

Botswana Market Watch 5 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	7-Day Certificates on offer	4Q		8.4%
07:55	GE	Markit services PMI	Mar F	55,00	55,00
08:00	EZ	Markit composite PMI	Mar F	54,50	54,50
08:30	GB	Markit composite PMI	Mar F	59,50	59,70
12:30	US	Trade balance	Feb	\$-88,55bn	\$-89,70bn
13:45	US	Markit composite PMI	Mar F		58,50
14:00	US	ISM non-manufacturing composite PMI	Mar	58,60	56,50

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoE outlook	BoE Governor Cunliffe indicated on Monday, that the BoE might not need to hike rates repeatedly to stop expectations of persistent inflation	With a world more indebted, a sharp and persistent rise in rates could prove very damaging	5/5 (monetary policy)	Central banks may well be talking tough so as not to have to act tough. Yield curves are flattening or inverting in some countries, and the overall cycle looks set to soften
China lockdown	An intensive day of testing yesterday uncovered a further 13,000 asymptomatic cases, which led to China extending its restrictions on transportation	China's zero covid policy means lockdowns could still extend further and hurt GDP growth	4/5 (economy, pandemic)	The risk is that investors under-estimated the impact of restrictions and that the economy could be severely affected. With each additional restriction, risks to growth grow
World Bank forecast	The World Bank cut its East Asia Pacific 2022 growth forecast to 5.0%, from its forecast of 5.4% in October last year	The war in Ukraine and the resultant impact is seen as the biggest threat	3/5 (economy)	It is unclear what sort of a Covid episode this accounts for in China, but that would be another factor that could lower this forecast even more
Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia - Ukraine war	Ukrainian President Zelenskyy will address the UNSC today and will ask the UN to impose heavier sanctions on Russia following the atrocities in Bucha	Ukraine will welcome all pressure placed on Moscow as it continues to offer tough resistance	5/5 (geopolitics)	Russia, for its part, has denied the atrocities in Bucha and indicated that it would provide empirical proof that Russian forces did not commit the atrocities.
ECB outlook	ECB's Knot offered his guidance by indicating the ECB should continue reducing stimulus to limit the inflation pass-through	Knot is not saying policy should turn restrictive, just less accommodative	4/5 (economy, monetary policy)	Inflation is the consequence of a very aggressive phase of QE. The effects of that need to be unwound to prevent inflation becoming more entrenched
Global business cycle	Central banks are walking a tightrope. On the one hand, they would like to contain inflation. On the other, they risk engineering a recession	Yield curves across most jurisdictions are flattening, with some having inverted to signal growth risks	4/5 (economy)	Policymakers are downplaying the inversion of yield curves as an adequate signal of an impending recession. So far, equity markets are holding up, but risks still grow

Highlights news vendors

CNBC - [U.S. warns Russia will intensify its military operations in Ukraine](#)

ALL AFRICA - [Could Russia's War in Ukraine Derail Africa's Global Partnerships?](#)

FT - [Macron calls for ban on Russian oil as Biden condemns 'brutal' Putin](#)

SOUTH CHINA POST - [Shanghai's daily Covid-19 cases soar by 13,354 amid lockdown](#)

REUTERS - [U.S. stops Russian bond payments in bid to raise pressure on Moscow](#)

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.215648	1.225344	1.2390746	1.314692
BWPUSD	0.083424	0.093496	0.0850317	0.089919
GBP/BWP	15.590536	15.69932	15.253241	14.79359
BWPEUR	0.082368	0.082992	0.077814	0.081396
JPY/BWP	11.0656	11.1488	10.4538	10.9076
USDZAR	13.98912	15.17048	14.31699	14.8422725
EURUSD	1.052928	1.141088	1.077606	1.116401
GBPUSD	1.259232	1.364272	1.2887453	1.3347565

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0869	0.0001
BWPGBP	0.0662	0
BWPEUR	0.0792	0.00
BWPZAR	1.267	0.0062

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.66175	-33.35102
3m	-8.25825	-54.08
6m	-15.53175	-107.1511
12m	-31.98975	-237.344

Dollar Index

	Close	Change
EURUSD	1.0968	-0.0002
GBPUSD	1.3114	1E-04
USDJPY	122.49	-0.29
USDNGN	415.22	0
USDZAR	14.5753	-0.0043

Local Fixed income

Yield curve	Close	Change
6m	1.547	-0.005
3y	3.53	-1.3
5y	5.75	0
20y	8.49	0
22y	8.53	0

International Fixed Income

	Close	Change
SA 10y	9.555	-0.045
US 10y	2.3933	0.0038
German 10y	0.517	-0.049
Spread SA 5y vs Bots 5y bpts	234.5	-6.5

Equities

	Close	Change
VIX	18.57	-1.06
Dow Jones	34921.88	139.92
FTSE	7558.92	22.22
JSE All share	75835.07	410.75
Bots DCIBT	7242.61	0
Nigeria Index	46687.85	-122.62

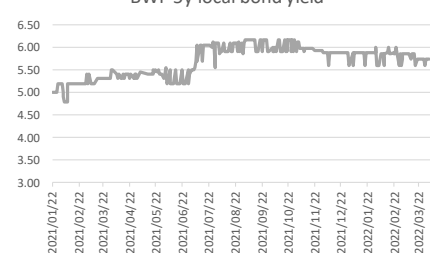
Commodities

	Close	Change
Gold	1932.4391	8.1391
Brent Crude	107.53	3.14
3m Copper	10469	115.5
LME Index	5229.8	20.2
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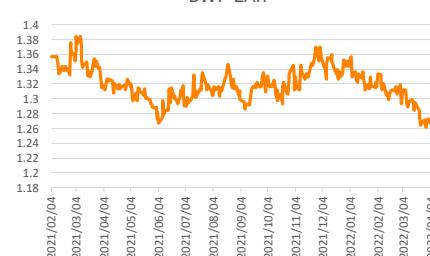
Spot BWP



BWP 5y local bond yield



BWP-ZAR



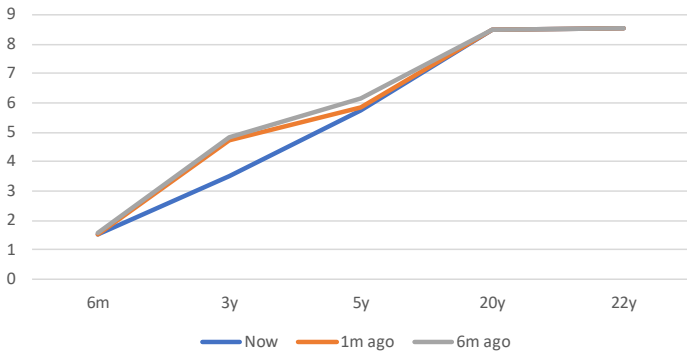
Local and regional talking points

- Local news flow remains on the thin side at the moment, however regionally there have been some developments in South Africa which will be a welcome relief.
- Last night when President Ramaphosa announced an end to the State of Disaster. There will be a transitional period of thirty days in which some restrictions remain, but for the most part, SA is inching its way towards opening up fully and making people's healthcare their responsibility. Vaccines are known; they are available, if people choose not to use them and become very sick, that will be a consequence of their life choices, but healthy people will no longer be restricted and neither will economic activity. This will come as a relief for a country struggling with so many growth headwinds, especially for the tourism industry, which may benefit from SA becoming known as a destination free of uncomfortable travel restrictions.
- Regionally we are seeing restrictions pare back one by one. Botswana announced a relaxation on COVID-19 requirements for travellers some two weeks ago. This will undoubtedly support the recovery of the local tourism industry and thus bolster the hard currency earnings of the country.

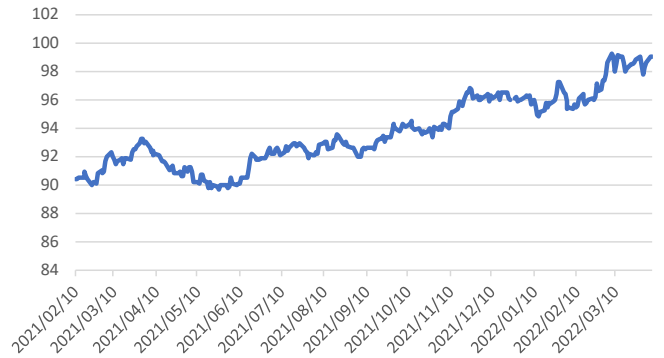
Financial Market commentary

- The United States remained steadfast in ramping up the pressure on Moscow as it stopped the Russian government from using the \$600m it has in deposits in US banks to pay its bond payments. A US Treasury spokesperson was quoted as saying that Washington decided to cut off access to the frozen funds which meant that an \$84m coupon payment and a \$552.4mn principal payment on a maturing bond have not been met. This forces Russia into a corner as it now has to decide whether or not to use the dollars it has at its disposal to repay the debt, or fund the war effort. The risk of default is now growing by the day.
- Chilean copper output has fallen sharply in February the government body Cochilco announced yesterday. The total production fell by 7.5% on the month to 394 700 tonnes. The benchmark 3m LME contract is currently trading up 0.25% on the session at \$10495.00/tonne as we enter the start of the EU session.
- Oil prices rebounded strongly overnight as traders mulled the high possibility that more sanctions against Russia are coming, with some that could include the energy sector. Prices surged yesterday by their most in two weeks, taking the front-month Brent contract back towards \$108 per barrel, while WTI is trading near \$105 per barrel. The rally may be a little overdone given that it is very unlikely that Europe will be able to announce any sanctions on Russia's energy sector, given their dependence. Thin trading conditions, meanwhile, could have exacerbated the move with many traders in Asia out as key markets there are closed.
- Nevertheless, the market remains extremely tight at the moment. This was evident in yesterday's price-setting by Saudi Arabia, which raised its prices for all regions. Shipments of Saudi's Arab Light Crude to Asia for next month were set at a record differential of \$9.35 a barrel compared to the benchmark, highlighting the supply issues facing the region as buyers continue to shun Russian crude.
- The EUR is sliding against the USD as investors position for the difficulties accompanying the imposition of more sanctions on Russia. Europeans are bracing themselves for a sharp rise in energy costs that will severely hamper the economy's performance and potentially keep the ECB restricted from normalising policy too quickly out of fear that growth could be choked off. The EUR has slipped back below 1.0970 this morning, triggering some rotation back to the USD. However, the GBP holds firm at around 1.3110 while even the JPY is consolidating this morning to highlight the weakness of EUR sentiment at present.
- In terms of the ZAR, it is currently trading flat at R14.5500 to the greenback which would suggest the current levels in the BWP are not under threat, expect the BWP to hold clear of 0.0860 in the interbank market.

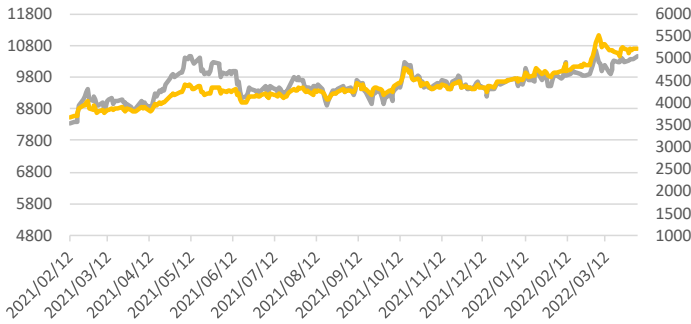
Botswana Yield Curve



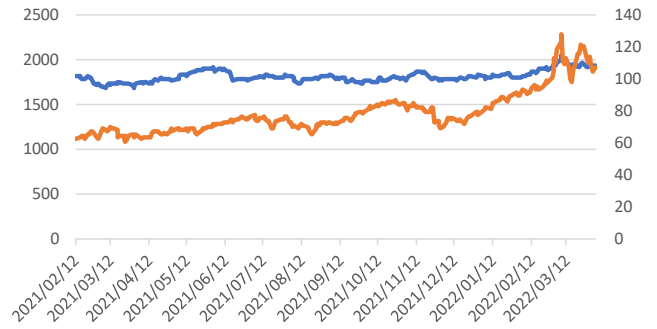
USD Index



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

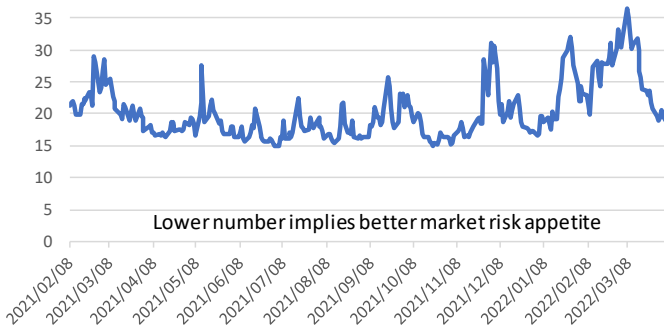


Oil R_Hand Axis - Gold L_Hand Axis



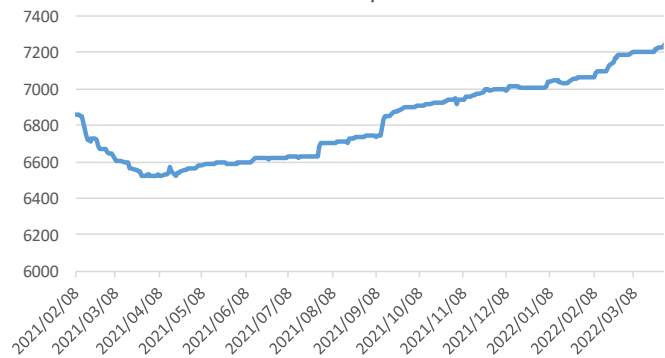
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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