

Botswana Market Watch 15 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	BWP900m 7-Day certificates on offer			
10:00	EZ	Industrial production (wda) y/y	Jan	-0.30%	1.60%
10:00	EZ	ZEW economic sentiment	Mar		48,60
10:00	GE	ZEW economic sentiment	Mar	5,00	54,30
12:30	US	Empire manufacturing	Mar	7,20	3,10
12:30	US	PPI final demand y/y	Feb	10.00%	9.70%
20:00	US	Net long term TIC flows	Jan		\$114,50bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	While the War in Ukraine continues, the US has held intense 7-hour talks with China amid Russia's ongoing attack	China will not want to embroil itself with any negative blowback for a War it did not start	5/5 (geopolitics, economy, markets)	China may have adopted a neutral stance and is in a position to pressure the Putin administration differently. It will not want to anger the West
PBoC decision	China's central bank opted to keep its policy rates unchanged in a liquidity operation on Monday against hopes that it might try to prop up growth through rate cuts	The economy has suffered through its indebtedness and faltering property now it faces Covid	4/5 (economy, monetary policy, pandemic)	On top of all the economic headwinds, it now also faces the prospect of a sharp Covid wave that could see the authorities lockdown and further impact growth negatively
Chinese Covid cases	China posted a sharp jump in Covid cases on Tue with new cases doubling from the previous day to a two-year high	Highlights the dangers of the zero-Covid policy and the futility of such efforts	4/5 (economy, pandemic)	With the population holding low levels of natural immunity, the zero-Covid policy could prove disastrous as Covid could run rampant in China

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 - [U.S. holds 'intense' 7-hour talks with China amid Russia's war in Ukraine](#)

ALL AFRICA - [Women and Girls Must Lead Battle Against 'Widespread and Interlinked Crises' - UN Chief](#)

FT - [US tells allies China signalled openness to providing Russia with military support](#)

SOUTH CHINA POST - [Ukraine war: US-China talks focus on Beijing's support of Russia](#)

REUTERS - [U.S. warns China against helping Russia as sanctions mount](#)

Local and regional talking points

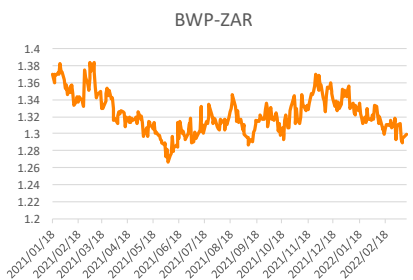
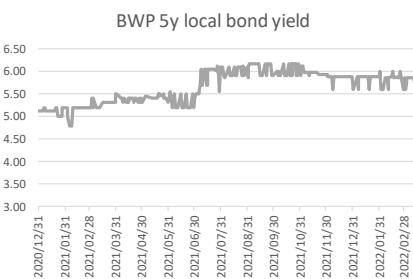
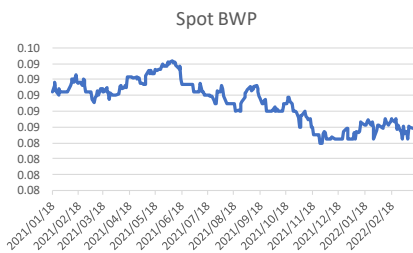
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.245696	1.255392	1.2697016	1.346931
BWPUSD	0.082464	0.093496	0.0840532	0.088992
GBP/BWP	15.6806	15.791256	15.341356	14.880222
BWPEUR	0.081328	0.081952	0.0768315	0.080376
JPY/BWP	10.5768	10.6496	9.992025	10.4192
USDZAR	14.501376	15.723136	14.841252	15.382972
EURUSD	1.053696	1.14192	1.078392	1.117215
GBPUSD	1.251744	1.356888	1.2810818	1.32753225

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0859	-1E-04	1m	-2.91525	-25.96872
BWPGBP	0.0661	0.0001	3m	-7.34175	-47.36885
BWPEUR	0.0785	0.00	6m	-14.61525	-94.3123
BWPZAR	1.2991	0.0105	12m	-31.58025	-221.0931

	Close	Change
Dollar Index	98.868	-0.131
EURUSD	1.0976	0.0037
GBPUSD	1.3041	0.0041
USDJPY	118.34	0.16
USDNGN	415.3	0
USDZAR	15.1036	-0.0202

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.549	0.001	SA 10y	9.855	0.115
3y	3.6	-1.15	US 10y	2.1419	0.1449
5y	5.75	-0.1	German 10y	0.373	0.103
20y	8.48	-0.02	Spread SA 5y vs Bots 5y bpts	270	21
22y	8.53	-0.02			

Equities			Commodities		
	Close	Change		Close	Change
VIX	31.77	1.02	Gold	1951.115	-34.1735
Dow Jones	32945.24	-229.88	Brent Crude	106.9	-5.77
FTSE	7193.47	56.55	3m Copper	9935	-248.5
JSE All share	71903.72	-203.52	LME Index	5194.8	-134.2
Bots DCIBT	7204.33	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47428.67	73.5			



- Statistics Botswana did not release the February reading of CPI yesterday and looking on both Bloomberg, Reuters and the Statistics Botswana website there is no revised day for release. We will maintain a close watch on various sources and make the readers aware of any new information as it presents itself.

- The political landscape is currently dominated by President Masisi being in Dubai and meeting various rulers in the United Arab Emirates with the express purpose of extending ties between Botswana and the region. The Middle East is a region that has extended its reach to Botswana with regions airlines opening up routes for travel. This now needs to graduate to the next level with commerce and tourism very much a focal point.

- In other news, MMEGI reported the following - *As at the end of February, authorities at the Botswana Energy Regulatory Authority (BERA), estimate the local petrol pump prices were, on average, P1.25 below the actual cost of supplying the fuel. Diesel prices were on average P1.49 below cost while paraffin prices were about P3.50 below par, due largely to the fact that prices of the home cooking and lighting fuel was not increased in the last general adjustment in December. With crude oil prices escalating around the world due to the conflict in Ukraine, these gaps between actual cost and price are rapidly widening and before long, authorities will have no choice but to pass on the buck to motorists, consumers and the general economy.* ([full article click here](#))

Financial Market commentary

- Given the impact of oil on the inflation basket as alluded to in the point above it is worth unpacking developments in the oil sector.

- Oil's slide has continued this morning, with the front-month Brent contract probing the \$100 per barrel mark, while WTI has slipped below triple-digits for the first time this month. This takes the market's losses to over 20% since it peaked in the first week of March, with headlines continuing to drive direction. Focus this morning has been on a slowing Chinese economy given the surge in COVID cases that is testing its zero-COVID policies. There has also been talk of a ceasefire between Russia and Ukraine, with progress on this front aiding market sentiment this morning.

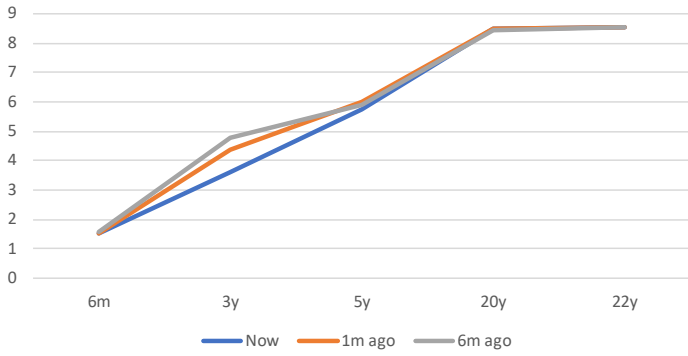
- Fundamentally, the market remains extremely tight. However, there have been signs that Russian exports have not been completely cut off from the global market. Russian oil company Surgutneftegas is still offering clients flexible financing in order to keep its crude flowing, while India has said that they are looking at ways to import cheap Russian crude in such a way that does not contravene the imposed sanctions on Russia. Keeping these flows alive will alleviate some of the pressures within the market, potentially keeping prices under a bit of pressure over the near term. However, a further escalation in the war remains a risk to this view and market jitters may see oil maintain a relatively wide trading range for now.

- Moving over to the US, there is a lot unfolding in the world's largest economy, but much of it is geopolitically driven. The U.S. has held 7hr talks with China concerning developments in Ukraine and will have made its point clear that it will not look kindly on any assistance China offers Russia as it would undermine Western efforts to stop the war. On a separate issue, but interrelated, Iran has left the ball in America's court to make a decision on reopening negotiations on a fresh nuclear deal, although Russia has imposed demands that Iranian trade with Russia would not be affected by sanctions. It is a difficult geopolitical climate all around.

- Although buoyant, the USD does appear to have run into some headwinds and may struggle to make further headway in an environment that could still see overall levels of risk aversion subside. All eyes will be on the war in Ukraine and, of course, the Fed's decision on interest rates. In the latter part of the week, we would expect the combination to decide the general bias on the USD

- In terms of the local unit we still see the BWP-USD pivoting around the 0.0860 level for now. Investors will be reluctant to take on excessive risk ahead of the FOMC meeting tomorrow.

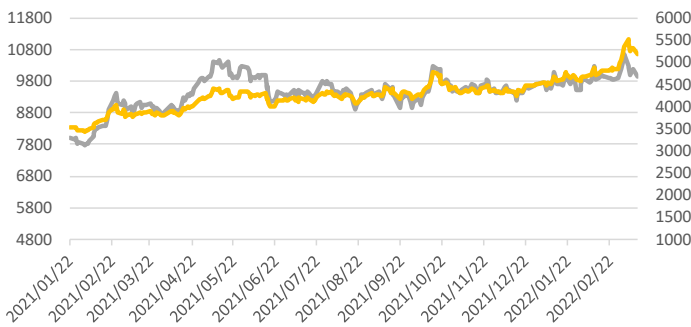
Botswana Yield Curve



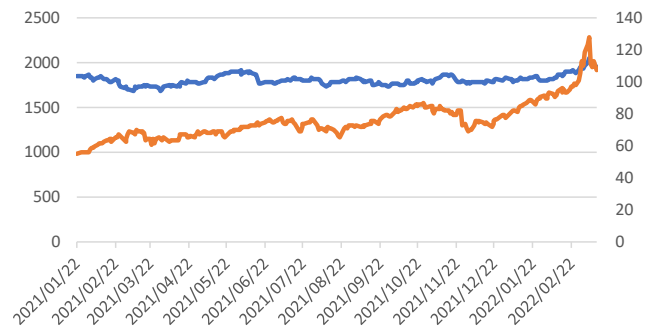
USD Index



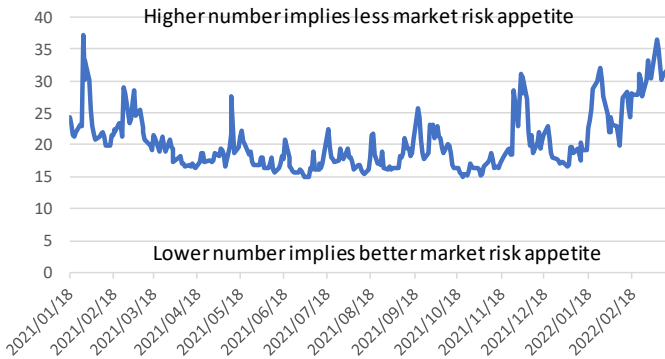
Base metals - Copper L_Hand axis LME Index R_Hand axis



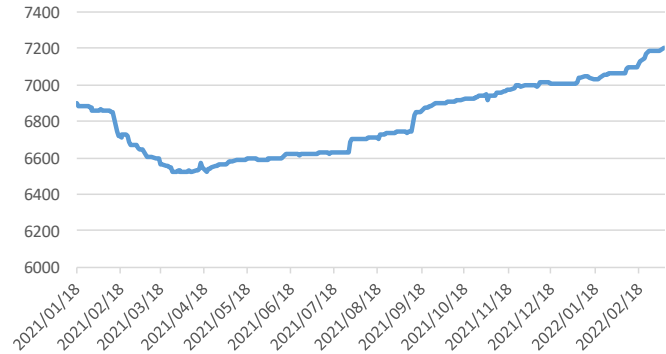
Oil R_Hand Axis - Gold L_Hand Axis



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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