require central banks to remain cautious
Chinese Covid spike	China's zero-Covid policy is proving to be a strategic mistake, as its Tech manufacturing hub is locked down in a bid to combat the next wave	Unless China opens up and allows for Covid to become endemic, this will be a recurring theme	4/5 (economy)	It is unclear what disruptions will follow, but China's economy will not work at 100% capacity while this remains the core and unsustainable strategy of the Chinese government

Highlights news vendors

CNBC - [China's 'Silicon Valley' manufacturing hub orders production halts to control a Covid spike](#)

ALL AFRICA - [Govt Forces Burned Tigrayan Man Alive - Human Rights Commission](#)

FT - [US officials say Russia has asked China for military help in Ukraine](#)

SOUTH CHINA POST - [Will China heed US, European calls to help restrain Russia in Ukraine?](#)

REUTERS - [More Ukraine-Russia talks scheduled as attack on base kills dozens](#)

Local and regional talking points

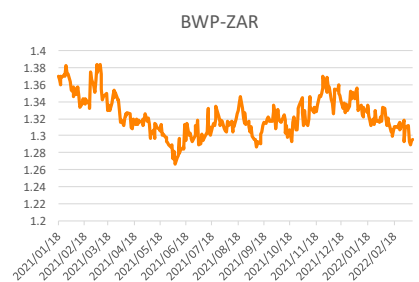
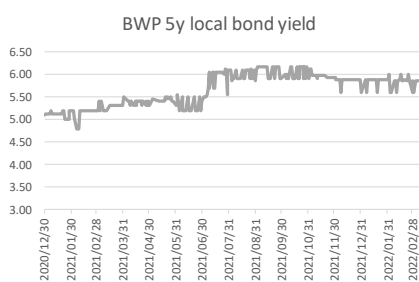
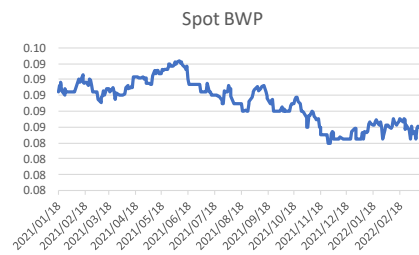
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.245984	1.251552	1.2699952	1.342811
BWPUSD	0.08256	0.093496	0.084151	0.088889
GBP/BWP	15.67956	15.739048	15.340339	14.831026
BWPEUR	0.082056	0.082368	0.0775193	0.080784
JPY/BWP	10.5352	10.5768	9.952725	10.347975
USDZAR	14.488512	15.710344	14.828087	15.37045675
EURUSD	1.046592	1.134224	1.0711215	1.1096855
GBPUSD	1.249056	1.35356	1.2783308	1.32427625

Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	
BWPUSD	0.086	-0.0001	BWPUSD BWPZAR
BWPGBP	0.066	0.0002	1m
BWPEUR	0.0788	0.00	3m
BWPZAR	1.2954	0.0025	6m
			12m

	Close	Change
Dollar Index	99.284	0.16
EURUSD	1.0901	-0.0008
GBPUSD	1.301	-0.0026
USDJPY	117.81	0.53
USDNGN	415.34	0
USDZAR	15.0947	0.0315

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.548	-0.002	SA 10y	9.74	-0.16
3y	4.75	0	US 10y	1.997	0.0036
5y	5.85	0	German 10y	0.27	0
20y	8.5	0	Spread SA 5y vs Bots 5y bpts	249	-15.5
22y	8.55	0			

Equities			Commodities		
	Close	Change		Close	Change
VIX	30.75	0.52	Gold	1985.2885	-10.5701
Dow Jones	32944.19	-112.18	Brent Crude	112.67	3.34
FTSE	7155.64	-91.63	3m Copper	10183.5	66.5
JSE All share	73685.89	1204.59	LME Index	5329	29.3
Bots DCIBT	7204.33	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47437.48	76.89			



- Today we have the release of the February CPI data. The January print came out at 10.6% which is way above the Bank of Botswana's target band however the bank remains steadfast in its view that rates will return to the top end of its 3-6% target range in the second half of 2022.

- The market will however be factoring in the invasion of the Ukraine by the Russians and the subsequent rise in commodity prices however the impact on the Feb reading should be mild given that the invasion started on the 24th Feb 2022. The impact will however be marked in the March reading given the hard rally in commodities across the board during this period.

- In other news, MMEGI reported the following - *The Botswana Public Officers Pension Fund (BPOPF) would be open to pension fund members being allowed to cash out a portion of their packages in case of emergencies, a move being considered as part of upcoming changes to the Retirement Funds Act. At present, pension fund members can only receive their benefits when they reach retirement age and begin drawing the monthly payouts. However, with the squeeze on disposable incomes, including loss of properties and mounting medical bills, legislators have been pressing for the upcoming changes in the retirement act to allow terms under which members could tap into their retirement savings for emergencies*

Financial Market commentary

- If it's not geopolitical uncertainties, then it's a fresh wave of Covid out of China causing disruptions or it's the threat of inflation that pre-existed the War on Ukraine. In short, there is enough for investors to concern themselves with. The real question is whether investors need to start preparing for the emergence of a bear market in equities or whether this will simply be a passing phase that will blow itself off. Stated differently, could equity and commodity prices be distorted higher in a manner that would bolster risk appetite and the performance of EM currencies? At face value, this time is a little different.

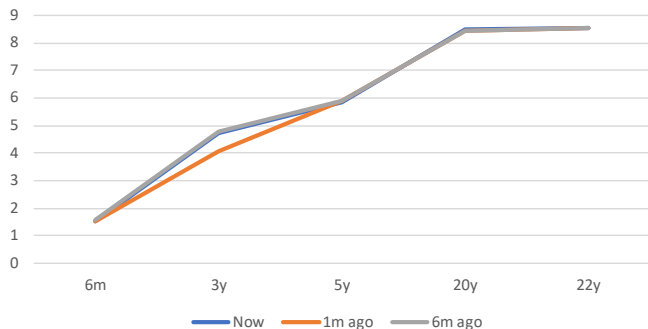
- Asset prices already staged an impressive rally straight through the middle of the pandemic when economic growth had barely shown signs of recovering. Equity market/GDP ratios rose further to highlight the value deviation from the underlying economy. Furthermore, central banks are looking to tighten and normalise monetary policies, while fiscal authorities are also looking to rein in their excessive spending. If not for the war that saw central banks turn less hawkish, investors would've moved to price in a lot more of this than they have.

- Supply chain and logistical bottlenecks have not yet disappeared, and the world is not entirely over the Covid pandemic, with China's zero-Covid policy coming back to bite them as they now experience a wave that they are locking down against. Were China not such a significant producer and a driver of global growth, this might not be a big problem. However, the global economy remains fragile.

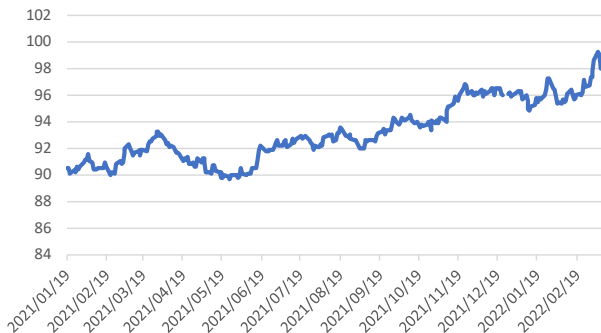
- So, it is a tricky time. On the one hand, there are many reasons to turn bearish. On the other, to do so wholesale, one would have to accept that central banks will act differently this time and not prevent stock markets from selling off. Could that be realistic when so many risks threaten to derail the economic outlook? The answer will guide how emerging and frontier market currencies will perform.

- In terms of energy, oil markets are on the defensive this morning as optimism is growing that talks between Ukraine and Russia could prove substantive. With this, the front-month Brent contract dipped back below \$110 per barrel earlier this morning before paring some of the losses. Nevertheless, the bias for the commodity does appear to be to the downside for now, but it could shift in either direction depending on how the situation in Eastern Europe develops over the coming days. It will be a jampacked week ahead with further talks between Russia and Ukraine expected, while investors will also be looking to see if Russia will repay its debt. Finally, the Fed will meet this week and very likely announce an interest rate hike. If the FOMC hikes and maintains a very hawkish policy stance, it could weigh further on the crude markets.

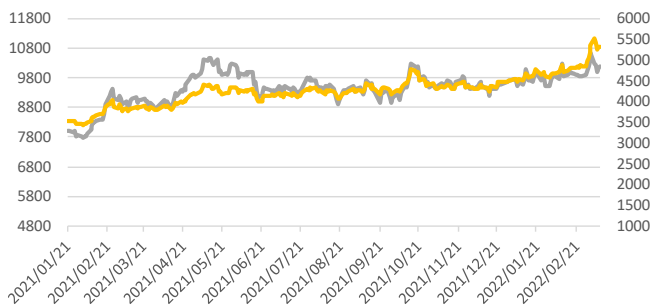
Botswana Yield Curve



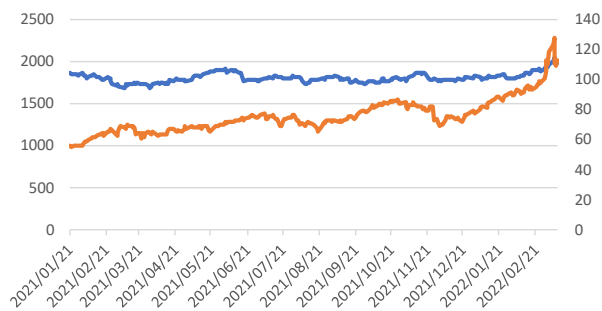
USD Index



Base metals - Copper L_Hand axis LME Index
R_Hand axis

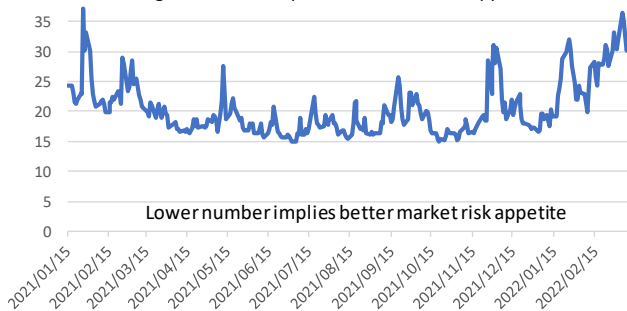


Oil R_Hand Axis - Gold L_Hand Axis

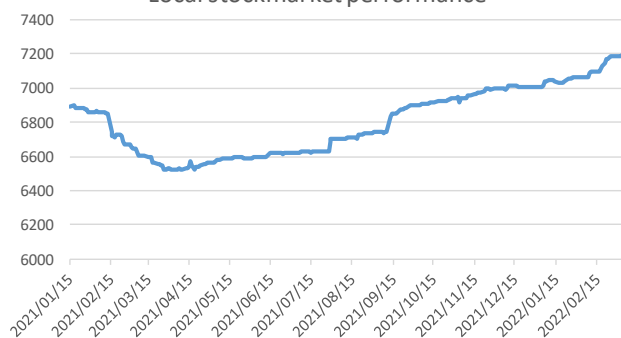


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Local stockmarket performance



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