

Botswana Market Watch

14 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	CPI y/y	March		10.6%
11:45	EZ	ECB deposit facility rate	Apr 14	-0,5%	-0,5%
11:45	EZ	ECB rate announcement	Apr 14	0.00%	0.00%
12:30	US	Import price index y/y	Mar	11,9%	10,9%
12:30	US	Initial jobless claims	Apr 2	172,5k	166k
12:30	US	Advance retail sales m/m	Mar	0,6%	0,3%
12:30	US	Retail sales ex. auto and gas	Mar	0.00%	-0,4%
12:30	EC	ECB President Christine Lagarde Holds Press Conference			
14:00	US	Michigan consumer confidence	Apr P	59	59,4

Factors Overnight	What happened?	Relevance	Importance	Analysis
Russia- Ukraine war	Russia's army suffered a major setback when a Ukrainian missile struck its missile cruiser Moskva. This comes as the US announced a further \$800mn in weaponry would be sent to Ukraine	Russia continues to find military advancement difficult and may resort to the use of weapons of mass destruction	5/5 (economy)	With peace talks reaching a dead-end, it is now clear that this war is set to roll on and that the disruptions it will cause will persist for some time to come. Military action appears to be more concentrated in the South East
UK inflation	UK inflation jumped to a 30yr high of 7.0% y/y in March. This is a major concern to policymakers that will fear the devastating economic consequences it brings	Central banks will continue to tighten to reign in inflation but will add another headwind to growth	4/5 (economy, monetary policy)	Inflation is a global theme at the moment, exacerbated by energy prices and supply chain logistical problems that have intensified due to renewed covid restrictions in China and the war
BoC monetary policy	The Bank of Canada raised interest rates by 50bp, its biggest rate hike in two decades and promised to do more to bring inflation back under control	The Benchmark rate raised to 1.0% from 0.5% and will slowly unwind the size of its balance sheet	4/5 (economy, monetary policy)	It is another major central bank that aims to normalise its monetary policy and remove some of the excess monetary space that has contributed to the rising inflationary pressures

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Chinese supply chains	This is something to keep a close watch on as the manufacturing hubs seize up and potentially generate more shortages of key factors of production	China's role as a global supply chain hub means that the impact will be felt far and wide	5/5 (economy)	We had an early taste of the impact in 2020. A repeat of that could add to the inflationary shock already being experienced as supply chains come under renewed pressure
ECB decision	Although no major change to monetary policy is expected, the ECB will likely outline a clearer timeline for unwinding its QE efforts and announce an end date amid intensifying inflation	The ECB is faced with a more complex set of circumstances than the Fed and will remain mindful of the impact of the war	4/5 (economy, monetary policy)	Unwinding monetary support as quickly as the Fed would only serve to further impose more hardship on the EU economy that is already reeling from the effects of the war on inflation and broader GDP growth
Russian oil	From the 15 th May, oil trading companies are planning on curtailing their purchases of Russian oil so as not to fall foul of sanctions imposed on Russia	This will be done sensitively so as to keep market disruptions to a minimum	4/5 (economy, market)	The consequences of the war on Ukraine will be more harshly felt as the year unfolds, and pressure will continue to grow on Russia to back down and end its "special operation."

Highlights news vendors

CNBC - [Russian sailors evacuate warship after Ukrainian attack; U.S. to send \\$800 million in weapons to Ukraine](#)

ALL AFRICA - [Insecurity - 2,968 Killed, 1,484 Abducted in Three Months - Niger, Zamfara, Kaduna Most Violent States](#)

FT - [German spies shunned offer to meet Wirecard fugitive Jan Marsalek in Moscow](#)

SOUTH CHINA POST - [Covid lockdowns create logistics complications, delays for exporters in China](#)

REUTERS - [Russia says blast cripples Black Sea flagship, Ukraine claims missile strike](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.210656	1.216032	1.2339864	1.304701
BWPUSD	0.083232	0.093496	0.084836	0.08961
GBPWP	15.698072	15.753504	15.35845	14.844648
BWPEUR	0.08268	0.082992	0.0781088	0.081396
JPYBWP	11.2944	11.336	10.66995	11.09075
USDZAR	13.9632	15.1424	14.290463	14.8148
EURUSD	1.046784	1.134432	1.071318	1.109889
GBPUSD	1.260672	1.365832	1.290219	1.33628275

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0867	-0.0002	1m	-2.60325	-37.5696
BWPGBP	0.0661	-0.0007	3m	-8.10225	-58.80456
BWPEUR	0.0796	0.00	6m	-14.9955	-115.6523
BWPZAR	1.262	-0.0054	12m	-30.52725	-247.5647

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0867	-0.0002	1m	-2.60325	-37.5696
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Dollar Index

	Close	Change
Dollar Index	99.681	-0.194
EURUSD	1.0905	0.002
GBPUSD	1.3132	0.0017
USDJPY	125.25	-0.41
USDNGN	414.08	0
USDZAR	14.5482	-0.0072

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	1.547	-0.006	SA 10y	9.705	0.06
3y	4.75	0	US 10y	2.7025	-0.0245
5y	5.75	0	German 10y	0.775	-0.015
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0		235	2

International Fixed Income

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Equities

	Close	Change		Close	Change
VIX	21.82	-2.44	Gold	1977.7228	11.1328
Dow Jones	34564.59	-87.72	Brent Crude	108.78	4.14
FTSE	7580.8	-41.65	3m Copper	10299	-43.5
JSE All share	73128.65	-624.52	LME Index	5113.6	5.6
Bots DCIBT	7229.78	-5.72	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47367.31	337.08			

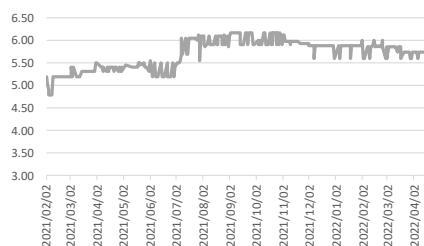
Commodities

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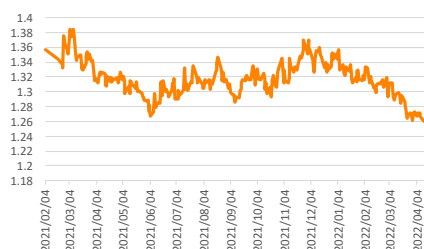
Spot BWP



BWP 5y local bond yield



BWP-ZAR

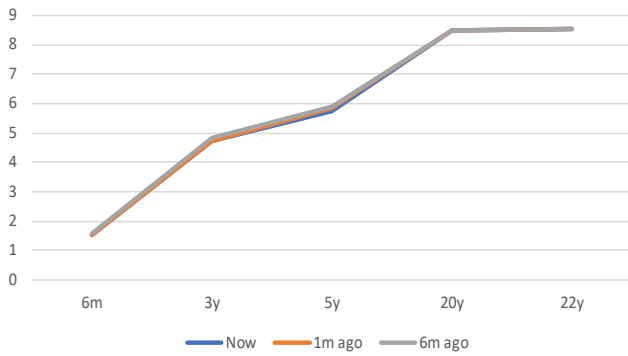


- All eyes will be on the CPI data which is scheduled today. The data will give further insight into the price pressures coming through the economy. Remember, the February reading came in at 10.6% which captured a small increase in commodity prices as the Russians invaded Ukraine, the big movements to the upside occurred in March and thus this reading will capture that and thus we expect another lofty reading.
- In a report published on Wednesday, the World Bank said that Russia's invasion of Ukraine has amplified sovereign debt risks in Sub-Saharan Africa, increasing the need for better relief measures to avert a large wave of crises in the region's most fragile countries.
- The World Bank said in its report that the percentage of countries in Sub-Saharan Africa at high risk of debt distress has increased to 60.5% from 52.6% in October. Concerns over debt sustainability are reflected in the widening of sovereign spreads for several Sub-Saharan African nations, driven by rising interest rates in developed economies and the war in Ukraine.
- Prior to the war, debt levels in Sub-Saharan Africa had risen notably due to the adverse impact of the Covid pandemic on government revenues and increased expenditure to cushion their respective economies and health systems. The World Bank noted that self-imposed austerity programs and Covid-19 relief measures that sought to provide some of the world's poorest nations with the fiscal space to address health needs, stimulate their economies and help reduce debt or vulnerabilities have been insufficient.
- The World Bank added that the G20's debt suspension initiative, which three African countries, namely Chad, Ethiopia and Zambia, have partaken in, has been fruitless so far. Given the slow progress, the World Bank said that African countries will have to think twice about taking on new loans.
- In addition to the fiscal issues that many African countries will face, the World Bank said that the high and increasingly vulnerable debt levels are among the factors that'll lead to Sub-Saharan Africa's regional economic growth decelerating to 3.6% this year, down from an estimated expansion of 4% in 2021. Inflation in the region is also expected to rise notably amid the external shocks caused by the Ukraine war. The World Bank forecasts inflation in the region to average 6.2% in 2022, up from 4.5% in 2021.

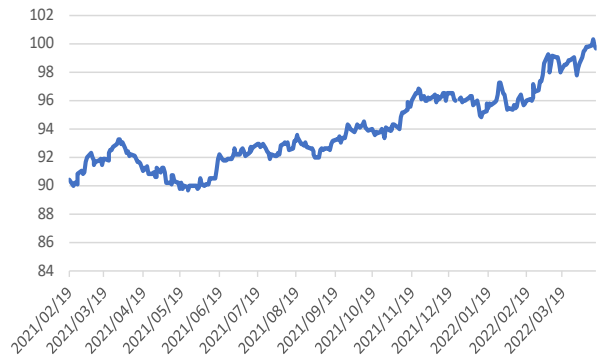
Financial Market commentary

- Oil's two-day rally has paused this morning, keeping Brent just below \$110 per barrel after it advanced more than 10% since early Tuesday. The pause comes as investors must digest a raft of factors facing the market, including the war in Ukraine, China's weakening demand outlook, the release of reserves from the US and some of its allies, and OPEC production levels that are nowhere near what they should be. Yesterday, the IEA released a report stating that OPEC+ members had only increased their output by around 10% of what they promised last month. Output from the cartel and its allies climbed a mere 40k barrels per day in March, well short of the 432k barrels promised at the February ministerial meeting. The IEA claims that this was due to a lack of investment leading to dwindling capacity, suggesting that we won't see a massive improvement for April or any of the upcoming months.
- The lack of higher output from OPEC+ does come against a backdrop of weaker expectations for oil demand, however. Predictions for demand in China have been revised lower quite significantly in recent days, while the IEA predicts that global demand will be lower than what they previously estimated, by around 260k barrels a day for 2022. As a result, the market appears to be relatively balanced at the moment. However, the supply situation can change quickly, and this could keep volatility entrenched for now.
- Heading into the Easter long weekend, position-taking will likely settle down and we expect both the ZAR and BWP to consolidate around current levels.

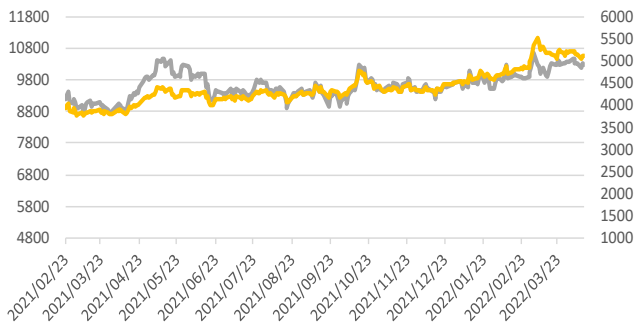
Botswana Yield Curve



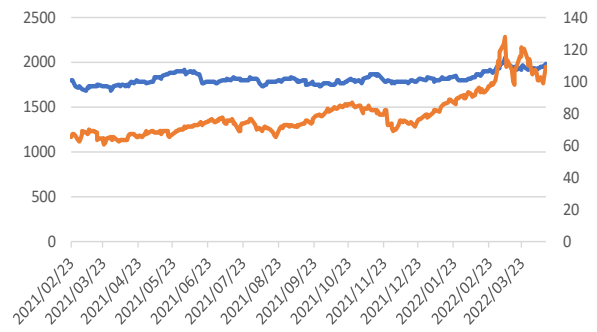
USD Index



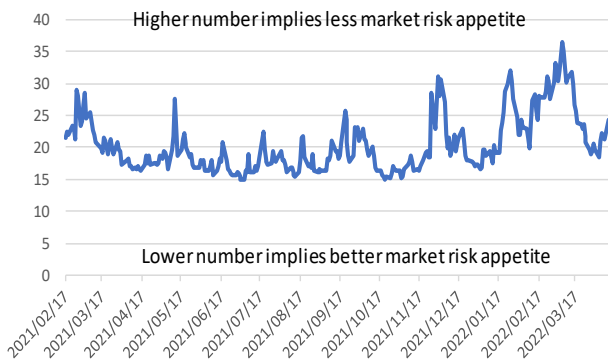
Base metals - Copper L_Hand axis LME Index R_Hand axis



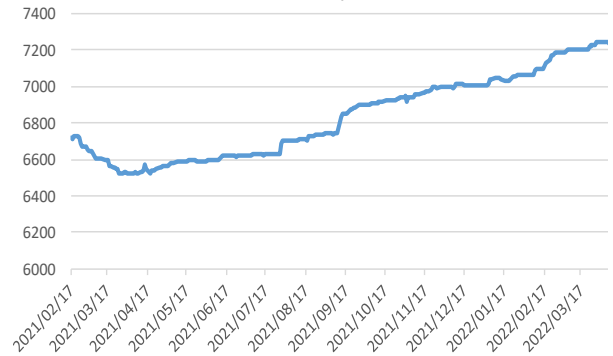
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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