

Botswana Market Watch

22 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	BWP6.5bn 7-Day Certificates on offer			
10:00	EZ	Construction output wda y/y	Jan		-3.90%
13:15	EC	ECB's Lagarde Speaks			
14:00	US	Richmond Fed manufacturing index	Mar	2,00	1,00
15:15	UK	BOE's Cunliffe speaks			
17:00	EC	ECB's Lane Speaks			
21:00	US	Fed's Williams, Daly & Mester Speak			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	Ukraine rejected an ultimatum that it surrender the port of Mariupol to Russian forces, and so the fighting continues for the strategic port	Strategically, Mariupol would link the Donbas region to Crimea and is deemed important	5/5 (geopolitics, economy, markets)	Ukrainian resistance remains strong and continues to thwart Russian efforts to capture it, much to the Kremlin's dismay. Not even the Russian bombing of civilian buildings has been enough
Fed speak	In a prepared statement, Fed Chairman Powell acknowledged the inflation problem and indicated the Fed would do what it needed to regain control	His comments raised expectations that the Fed could hike rates by more than 25bp to do so	4/5 (economy, markets, monetary policy)	US Treasury yields jumped in response, while the overall curve flattened. Investors are now actively pricing in the possibility that monetary policy could push past neutral and turn restrictive
BoJ speak	Governor Kuroda highlighted on Tuesday how the BoJ must maintain its ultra-loose monetary policy as a means of supporting the economy	Ironically in Japan, cost-push inflation is seen as damaging to growth to encourage further BoJ support	3/5 (economy, monetary policy)	There is likely to be a widening gulf between the Fed's monetary policy stance and that of the BoJ, that does not have an inflation problem so much as it has a lack of GDP growth problem

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Ukraine - Russia	As Biden's remarks inflame relations, talks between Russia and Ukraine are on the verge of collapse. Peace talks have a long way to go	While there is no clear evidence of reduced fighting, any negotiations are in name only	5/5 (geopolitics, economy, markets)	Russia is now committed to this war and finding a way to show that its efforts were not in vain. Pressure on the Russian economy continues to build with each passing day
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 (geopolitics, economy)	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
ECB policy stance	ECB President Lagarde indicated on Monday that the world's two largest economies would not be in monetary policy sync for the foreseeable future	Europe's economy is too weak to sustain a series of rate hikes. The Fed is focused on inflation	4/5 (economy, markets, monetary policy)	It is questionable whether the US economy is as robust as the Fed assumes that it is. In the interim, some market dislocations are likely and could lead to interesting spread opportunities

Highlights news vendors

CNBC - [Powell says 'inflation is much too high' and the Fed will take 'necessary steps' to address](#)

ALL AFRICA - [World Bank to Fund Communities Affected By Locust Invasion](#)

FT - [Powell says Fed prepared to move more aggressively to tighten policy](#)

SOUTH CHINA POST - [Biden says Putin considering using chemical, biological weapons in Ukraine](#)

REUTERS - [Ukraine military tells residents to brace for indiscriminate Russian shelling](#)

Local and regional talking points

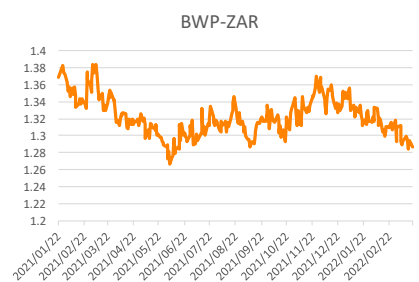
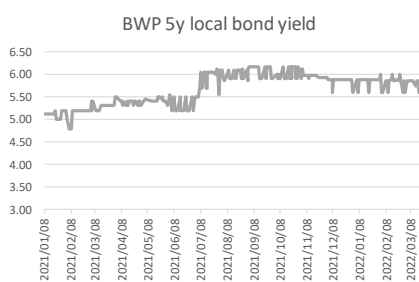
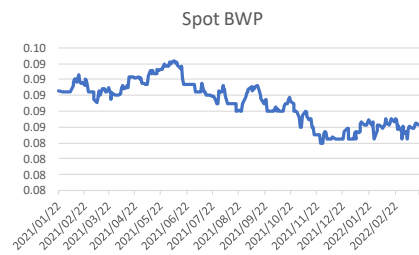
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.238496	1.248288	1.2623629	1.339309
BWPUSD	0.082848	0.093496	0.0844446	0.089507
GBP/BWP	15.72688	15.837432	15.386635	14.923734
BWPEUR	0.08164	0.082264	0.0771263	0.080682
JPY/BWP	10.7848	10.8576	10.188525	10.6227
USDZAR	14.35056	15.56152	14.686901	15.2248525
EURUSD	1.054944	1.143272	1.0796693	1.11853775
GBPUSD	1.261344	1.366872	1.2909068	1.33730025

Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	
BWPUSD	0.0863	-0.0002	BWPUSD
BWPGBP	0.0655	-0.0001	1m
BWPEUR	0.0783	0.00	3m
BWPZAR	1.2861	0.0024	6m
			12m

Dollar Index	98.662	0.164
EURUSD	1.0989	-0.0025
GBPUSD	1.314	-0.0025
USDJPY	120.14	0.67
USDNGN	415.39	0
USDZAR	14.9499	0.047

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.552	0.001	SA 10y	9.655	0.07
3y	3.6	-1.15	US 10y	2.153	-0.014
5y	5.75	0.15	German 10y	0.367	-0.021
20y	8.48	0.03	Spread SA 5y vs Bots 5y bpts	258.5	-15
22y	8.53	0.03			

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.53	-0.34	Gold	1935.9524	14.8654
Dow Jones	34552.99	274.17	Brent Crude	115.62	7.69
FTSE	7442.39	19.39	3m Copper	10295	-36
JSE All share	74847.63	723.36	LME Index	5105.1	-38.8
Bots DCIBT	7203.22	-3.75	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47251.93	-70.55			

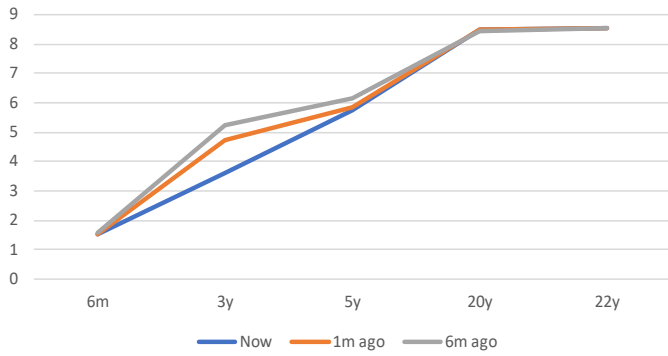


- There has been word of some Mergers and Acquisitions activity in the mining sector. Market Watch reported that *Kavango Resources PLC* said Monday that it has proposed an offer to acquire the entirety of *Kalahari Key Mineral Exploration Proprietary Ltd.*, which holds 60% of the economic interest in a nickel project in Botswana. The London-listed mining company said the provisional offer in the *Molopo Farms nickel exploration project* replaces a proposed deal outlined in a previous program option announcement. If the offer is accepted by holders of at least 90% of the shares in the acquired company, *Kavango* will publish a detailed exploration plan for *Molopo Farms*, potentially including immediate diamond core drilling.
- The diversification of the mining sector is of strategic importance to the country given its reliance on the diamonds for hard currency earnings and taxes. The country is making strides in developing its copper and coal sector, nickel would add another layer of resilience to the economy.

Financial Market commentary

- The sell-off in global bonds deepened on Monday after the Federal Reserve Chair delivered his most hawkish message during the Covid-era as the US economy continues to battle soaring inflation. Powell said that the Fed is prepared to raise interest rates by 50bps at the next policy meeting if conditions require. Recall that the Fed hiked rates by 25bps at its March meeting and signalled that it would deliver six more hikes of the same magnitude in the remaining months of this year.
- The hawkish rhetoric of Powell's comments overnight has added to the bearish bias in the global bond market, with the 2yr US Treasury yield surging to its highest level in almost 3 years this morning. At the time of writing, the 2yr US Treasury yield was trading at 2.18%. This means that the shorter-dated 2yr US Treasury yield has climbed 145bps since the start of the year, reflecting the marked shift in US monetary policy as inflation pressures continue to surge.
- Following Powell's comments, the US derivatives market priced in seven and a half 25bps rate hikes at the remaining six FOMC meetings this year, implying that the market is baking in the risk of more than one 50bps rate hike. While traders scaled up their bets for a more hawkish policy path in the US, expectations are mounting that China will loosen monetary policy to support its ailing economy.
- That said, we have seen a shift in monetary policy in Africa, with both Egypt and Ghana hiking rates aggressively on Monday, moves aimed at curbing inflation which has been amplified by the crisis in Ukraine. Note that Russia's invasion of Ukraine has triggered massive dislocations in the global commodity market and supply chain. For context, the Central Bank of Egypt raised its benchmark interest rate by 100bps to 9.25%, while the Bank of Ghana delivered a more aggressive rate hike of 250bps, taking its benchmark rate to 17.00%. The Central Bank of Nigeria meanwhile left rates on hold. The Bank of Botswana has adopted a wait and see approach, even though the country is running deeply negative real rates.
- On the energy front, the oil markets had a big start to the week, with Brent rising well above the \$110 per barrel level as the EU has begun debating whether or not to ban Russian crude imports. EU officials have said that the debate will go on this week, although it has been suggested that such a ban won't be approved given the damage that it could do to the European economy. Nevertheless, the oil market's recent volatility and tight trading conditions have meant that even the possibility of such a ban has seen prices surge, with the front-month Brent contract at over \$118 per barrel at the time of writing.
- The USD gained ground against the majors, most notably the JPY and the EUR, both now seen as funding currencies with their respective central banks unwilling to tighten monetary policy. The JPY has collapsed through ¥120/dlr, while the EUR has dipped back below 1.1000/dlr. It seems likely that while the Fed continues to hold such a hawkish tone, that the USD will remain well supported. The ZAR markets return from a long weekend and this should result in local BWP liquidity improving as well. Expect the BWPUUSD to hold clear of the 0.0860 mark.

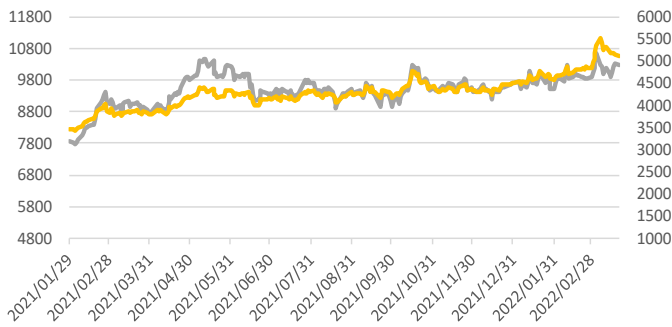
Botswana Yield Curve



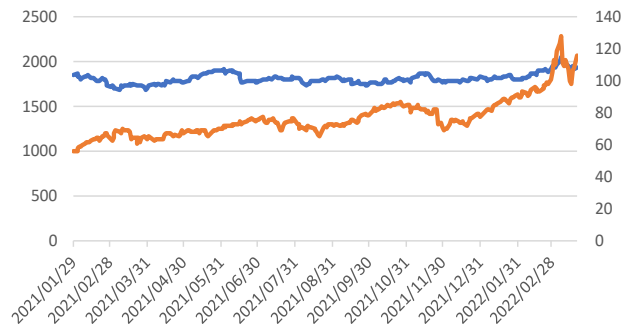
USD Index



**Base metals - Copper L_Hand axis LME Index
R_Hand axis**

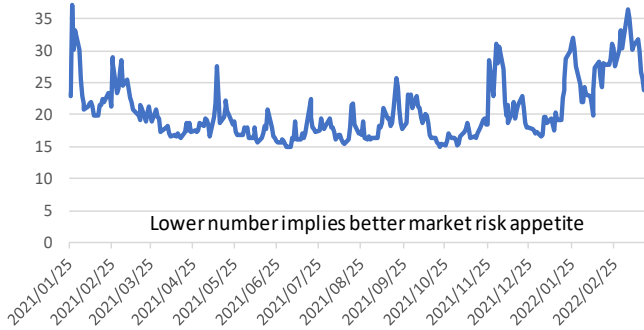


Oil R_Hand Axis - Gold L_Hand Axis

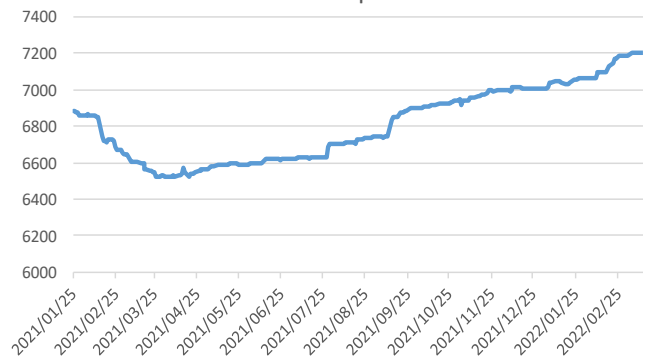


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Local stockmarket performance



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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