

# Botswana Market Watch

## 7 April 2022

GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	<b>BW</b>	<b>Nothing on the cards</b>	<b>4Q</b>		<b>8.4%</b>
12:15	<b>EZ</b>	Retail sales y/y	Feb	4.90%	7.80%
12:30	<b>UK</b>	BOE's Pill Speaks			
13:00	<b>US</b>	<b>Initial jobless claims</b>	<b>Apr 2</b>		<b>202k</b>
18:00	<b>US</b>	Fed's Bullard Discusses the Economy and Monetary Policy			
19:00	<b>US</b>	Fed's Bostic and Evans Discuss Inclusive Employment			
		Consumer credit	Feb	\$16,85bn	\$6,84bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Russia – Ukraine war</b>	The US has indicated that Russian troops have withdrawn from the Kyiv region but will now focus on regrouping for further assaults on the East	Russia continues to consolidate its territorial advantage in the East, which holds strategic value	<b>5/5</b> (geopolitics)	Russia is aiming to claim the Donbas region alongside Donetsk and Luhansk to ultimately link that territory to Crimea and seal off the strategic region into the Black sea. Odesa is also under threat
<b>FOMC minutes</b>	The minutes confirmed that the Fed would trim its balance sheet by \$95bn per month, with many officials prepared to lift rates by 50bp increments	This is a bold stance by the Fed as it seeks to contain inflationary pressures that have broadened	<b>4/5</b> (economy, monetary policy)	The minutes offer perspective on the comments by Brainard earlier this week. The Fed appears convinced that aggressive tightening is appropriate and that the economy can withstand it
<b>China – Covid</b>	Covid curbs have stretched to the eleventh day, and discontent is growing at the very harsh restrictions imposed as deliveries of food struggle to match demand	Despite the restrictions, the cases of infection continue to rise to ensure restrictions persist	<b>5/5</b> (economy)	From an economic perspective, the deeper the restrictions, the greater the financial fallout that will have far-reaching implications for trading partners if demand moderates

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Russia – Ukraine war</b>	Ukraine is seeking ruinous sanctions against Russia despite the cost to the EU in order to starve Russia of the funds and minerals to fight the war	There are indications that the efforts so far are already generating a severe impact	<b>5/5</b> (geopolitics)	Russia is militarily not as strong as it had envisaged and will find funding its current military efforts increasingly difficult to do. Ukraine is calling the EU to prioritise life over finances
<b>Russian default</b>	The risk of Russia defaulting is growing by the day, and international investors face an anxious wait to see whether it will honour its obligations	Sweeping sanctions are making it progressively more difficult for Russia to honour its debts	<b>4/5</b> (economy, markets, politics)	Being repaid is one question, but another is how investors might get the money transferred from Russia. There will be knock-on implications for losses sustained by investors
<b>Oil market</b>	IEA states agreed to release 60mn barrels of crude from storage, over and above the 180mn barrels to be released by Washington	This will supplement oil supply by 1mn bpd for 6 months in the hope that production ramps up	<b>4/5</b> (economy, market)	The move is aimed at reducing inflation, while pressure is building on OPEC to ramp up production with urgency to ensure enough supply to squeeze Russian oil out the market slowly

### Highlights news vendors

**CNBC** - [China's smartphone market could plunge 20% as Covid cases spike — but Apple may see growth](#)

**ALL AFRICA** - [Nigerian Govt Lifts Restrictions On Curfew, Large Gatherings](#)

**FT** - [Meta targets finance with 'Zuck Bucks' and creator coins](#)

**SOUTH CHINA POST** - [Shanghai adds 19,928 Covid-19 cases on sixth day of record numbers](#)

**REUTERS** - [Ukraine seeks 'ruinous' sanctions on Russia as Europe hesitates](#)

## Local and regional talking points

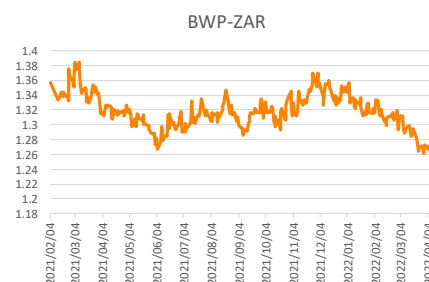
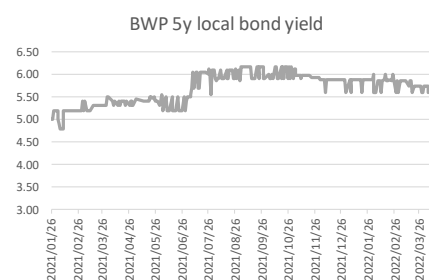
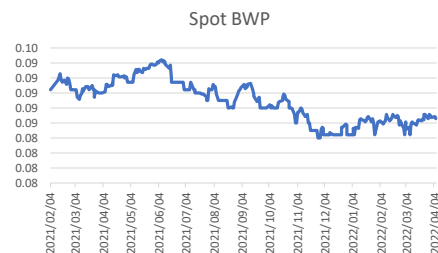
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.221792	1.2264	1.245337	1.315825
BWPUSD	0.083136	0.093496	0.0847381	0.089507
GBPBWP	15.653872	15.709304	15.315207	14.802998
BWPEUR	0.082472	0.082784	0.0779123	0.081192
JPYBWP	11.1488	11.18	10.5324	10.938125
USDZAR	14.108448	15.288728	14.439115	14.95796225
EURUSD	1.047648	1.13516	1.0722023	1.11060125
GBPUSD	1.25568	1.360424	1.28511	1.33099175

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0866	-0.0001	1m	-2.73975	-34.31497
BWPGBP	0.0662	-0.0001	3m	-8.2095	-54.79984
BWPEUR	0.0795	0.00	6m	-15.522	-110.4063
BWPZAR	1.2688	-0.0035	12m	-31.28775	-241.2605

Dollar Index	99.518	-0.081
EURUSD	1.0913	0.002
GBPUSD	1.308	0.0012
USDJPY	123.73	-0.06
USDNGN	415.22	0
USDZAR	14.6962	0.0333

Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.55	0.002	SA 10y	9.595	0.015
3y	4.75	-0.08	US 10y	2.5975	0.0432
5y	5.6	-0.15	German 10y	0.648	0.038
20y	8.5	0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.02		264.5	17

Equities			Commodities		
	Close	Change		Close	Change
VIX	22.1	1.07	Gold	1925.4808	1.7234
Dow Jones	34496.51	-280.7	Brent Crude	101.07	-5.57
FTSE	7587.7	54.8	3m Copper	10305	-150
JSE All share	74359.03	-548.46	LME Index	5171.8	-50.8
Bots DCIBT	7244.75	0.53	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	46766.16	89.52			

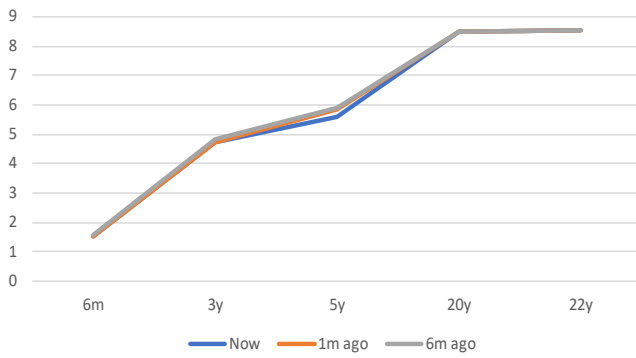


- Farmers Weekly recently hosted a webinar in partnership with the Botswana Investment Trade Centre (BITC) on the opportunities for investment in Botswana's agriculture sector. Farming and food security has become a focal point for the government as COVID-19 unveiled the fragilities in the global supply chain. [\(read the full article here\)](#)
- In Botswana from 4-5 April, the team will meet with several government and industry leaders, including the deputy minister of Finance Olesitse H. Masimega. Their discussions will centre on the bank's support to Botswana's economic transformation agenda and a post-COVID-19 economic recovery. The bank has provided US\$137mn in loans to support Botswana's economic recovery from the pandemic. The delegation will also hold talks with the Southern African Development Community's deputy executive secretary for regional integration, Dr. Thembinkosi Mhlongo.

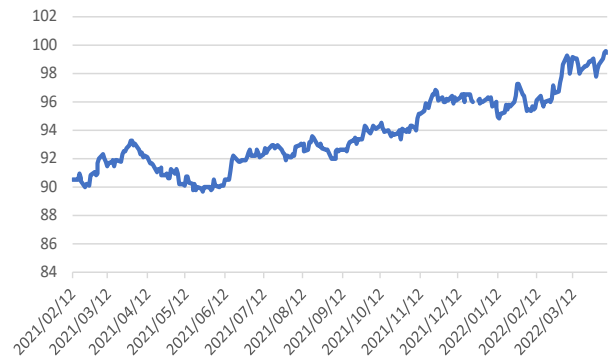
## Financial Market commentary

- There are many cross-currents in financial markets at present. Fresh covid episodes create renewed concern while the war in Ukraine is ongoing, and the Fed's commitment to tightening monetary policy has amplified debates about the USD's value. For the ZAR and by extension the BWP, this is especially true as the war in Ukraine has given commodity prices a fresh boost, but that comes against a USD that has gained resilience and support. Terms of trade remain supportive of further gains, but some of the effects are dulled by the rise in risk aversion associated with the Fed's tightening guidance.
- The latest FOMC minutes show that they plan on reducing the balance sheet by \$95bn a month from May onwards. That would be almost double the previous balance sheet shrinking effort, which might accompany 50bp incremental interest rate hikes. It is a bold approach to tightening that will hold consequences for financial markets, given the greater degree of indebtedness worldwide. The fallout for ZAR and the BWP appears limited so far, with the ZAR still trading below 14.7000 and the BWP holding north of 0.0860,
- With very little in the way of market-moving data scheduled for release either domestically or abroad, the markets lack the impetus to drive the regional FX pairs in any single direction. So the focus will turn to the performance of US Treasuries following more Fed speak from St Louis Fed President Bullard, who is known for his more hawkish views and comments from the Fed's Bostic and Evans, who will discuss inclusive employment.
- One positive development is that the oil price has retreated below \$103pb. However, from a terms-of-trade perspective for Botswana, the dip in commodity prices partially offsets oil.
- Moving over to global FX, as the Fed commits to rapidly tightening monetary policy, it bolsters its support for the USD. Interestingly, despite the FOMC minutes confirming the likelihood of 50bp rate hikes and a reduction in the balance sheet, the USD did not surge stronger. There is a lot priced in, and the reality is that enormous imbalances persist and make it difficult for the USD to gain traction to the degree that many would expect. High inflation, a large budget deficit, and a huge trade deficit offset many of the flows into the U.S. to take advantage of higher rates. Then there is also the risk of a sell-off in U.S. equities, and the picture is somewhat unclear, even though it retains its status as a safe haven. The EUR has stabilised just above 1.09 and bottoming, while the GBP is finding some support above 1.3050.

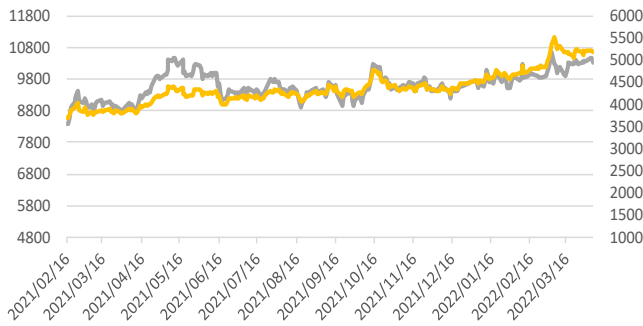
Botswana Yield Curve



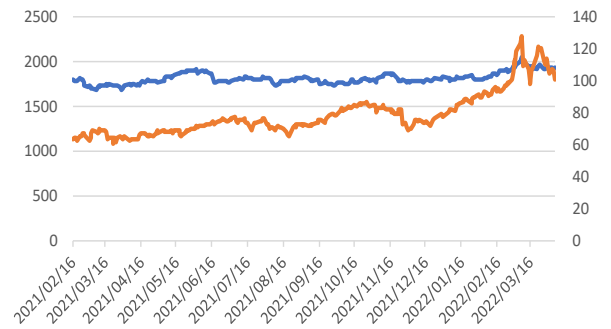
USD Index



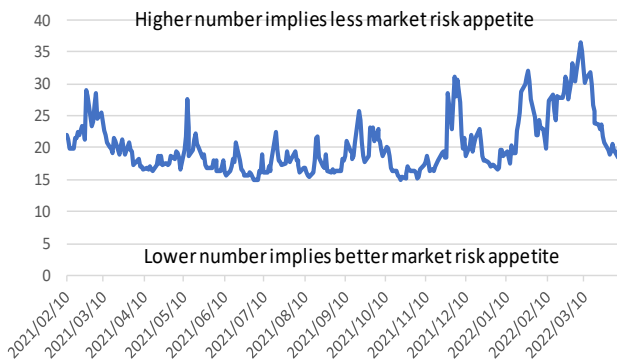
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



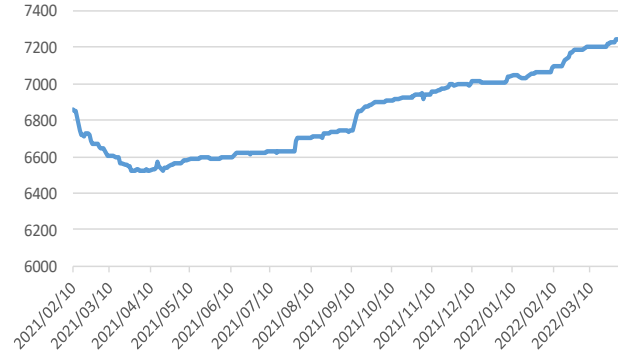
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance





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