

# Botswana Market Watch

## 24 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
08:30	<b>GE</b>	Markit/BME manufacturing PMI	Mar P	56,30	58,40
09:00	<b>EZ</b>	Markit/BME manufacturing PMI	Mar P	56,80	58,20
09:30	<b>GB</b>	Markit manufacturing PMI	Mar P	57,00	58,00
10:30	<b>UK</b>	BOE financial policy committee report			
12:30	<b>US</b>	Durable goods orders m/m	Feb P	-0.60%	1.60%
12:30	<b>US</b>	Initial jobless claims	Mar 19		214k
13:45	<b>US</b>	Markit PMI manufacturing	Mar P	55,00	57,30

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Ukraine - Russia</b>	Ukrainian President Zelensky has urged solidarity ahead of the meeting of Western leaders and also urged the world to take to the streets in support	Ukraine continues to place Western nations under pressure to do more to cripple Russia	<b>5/5</b> (geopolitics, economy, markets)	More sanctions will likely be imposed on Russia today, but at this point, that is largely academic. The war continues, and Ukraine remains impressively resilient to the Russian onslaught
<b>US-China trade</b>	The US Trade Representative's office said it reinstated 352 expired product exclusions from tariffs on Chinese imports that covers about \$370mn of Chinese imports	The exclusions will provide some relief to those industries affected, which is especially helpful given high inflation	<b>4/5</b> (economy, markets, politics)	These exclusions will prevent those products from being hit by the sharp tariff increases implemented by the Trump administration as it sought to combat China's dominance in its trade relations
<b>Oil prices</b>	Oil prices have continued to surge as traders positioned for supply disruptions from a storm-damaged terminal in the Black Sea that would impact 1.2mn bpd from Kazakhstan	So tight is the oil market at present that the slight disruption to supply will cause an outsized response	<b>4/5</b> (economy, market)	The effect will be to hurt market sentiment, with the rise in oil prices acting as a further tax on the disposable income of households. Alternatives to Russian oil still need to be found and commercialised

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Fedspeak</b>	Fed policymakers yesterday signalled that they stand ready to take more aggressive action to combat unacceptably high inflation, including a 50bp hike	It remains unclear whether they are talking tough, not to have to act tough or whether they will act	<b>4/5</b> (economy, monetary policy)	Whether they are just talking tough or are prepared to act, investors have to price in this reality into the market, which would explain why UST yields are high, and the curve is flattening
<b>German growth outlook</b>	Germany's Ifo institute has cut its 2022 growth forecast to 2.2%-3.1% from 3.7% previously. Although far from a recession, it represents a big knock to GDP	The effects of Russia's invasion has boosted inflation and negatively impacted trade	<b>4/5</b> (geopolitics, economy)	Inflation through 2022 is expected to rise to between 5.1% and 6.1%, which is up almost double from the 3.3% forecast in December. It also offers perspective on the energy price impact
<b>EU, NATO, G7 summit</b>	Today, 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	<b>5/5</b> (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

### Highlights news vendors

CNBC - [India is in a sweet spot, courted by the Quad, China and Russia](#)

ALL AFRICA - [Boycott Chamisa, EFF Zimbabwe Urges Supporters](#)

FT - [US formally determines Russia has committed war crimes in Ukraine](#)

SOUTH CHINA POST - [How war in Ukraine fuels a food crisis in Africa](#)

REUTERS - [On invasion milestone, Ukraine urges solidarity as Western leaders gather](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.223904	1.233696	1.2474897	1.323653
BWPUUSD	0.082944	0.093496	0.0845424	0.089404
GBP/BWP	15.767336	15.878096	15.426216	14.962052
BWPEUR	0.081744	0.082368	0.0772245	0.080784
JPY/BWP	10.8888	10.972	10.286775	10.734625
USDZAR	14.165088	15.362048	14.497082	15.029696
EURUSD	1.054368	1.142648	1.0790798	1.11792725
GBPUSD	1.26624	1.371864	1.2959175	1.34218425

Interbank Spot Foreign Exchange

	Close	Change	BWPUSD	BWPZAR
BWPUUSD	0.0864	-0.0002	1m	-29.86568
BWPGBP	0.0654	0.0001	3m	-50.87233
BWPEUR	0.0785	0.00	6m	-100.6954
BWPZAR	1.2747	-0.0201	12m	-229.5655

Forward Foreign Exchange

	Close	Change
Dollar Index	98.778	0.156
EURUSD	1.0983	-0.0021
GBPUSD	1.3189	-0.0014
USDJPY	121.22	0.07
USDNGN	415.25	0
USDZAR	14.7598	0.0064

Local Fixed income

Yield curve	Close	Change	SA 10y	US 10y	German 10y
6m	1.549	0.001	9.74	-0.045	
3y	4.83	0	2.2898	-0.0909	
5y	5.75	0	0.479	-0.026	
20y	8.48	0	Spread SA 5y vs Bots 5y bpts	270	-7
22y	8.53	0			

International Fixed Income

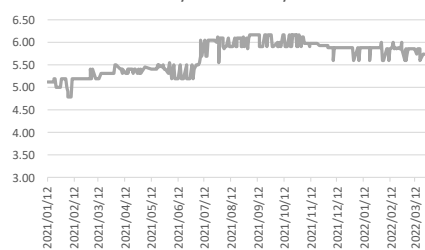
Equities

	Close	Change	Commodities	Close	Change
VIX	23.57	0.63	Gold	1943.3809	21.9392
Dow Jones	34358.5	254.47	Brent Crude	121.6	6.12
FTSE	7460.63	34.33	3m Copper	10438.5	170.5
JSE All share	74838.09	903.78	LME Index	5230.8	198
Bots DCIBT	7223.41	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47163.94	-95.37			

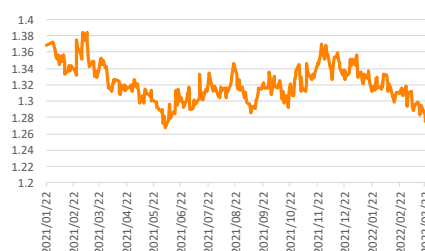
Spot BWP



BWP 5y local bond yield



BWP-ZAR



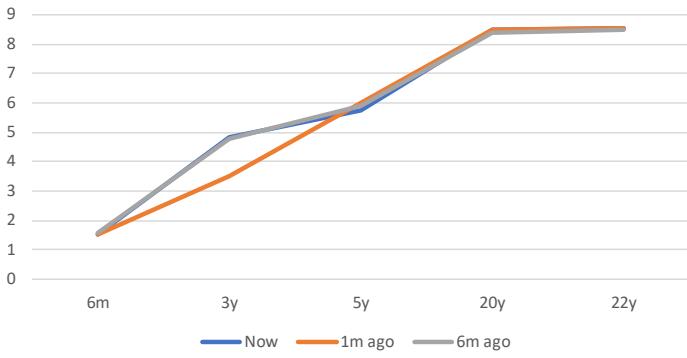
## Local and regional talking points

- The local news flow is on the thin side as we enter the start of today's trading session but regionally all focus will be on the South African Reserve Bank who will deliver a decision on interest rates later this afternoon.
- The SARB's MPC will have to tread carefully in this week's policy decision. Initially, we expected SARB to pause its hiking cycle this month following January's 25bps rate hike. However, concerns about inflationary pressures, driven by Russia's invasion of Ukraine, have shifted the scales towards a probable rate hike, even though there is still a degree of uncertainty to the trajectory of headline inflation due to Rand's strong performance and a pullback in oil prices.
- In the current environment, it would be wise for the SARB to act pre-emptively to avoid an inflation episode and maintain its credibility as an inflation fighter. As a result, we expect the SARB to raise interest rates by another 25bps. Even though structural hurdles persist, such a raise does not jeopardize SA's nascent economic recovery, given the projected tailwind from higher commodity prices. The SARB will face additional pressure to raise interest rates in the coming months after the Fed signalled a more hawkish stance to combat inflation last week.
- Given how the market has been front-loading its rate rise bets this year, a further 25bps rate hike would unwind some of the interest rate risk that has been baked into the market

## Financial Market commentary

- The SARB hiking rates has implications for the rand and by extension the pula. Hiking rates boosts carry attractiveness and reduces the incentive for any negative speculation on the rand. The latest CFTC data shows that speculators were net bullish on the rand by a record amount. Between the positive terms of trade and the foreign earnings through exports and the carry attractiveness of the rand, there is a tailwind that will continue to support the ZAR through the months ahead. The timing couldn't have been better at a time when global inflationary pressures are rising.
- As indicated before, SA's weaker money supply dynamics, its unique position of being a commodity producer, and the conservatism of the SARB have stood the country in good stead. It is one of the emerging market countries that has weathered the storm of the war in Ukraine better than most and will likely continue to do so. Furthermore, technical suggest that further ZAR gains are possible, with the only caveat being a potential bout of profit-taking that may follow today's SARB announcement. That is not assured, but given the ZAR's appreciation this week, some investors will be looking for a catalyst for a reversal.
- Moving over to the global FX markets, movements in the USD are a function of the rise and fall in risk appetite and the performance of global stock markets. When stocks are doing well, the USD falls back. When volatility rises once more, the USD tends to do better. This morning the USD is on the front foot, with the spike in oil prices and the wobble on stock markets spurring on a rotation into the USD. Also helping has been the more hawkish comments from Fed speakers that backed a possible 50bp incremental hike if needed. It has appreciated against the EUR, which slipped back to 1.0979, and the GBP, which slipped down to 1.3184 at writing. For now, the JPY remains firmly on the back foot and the funding currency of choice for any carry trades.
- Oil prices are holding steady this morning following yesterday's gains, with the front-month Brent contract trading just north of \$121 per barrel as the market waits to see what will be announced today when US President Biden addresses the war in Ukraine in his trip to Europe. Sources have suggested that the US and Europe are close to a deal that is aimed at limiting Europe's dependence on Russian energy. This will mostly involve the flow of natural gas, but will have ramifications for the oil market as well.

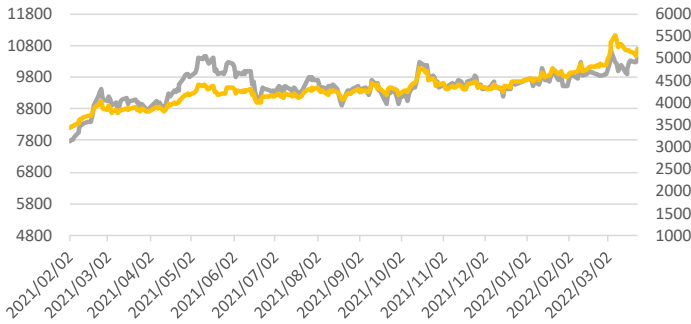
Botswana Yield Curve



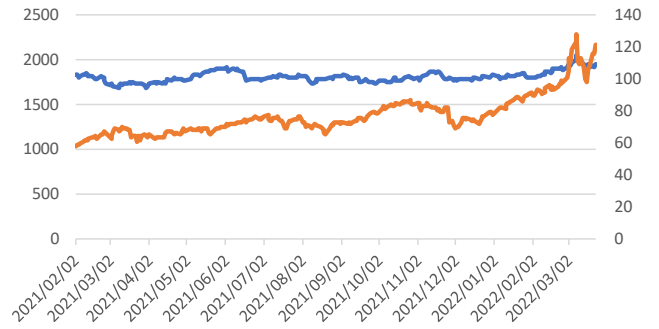
USD Index



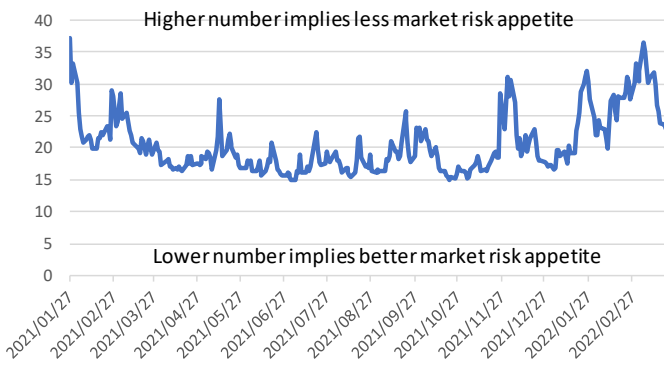
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



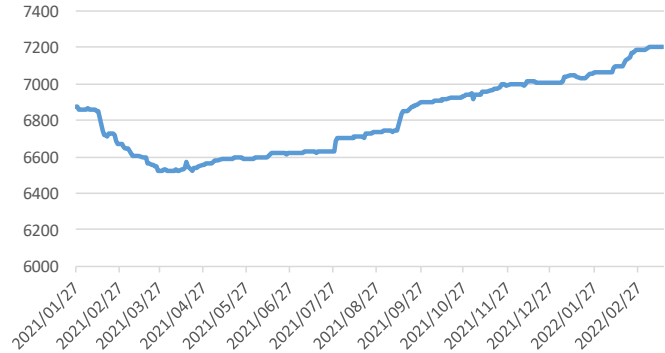
Oil R\_Hand Axis - Gold L\_Hand Axis



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

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