

# Botswana Market Watch

## 23 March 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
<b>07:00</b>	<b>GB</b>	CPI y/y	Feb	5.80%	5.50%
<b>12:00</b>	<b>UK</b>	Bank of England Governor Andrew Bailey speaks at BIS			
<b>12:00</b>	<b>EC</b>	ECB's Nagel Speaks			
<b>12:00</b>	<b>US</b>	Powell Takes Part in BIS Panel on Innovation			
<b>12:30</b>	<b>UK</b>	U.K. Chancellor's budget statement			
<b>12:30</b>	<b>UK</b>	Chancellor Rishi Sunak delivers Spring Statement			
<b>14:00</b>	<b>US</b>	New home sales	Feb	815k	801k
<b>15:00</b>	<b>EZ</b>	Consumer confidence	Mar A	-12,50	-8,80
Factors Overnight	What happened?	Relevance	Importance	Analysis	
<b>Ukraine - Russia</b>	Ukrainian President Zelensky confirmed that talks remained confrontational but were moving forward, as the West seeks to impose even more sanctions	There is enough on the table to allow for a cease-fire, although it is unclear that Russia will relent	<b>5/5</b> (geopolitics, economy, markets)	The war from Russia's perspective is about gaining strategic advantage in the Donbas region and claiming the port of Mariupol. Although the fighting continues, so do the talks	
<b>US-UK trade</b>	The US and Britain ended a 4yr dispute over US aluminium and steel imports on Tue. They also removed retaliatory tariffs on US motorcycles, whiskey and others	The two countries also pledged to work together to counter the impact of China on global trade	<b>4/5</b> (economy, markets, politics)	This is a positive step that helps to strengthen bilateral trade relations and may usher in efforts to reduce tariffs between the two countries further to promote growth and ease inflation	
<b>Oil prices</b>	Oil prices have disappointingly remained elevated amid a decline in US stockpiles and a tight oil market as the West plans further sanctions on Russia	It is unclear what will come from the summit on Thu, but more sanctions will keep oil prices high	<b>4/5</b> (economy, market)	Until world oil production has adjusted to offset Russian oil production fully, prices will remain as high as they are, and the inflation impact will detract from GDP growth	
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
<b>Ukraine - Russia</b>	IMF Chief Georgieva believes that global growth will remain in positive territory this year despite the war, but weaker countries could experience a recession	Socks from higher food and energy prices will cause rates to rise and hurt fragile economies	<b>5/5</b> (geopolitics, economy, markets)	Poorer countries heavily exposed to high food and energy prices will suffer proportionately more, especially if their central banks add to the pressure on GDP growth by hiking rates	
<b>Ukrainian production</b>	Ukrainian authorities are giving more detail of the impact of the war, and the picture looks bleak. Ukraine is set to cut its spring crop growing area to 7mn hectares from 14mn	Ukraine is an enormous global producer of grains, and the disruption justifies the rise in prices	<b>4/5</b> (geopolitics, economy)	The disruption will ensure that prices remain elevated to mitigate some of the impact of reduced production for Ukraine. However, it does bolster inflation which will detract from overall EU demand and GDP growth	
<b>EU, NATO, G7 summit</b>	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	<b>4/5</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** - [Images show Mariupol destruction; Zelenskyy says 100,000 trapped there in 'inhumane conditions'](#)

**ALL AFRICA** - [No More PCR Test for Fully Vaccinated Travellers - Govt](#)

**FT** - [Russia chokes major oil pipeline in further threat to global supplies](#)

**SOUTH CHINA POST** - [China's wealthy still value Western education, but say future is China — survey](#)

**REUTERS** - [S.Korea's total COVID cases top 10 million as crematoria, funeral homes overwhelmed](#)

## Local and regional talking points

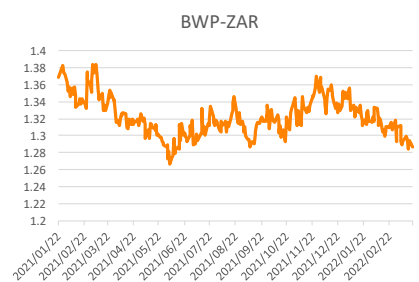
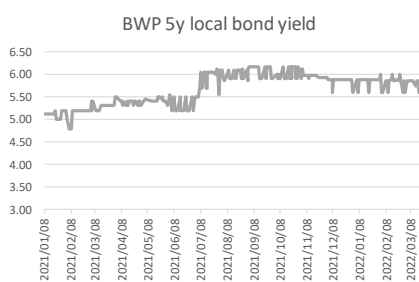
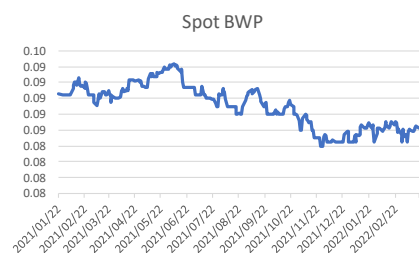
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.238496	1.248288	1.2623629	1.339309
BWPUSD	0.082848	0.093496	0.0844446	0.089507
GBP/BWP	15.72688	15.837432	15.386635	14.923734
BWPEUR	0.08164	0.082264	0.0771263	0.080682
JPY/BWP	10.7848	10.8576	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	BWPZAR
BWPGBP	0.0655	-0.0001	1m	-29.86568
BWPEUR	0.0783	0.00	3m	-49.46328
BWPZAR	1.2861	0.0024	6m	-98.77282
			12m	-34.2225
				-226.4745

	Close	Change
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			



- The local news flow is on the thin side as we enter the start of today's trading session but regionally all focus has been on the performance of the rand against the dollar since the start of 2022.

- Impressively, the rand is now almost 8% stronger than the USD since January and showing signs of appreciating further. The appreciation has been fortuitous and has helped mitigate some of the higher oil prices' inflation effects. The current daily under-recovery in the fuel price stands at 185c, while the monthly average has dipped to 194c. This confirms a vast improvement from the more than 340c under-recovery earlier this month. Had it not been for the oil price, which bounced back up to \$114 per barrel, the under-recovery would have been small with a negligible inflation impact. At the margin, the rand has still played an important role.

- It again highlights the point that inflation and the value of the rand are different sides of the same coin. They both represent the currency's purchasing power. While inflation is lower than it is in some of SA's more developed trading partners, it also follows that the rand should reflect those improved dynamics through rand appreciation. At face value, it also helps that the ZAR remains undervalued to the USD, that SA's terms of trade remain supportive of a trade and current account surplus and that rand sentiment is positive.

- Add to that SA's ranking at the top of ETM's carry attractiveness study, and there are many reasons to feel optimistic that the rand will sustain its current bullish run through the next few months. It will give the SARB's MPC something to think about as they meet to decide on interest rates. They will likely stick to the current effort to normalise monetary policy, which means several more hikes are likely this year. That will protect SA's carry attractiveness and add to the resilience the currency is exhibiting at the moment.

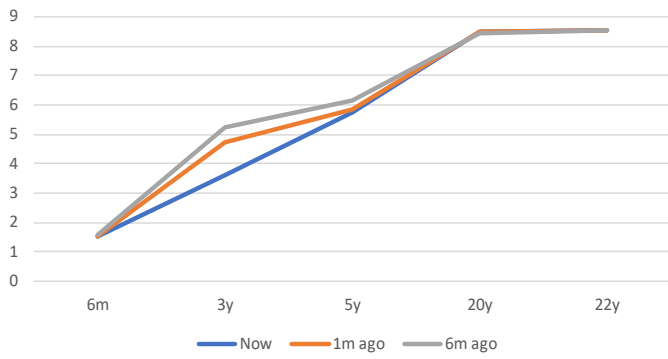
## Financial Market commentary

- The resilience in the rand as unpacked in the points above has also supported the pula. The BWPUSD remains anchored above the 0.0860 mark and we don't see it dipping below this as long as the rand maintains its current strength.

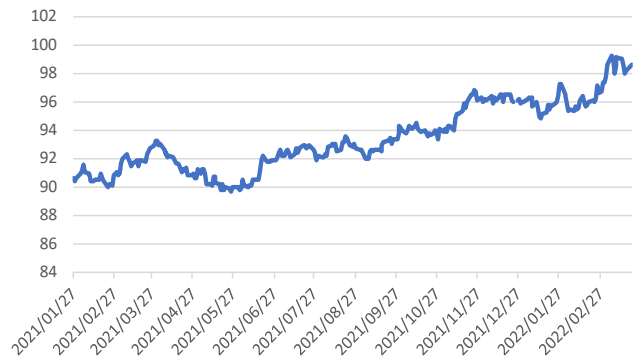
- Moving over to global FX markets, notwithstanding the hawkish guidance from the Fed, the USD has not been able to capitalise and surge stronger with the trade-weighted USD index retreating from yesterday's intra-day highs. Risk appetite has recovered, stock markets are making back more ground, and commodity prices are remaining elevated. Again, it appears that there is a lot of monetary tightening priced into the Fed and that rate hikes on their own are not going to be a major driver of USD direction, at least not in the short term. Most majors are performing reasonably against the USD this morning, with the JPY weaker at 121.00/dlr but recovering from its worst, while the GBP is making solid gains as it surges towards 1.3300/dlr and the EUR appears to be on the front foot at 1.1037 vs the USD at the time of writing.

- Inflation concerns remain a global phenomenon with higher commodity prices driving the narrative. Given this backdrop we continuously draw the reader's attention to developments in the energy markets, Oil prices are rising once again after giving up their early gains yesterday, with the market still eyeing possible further sanctions on Russia. The benchmark Brent contract has climbed back above \$117 per barrel as a result after nearly touching \$120 yesterday before slipping back down to around \$115 at the close. Further sanctions against Russian energy exports will still have a notable impact on the market, as Russian crude is still finding its way to the market through buyers in China and India. This possibility of more supply interruptions has seen Brent's prompt timespread widen out once again, with it now topping \$3.75 per barrel after trading around \$2.40 a barrel this time last week. Meanwhile, the API report out of the US yesterday revealed that stockpiles dropped 4.28mn barrels last week, helping add to the general bullish bias of the market. If confirmed by the official government data out today, this will represent a massive drawdown for the week, showing that demand in the US remains robust even at these elevated prices. This suggests that prices will still need to rise a fair amount higher before demand destruction will take place and eventually lead to a market correction.

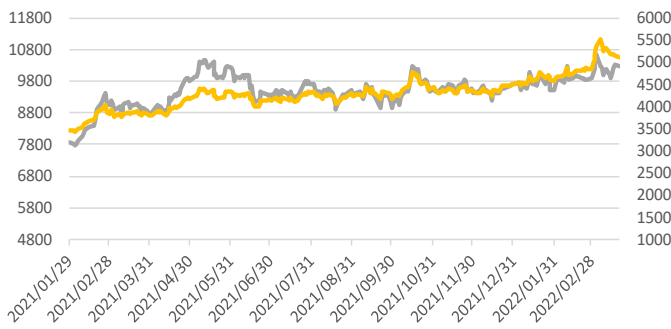
Botswana Yield Curve



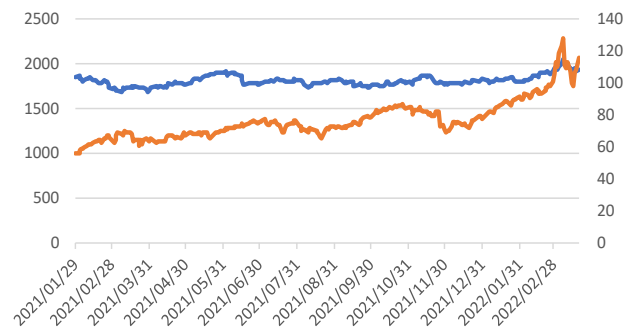
USD Index



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

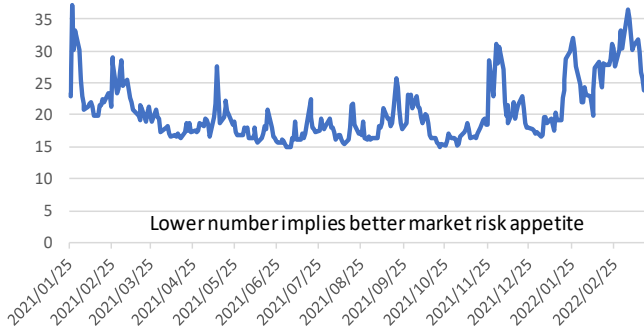


Oil R\_Hand Axis - Gold L\_Hand Axis



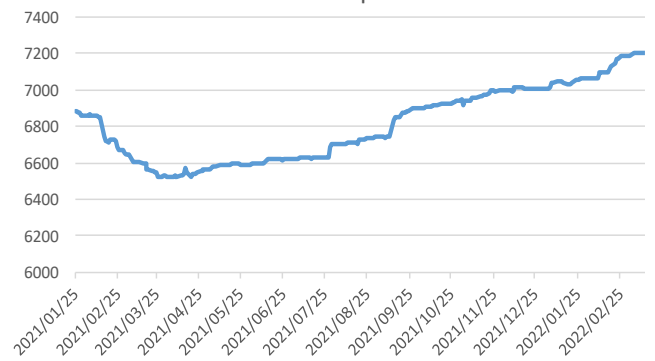
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance





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