

Botswana Market Watch

21 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
07:00	BW	Nothing on the cards			
12:30	GE	Producer prices y/y	Feb	25.70%	25.00%
	US	Chicago Fed activity index	Feb		0,69

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	As Russia's frustratingly slow invasion of Ukraine rolls on, sanctions against Russia continue to mount with Japan and Australia expanding sanctions	With negotiators still far apart in talks, countries will expand sanctions to isolate Russia further	5/5 (geopolitics, economy, markets)	For all of Russia's talk of progress in the negotiations, the evidence on the ground in Ukraine says something different, with Putin growing more frustrated as progress remains slow
BoE decision	The BoE's MPC voted 8-1 to raise rates by 25bp to a pre-pandemic level of 0.75%. But in contrast to the Fed, the BoE softened its stance on future hikes	The lone dissenter expressed concern about the impact commodity prices and the war would have	4/5 (economy, markets)	This brings to three, the number of consecutive meetings in which the BoE has hiked. It is the first time this has happened since 1997 and highlights how concerned the MPC is over inflation
BoJ decision	As anticipated, the BoJ has left monetary policy unchanged and warned about the high degree of uncertainty over the Ukrainian war fallout	The BoJ has therefore maintained its ultra-loose stance and will not be tightening any time soon	4/5 (economy, pandemic)	Japan does not have an inflation problem and will be more focused on supporting growth. It has been impacted heavily in recent years by a combination of Covid and supply chain disruptions

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	Turkey has indicated that Russia and Ukraine have made progress and are nearing an agreement on "critical" issues and that a cease-fire was possible soon	So far, there is little evidence of any reduced fighting, but such comments do raise hopes	5/5 (geopolitics, Economy, markets)	Efforts are being made by Turkey as well as Israel, and with the Russian invasion proving draining on the Russian economy, stiff resistance by Ukraine would force peace negotiations sooner
EU, NATO, G7 summit	On Thursday, this powerful collection of countries will meet to decide on the next round of sanctions to impose on Russia	A Russian oil embargo will be proposed, although the EU will struggle	4/5 (economy, markets)	So far, sanctions have not discouraged Russia enough to stop the war from continuing and imposing an embargo on oil and gas will be unfeasible for the EU
Fed outlook	St Louis Fed President Bullard indicated that a dramatic rise in the Fed funds rate to more than 3% this year would be needed to contain inflationary pressures	Bullard believes that the Fed needs to act quickly or risk losing its credibility as an inflation fighter	4/5 (economy, Monetary policy)	This would be an aggressive stance by the Fed at a time when the effects of the Ukraine war are unclear and when China's covid lockdowns will further hamper global growth

Highlights news vendors

- CNBC** - [More than 90% of Ukrainians believe their country will win the war; Zelenskyy warns of WWII](#)
- ALL AFRICA** - [The Ugandan Teacher Who Risked It All to Save Her Class During Covid](#)
- FT** - [Fierce fighting engulfs Mariupol as Russia demands Ukraine surrender city](#)
- SOUTH CHINA POST** - [Does China's goal of common prosperity leave room for the super-rich?](#)
- REUTERS** - [Ukraine refuses to surrender Mariupol as Russia warns of humanitarian 'catastrophe'](#)

Local and regional talking points

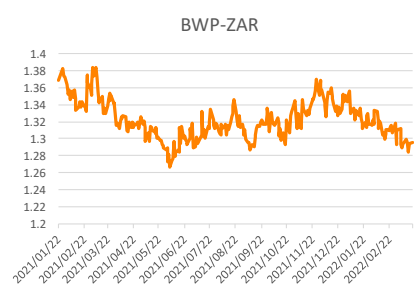
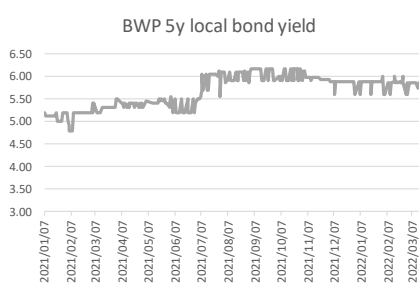
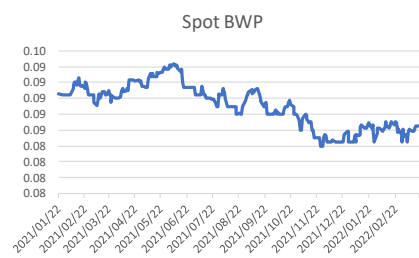
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.24368	1.253568	1.2676468	1.344974
BWPUSD	0.08304	0.093496	0.0846403	0.089713
GBP/BWP	15.700256	15.817568	15.360587	14.905016
BWPEUR	0.081432	0.082056	0.0769298	0.080478
JPY/BWP	10.7224	10.8056	10.129575	10.571825
USDZAR	14.37792	15.59168	14.714903	15.25436
EURUSD	1.059936	1.148368	1.0847783	1.1235235
GBPUSD	1.262304	1.368224	1.2918893	1.338623

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0865	0	1m	-18.96283
BWPGBP	0.0658	0.0002	3m	-38.56043
BWPEUR	0.0783	0.00	6m	-87.86997
BWPZAR	1.2954	0.0117	12m	-215.5716

Dollar Index	
	Change
EURUSD	-0.0015
GBPUSD	-0.003
USDJPY	0.08
USDNGN	0
USDZAR	0.0073

Local Fixed income		International Fixed Income		
Yield curve	Close	Change	Close	Change
6m	1.551	0.003	SA 10y	0.07
3y	4.75	0	US 10y	-0.014
5y	5.6	-0.25	German 10y	-0.021
20y	8.45	-0.05	Spread SA 5y vs Bots 5y bpts	32
22y	8.5	-0.05		

Equities		Commodities		
	Close	Change	Close	Change
VIX	23.87	-1.8	Gold	-21.553
Dow Jones	34754.93	417.66	Brent Crude	1.29
FTSE	7404.73	93.66	3m Copper	88
JSE All share	74847.63	639.97	LME Index	-53.7
Bots DCIBT	7201.62	0	1 carat index	#VALUE!
Nigeria Index	47282.67	-11.24		



- MMEGI Online reporting - *Fast-rising coal producer, Minergy Limited, is hopeful it will grab the 300MW coal-fired power tender floated by government, in which a decision is due from next month, BusinessWeek has learnt. The 300MW tender is the last coal-fired electricity government will procure, according to the Integrated Resource Plan, which maps out all power sources the public purse will pursue until 2040. Of the four coal developers shortlisted for the tender, Minergy with its Masama Coal Mine, is the only active coal producer in the group, a fact which CEO Morne du Plessis expects to be a critical factor. "New entrants don't have the experience and knowledge to operate in Botswana," Du Plessis said on Wednesday. "We have been able to develop at our own pace but prospective bidders for the power plant will be under pressure to deliver and time to learn will not be available which can delay delivery. "Minergy has been through the processes and are ready to execute on award."*

- The big event locally this week is the 4th quarter GDP reading for 2021. Granted the data is dated however it will give insight into the state of the economy and will allow investors to extrapolate forward their understanding of how the economic dynamics will play out for 2022.

Financial Market commentary

- Aluminium is back in the spotlight this morning after Australia banned the export of alumina and aluminium ores including bauxite to Russia. Reuters reported - "Russia relies on Australia for nearly 20 percent of its alumina needs," the Australian government said in a joint statement from several ministries, including the prime minister's office. It added that the move will limit Russia's capacity to produce aluminium, which is a critical export for Russia. "The Government will work closely with exporters and peak bodies that will be affected by the ban to find new and expand existing markets," the statement said.

- In addition to the news above, the German aluminium producer Trimet stated that it would cut production at its main factory in Essen by 50% as a result of the higher energy costs which will further hit supply.

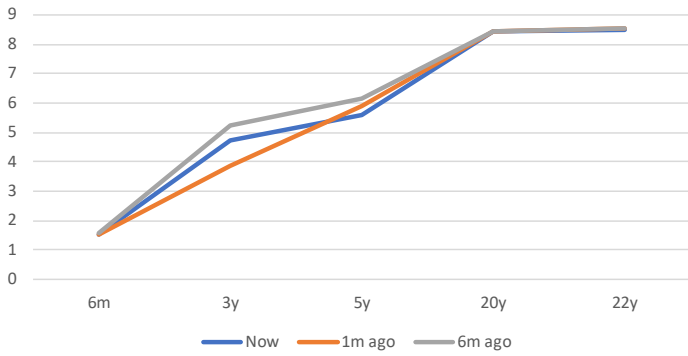
- Not surprisingly we have witnessed the benchmark 3m LME contract rallying hard today. It is currently trading 4.38% higher on the day at \$3529.00/tonne as we enter the start of the EU open. More gains cannot be ruled out. Investors will be keeping a close eye out given the many industrial applications of aluminium and how it may influence the inflation basket.

- Equally, the energy markets remain a focal point. Oil has rallied this morning as we kick off the new week, with the Brent front-month contract back above \$110 per barrel now as the war between Russia and Ukraine intensifies. Prices have also been supported by attacks in Saudi Arabia, with Iranian-backed rebels drone-striking energy facilities to ratchet up tensions in the middle-east. With this adding to supply concerns, the volatility within the market looks set to remain entrenched for now.

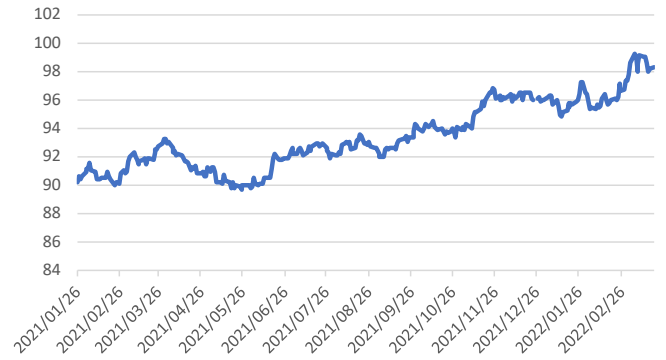
- This weekend, however, did see major oil importers increase the pressure on exporters to start producing more, with the likes of Japan urging the UAE to ramp up their production. This pressure may be starting to bear results, with Saudi Aramco stating over the weekend that it is looking at increasing spending in order to boost production. The state-owned company's goal is to increase output to 13mn barrels per day, although this may only be completed by 2027. Nevertheless, it is a sign that they are looking at boosting their numbers, and could increase speculation of a larger output increase at the next OPEC+ meeting.

- Moving onto the FX markets, The JPY continued its slide on Monday, rising above ¥119/dlr as funds continued to flow out of the funding currency. It is a function of a weak inflation dynamic that will keep monetary policy ultra-accommodative. It is also an indication that carry trades are back on and that risk appetite has picked up slightly. Carry trades will be considered, and countries with higher interest rates or exposure to commodities might prove more attractive. The USD itself has picked up slightly as the USD index rises back above 98.3, while for now, the EUR and the GBP appear to be in a more consolidative mood, trading at 1.1037 and 1.3150, respectively.

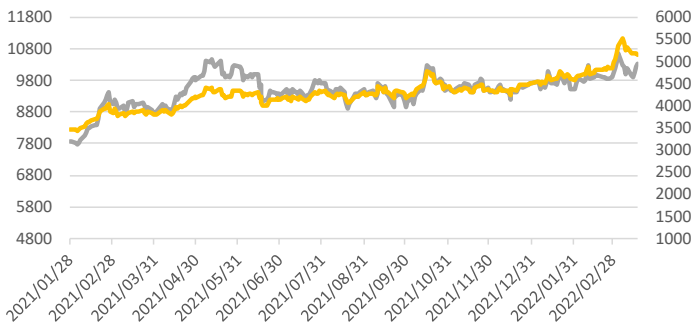
Botswana Yield Curve



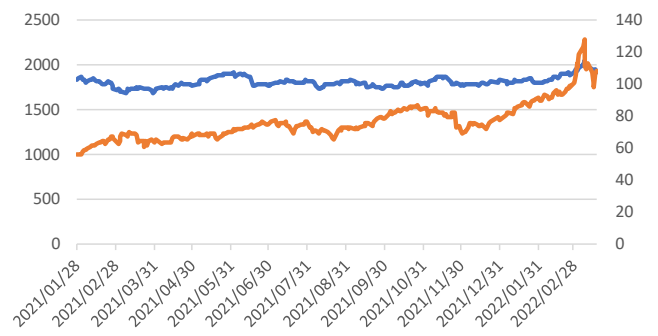
USD Index



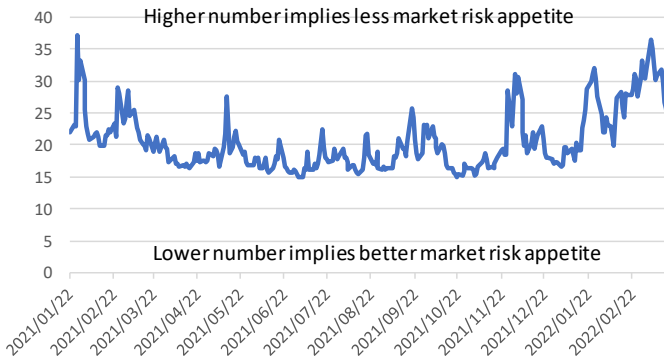
Base metals - Copper L_Hand axis LME Index R_Hand axis



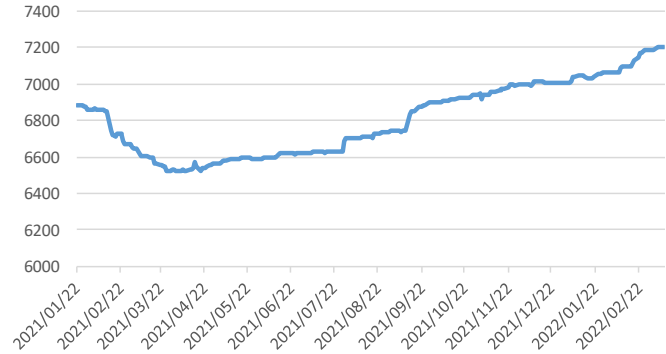
Oil R_Hand Axis - Gold L_Hand Axis



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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