

Botswana Market Watch

28 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	GDP	4Q 2021		8.4%
12:30	US	Wholesale inventories m/m	Feb P	1.20%	0.80%
12:30	US	Advance Goods Trade Balance	Feb	-\$106bn	-\$107,60bn
Factors Overnight		What happened?	Relevance	Importance	Analysis
Ukraine - Russia	Ukraine has indicated that is ready to discuss neutrality as a means to secure a peace deal. However, that on its own will probably not be enough	Russia will want to frame this as a win and will target the independence of Eastern Ukraine	5/5 (geopolitics, economy, markets)	The two countries remain far apart in their negotiations, and while the neutrality will help, it is unlikely to go far enough to appease Russia that, will want Eastern Ukraine as well	
BoJ policy	The BoJ has announced plans to intervene and do what it needs to in order to constrain the rise in bond yields	It made a second offer through the afternoon to buy whatever was needed	4/5 (economy, monetary policy)	It is a powerful message that Japan will not tolerate the kind of interest rates that threaten its ability to grow. The move will likely cap bond yields	
China lockdown	Shanghai announced a two-stage lockdown today, closing bridges and tunnels as the authorities seek to contain the surge in Covid-19 cases	China's zero-Covid policy will likely prove very disruptive to the economy as the world opens up	4/5 (economy, virus)	It is unlikely that a zero Covid policy can work in a world that is opening up and where it is increasingly becoming endemic. China's actions will only serve to disrupt for no long-term benefit	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
Russian sanctions	EU leaders have backed away from embarking on an oil embargo on Russia as it would be highly impractical and would significantly impact the economy	The EU will spend the next few years finding ways to diversify away from Russian oil and gas	4/5 (economy, geopolitics)	Russia supplied 29% of Europe's oil and 51% of its petroleum products in 2019. The exposure is enormous and cannot be easily unwound. Doing so too aggressively would weaken Europe	
BoC	Bank of Canada has indicated that it is prepared to act forcefully with rate hikes to return inflation to its target	The BoC would be joining a host of other central banks targeting the same	4/5 (Economy, monetary policy)	Monetary tightening will dominate 2022 and ensure that countries that do not respond to inflation by raising interest rates will suffer currency volatility	
Russia - Ukraine war	Ukraine and Russia will resume peace talks in Turkey this week. Ukraine will not cede any territory and will not accept any Russian-backed referendum in Eastern Ukraine	The issue of territorial integrity will make negotiations difficult and a solution nearly impossible to achieve if inflexible	5/5 (geopolitics)	An agreement of a referendum of any sort would be an acknowledgement by Ukraine of how fractured the country is and will be used by Russia as justification for why the war was necessary	

Highlights news vendors

CNBC - [India is snapping up cheap Russian oil, and China could be next](#)

ALL AFRICA - [Regional Prosecutors Pledge to Crack Down on Wildlife Crimes](#)

FT - [Zelensky says Ukraine ready to discuss neutrality in peace talks with Russia](#)

SOUTH CHINA POST - [War in Ukraine looms over long-delayed China-EU summit](#)

REUTERS - [Ukraine insists on territorial integrity as talks loom](#)

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.22016	1.229856	1.2436735	1.319533
BWPUSD	0.083712	0.093496	0.0853252	0.090537
GBP/BWP	15.577536	15.68944	15.240522	14.78428
BWPEUR	0.082784	0.083408	0.078207	0.081804
JPY/BWP	11.1488	11.232	10.5324	10.989
USDZAR	13.992576	15.174224	14.320527	14.8459355
EURUSD	1.051296	1.139008	1.0759358	1.114366
GBPUSD	1.262496	1.36812	1.2920858	1.33852125

Interbank Spot Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0872	0.0001	1m	-2.75925
BWPGBP	0.0661	0.0001	3m	-8.29725
BWPEUR	0.0794	0.00	6m	-15.6975
BWPZAR	1.2683	-0.0146	12m	-32.75025

Forward Foreign Exchange

	Close		Change	
	BWPUSD	BWPZAR	BWPUSD	BWPZAR
BWPUSD	0.0872	0.0001	1m	-2.75925
BWPGBP	0.0661	0.0001	3m	-8.29725
BWPEUR	0.0794	0.00	6m	-15.6975
BWPZAR	1.2683	-0.0146	12m	-32.75025

Dollar Index

	Close	Change
Dollar Index	99.107	0.318
EURUSD	1.095	-0.0031
GBPUSD	1.3153	-0.0035
USDJPY	122.98	0.92
USDNGN	415.25	0
USDZAR	14.5782	0.0219

Local Fixed income

Yield curve	Close		Change	
	6m	3y	5y	20y
6m	1.548	-0.002	SA 10y	9.69
3y	4.83	0	US 10y	2.4879
5y	5.75	0	German 10y	0.57
20y	8.48	0	Spread SA 5y vs Bots 5y bpts	270.5
22y	8.53	0		9

International Fixed Income

	Close		Change	
	SA 10y	US 10y	German 10y	Spread SA 5y vs Bots 5y bpts
SA 10y	9.69	0.09		
US 10y	2.4879	0.118		
German 10y	0.57	0.044		
Spread SA 5y vs Bots 5y bpts	270.5	9		

Equities

	Close		Change	
	VIX	Dow Jones	FTSE	JSE All share
VIX	20.81	-0.86	Brent Crude	120.65
Dow Jones	34861.24	349.44	3m Copper	10267
Dow Jones	34861.24	349.44	LME Index	5212.6
FTSE	7483.35	6.75	1 carat index	Invalid field(s)
JSE All share	74324.67	-488.15		#VALUE!
Bots DCIBT	7224.94	-1.13		
Nigeria Index	46964.23	-202.32		

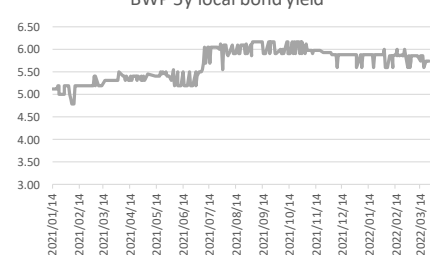
Commodities

	Close		Change	
	Gold	Brent Crude	3m Copper	LME Index
Gold	1957.4	-0.08		
Brent Crude	120.65	1.62		
3m Copper	10267	-82.5		
LME Index	5212.6	-50.3		
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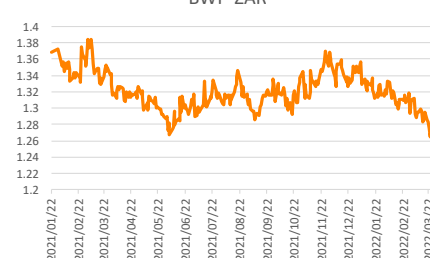
Spot BWP



BWP 5y local bond yield



BWP-ZAR



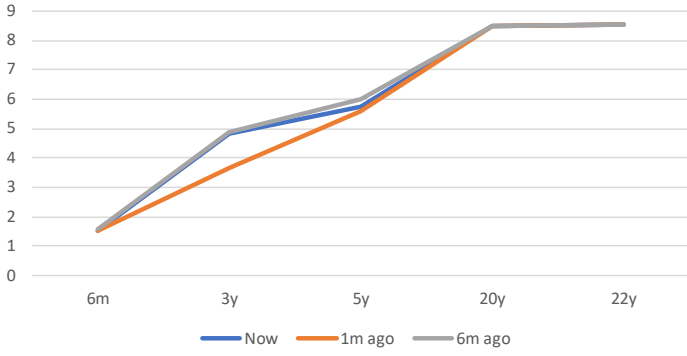
Local and regional talking points

- The release of the Q4 2021 GDP will take place either today or tomorrow after rolling over from last Friday's scheduled release date. As mentioned on Friday, the market will be eagerly awaiting the data, even if it is dated by comparison to the likes of the inflation numbers as it will give insight into the level of recovery achieved post the COVID-19 pandemic.
- The real GDP for 2021 is expected to come in 7.5% while the 2022 reading is expected to come in at 5.5% as domestic demand recovers. The risks to these forecasts going forward come from the higher commodity and energy prices as the Ukrainian conflict shows no signs of ending in the near future.
- Fixed income investors watched the 2040 bond auction eagerly on Friday to gauge the level of interest. Bonds are currently trading with steep negative real yields and a number of auctions last year were not as successful as the government would have hoped.
- Gaborone placed BWP163m worth of 2040 paper with a bid to cover ratio of 1.25%. The yield for the bond is marked at 8.365% and will settle on the 30th March. The sale was a reopening of an existing issuance with BWP2.454bn outstanding.

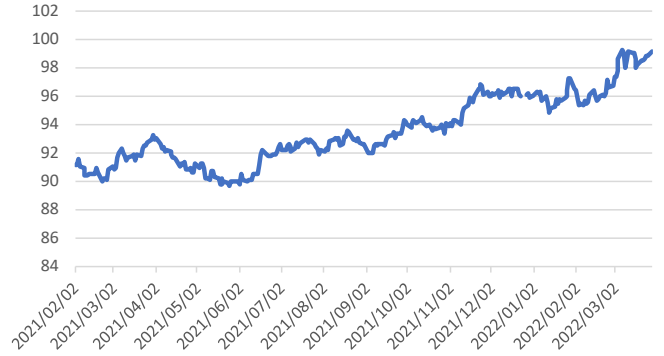
Financial Market commentary

- Gold has slipped at the start of the week with a stronger dollar taking the shine off the yellow metal. Equally the demand for the metal as a safe haven has pulled back slightly as hopes of progress in the Russia-Ukraine peace talks rise. The yellow metal is currently down around 0.7% at the time of writing, changing hands at \$1944.16/oz.
- That said, the broader investment thesis for gold remains sound. Investors remain committed to the metal as seen by the inflows into gold ETF's. Reuters reported - Holdings of the world's largest gold-backed exchange-traded fund, SPDR Gold Trust, rose 0.5% to 1,093.18 tonnes on Friday, their highest since late-February 2021.
- The noble metal group has diverged again. Palladium is up just short of 1.7% while the platinum price has dipped by around 0.5% into the EU open.
- Demand concerns for base metals have risen as the world's top consumer, namely China continues with its no COVID-19 policy. Beijing raised quarantine measures in the financial hub Shanghai to a two-stage lockdown affecting some 26 million people. Reuters reported that Tesla would be suspending production at its Shanghai factory for four days. Other companies are expected to behave in the same manner which will undoubtedly hit the GDP figures for this quarter.
- In other news, the London Metals Exchange will double the size of its clearing house default fund from April to \$2,075bn, the reason for this is to create additional resilience to the market following the rise of member default risks as a result of the Ukraine-Russia conflict. The default fund will cover any debts exceeded the margin collateral of any clearing member.
- The USD has jumped at the start of the new week. With Japan intervening twice in their markets to contain higher yields and the CNY reaching a two-week low as the country responds to a Covid outbreak, the USD appears to have found some support. Equally, some retail sales data out of the UK missed last week to hurt the GBP, while the EUR is on the defensive as the war in Ukraine drags on. The JPY-USD has surged to 123.17, while the EUR has slid back towards 1.0950 at the time of writing. For now, the USD index has surged back up to 99.186 and looks set to trade at these stronger levels at the start of the week.
- This bias has filtered through to the likes of the ZAR in the Asian session which has seen the ZAR trade weaker by around 0.5% thus far. It would thus imply that we could well see some pressure come through at the local open with the BWP likely to open on the back foot.

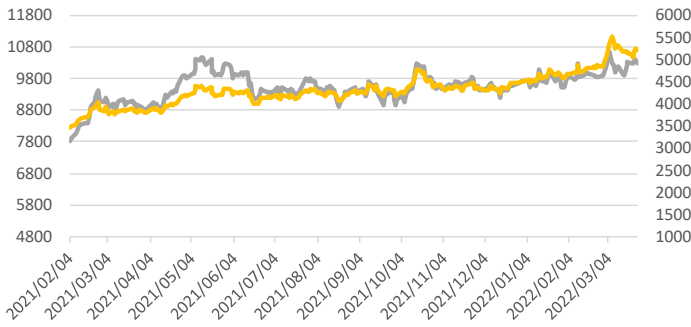
Botswana Yield Curve



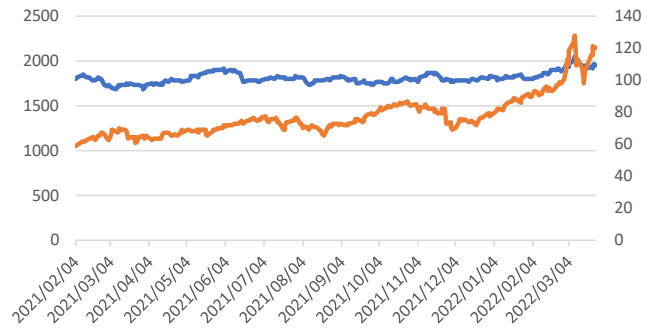
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

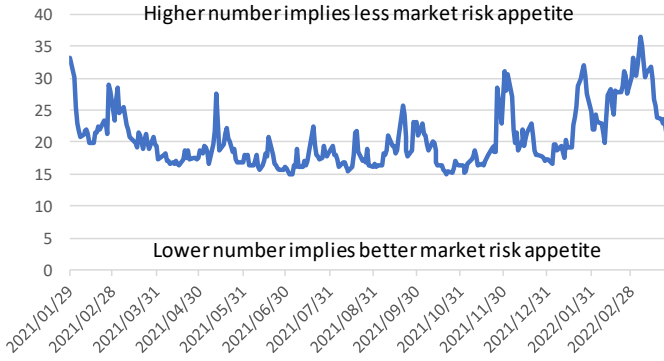


Oil R_Hand Axis - Gold L_Hand Axis



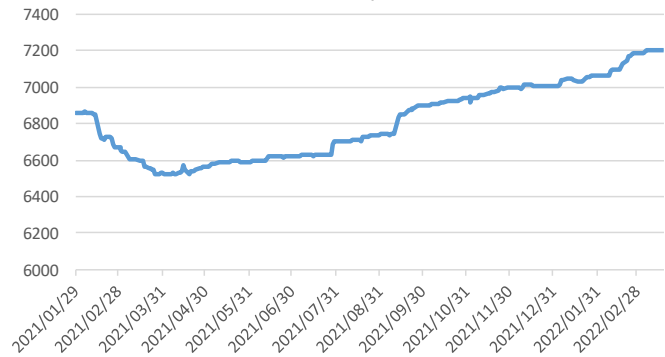
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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