

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
00:01	GB	Rightmove house prices y/y	Feb	3.9% (a)	6.30%
10:00	EZ	Construction output wda y/y	Dec		1.30%
15:00	EZ	Consumer confidence	Feb P	-19.0	-20.9
19:00	UK	BOE's Sam Woods speaks			
Factors Overnight		What happened?	Relevance	Importance	Analysis
Korean tension	Tension around the Korean peninsula is rising as North Korea has been firing ballistic missiles off its coast, while the US has been conducting military drills with South Korea and Japan	Relations between the US and North Korea are tense as ever, although North Korea has become more aggressive in its missile testing	2/5 (geopolitics)	Tension on the peninsula is likely to rise even further in coming months as North Korea increases its military activity with higher frequency, although the threat of war remains limited at this time	
	In a meeting this weekend, US SecState Blinken warned top Chinese diplomat Wang Yi of consequences should China provide material support to Russia's invasion of Ukraine	US-Sino relations are turning increasingly hostile as they fail to see eye to eye on a number of issues	4/5 (geopolitics)	The situation remains unstable with US-Sino tensions elevated, although, at this stage, it appears unlikely that their rivalry will spiral out of control anytime soon as both sides have called for de-escalation in recent months	
China monetary policy	As expected, the PBoC kept its benchmark lending rates unchanged as it bought time to assess the economy's recovery from last year's lockdown-induced slump	The urgency to provide monetary support remains low for now as the economy rebounds	4/5 (monetary policy)	While there is little urgency to support the economy with rate cuts now, serious challenges to China's recovery may compel the PBoC to boost monetary support through liquidity-related actions in the months ahead	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
Global PMIs	Flash PMIs scheduled for release out of the world's major economies on Tuesday will provide a further read on global growth momentum at the start of the year	Amid warnings of a broad-based global downturn, the PMIs will provide some jurisdictional nuance	4/5 (economy)	Recent PMI data suggest that the US and UK economies are losing momentum, while the Eurozone economy still has some legs; accordingly, the ECB may have further scope for rate hikes than its peers	
	The minutes of the Fed's February policy meeting will provide insights into just how strong a dovish impulse existed within the central bank prior to the recent flurry of strong economic and inflationary data	With uncertainty around the Fed's policy outlook rising, the minutes may hold insights into the central bank's thinking	5/5 (monetary policy)	Since recent economic data out of the US suggest that the Fed could have opted for a larger rate hike in February, the justification for the 25bp rate hike as presented in the minutes will be particularly interesting	
US PCE inflation	The PCE deflator, which is the Fed's preferred inflation gauge, is expected to confirm what was seen in recent CPI and PPI data: that inflation in the US accelerated in January	The PCE data will confirm that robust income and spending growth powered inflation in January, which would concern the Fed	5/5 (inflation, monetary policy)	Rising price pressures suggest there is not yet any reason for the Fed to turn less hawkish, meaning the USD will likely remain supported while broader market sentiment may also continue to be relatively subdued	

Highlights news vendors

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FT – [Guarantee companies unlock African infrastructure finance](#)

REUTERS – [Nigeria's Atiku promises unity, economic bounce in final campaign rally](#)

SOUTH CHINA POST - [US says China considering arming Russia in Ukraine war](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.31472	1.320768	1.3400558	1.417074
BWPUSD	0.072864	0.093496	0.0742682	0.078486
GBPGBP	16.428464	16.49752	16.073041	15.54574
BWPEUR	0.07384	0.074152	0.0697575	0.072726
JPYBWP	10.5872	10.6288	10.00185	10.39885
USDZAR	17.321952	18.776992	17.727935	18.370759
EURUSD	1.026144	1.111864	1.0501943	1.08780925
GBPUSD	1.155456	1.25216	1.182537	1.22507

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0759	0.0004	1m	-1.8915	-1166.125
BWPGBP	0.063	0.0003	3m	-6.669	-2424.789
BWPEUR	0.071	0.00	6m	-12.87	-4447.271
BWPZAR	1.3693	0.0084	12m	-27.144	-9098.917

Forward Foreign Exchange

Dollar Index	103.87	0.008
EURUSD	1.069	-0.0004
GBPUSD	1.2039	0.0004
USDJPY	134.05	-0.1
USDNGN	460.04	0
USDZAR	18.041	-0.004

Local Fixed income

Yield curve	Close	Change		Close	Change
6m	5.385	0.001	SA 10y	10.115	0.09
3y	5.341	0	US 10y	3.828	-0.015
5y	6.38	0	German 10y	2.46	-0.023
20y	8.8	0	Spread SA 5y vs Bots 5y bpts	219	-1
22y	9.01	0			

International Fixed Income

Equities

	Close	Change		Close	Change
VIX	20.02	-0.15	Gold	1841.59	4.15
Dow Jones	33826.69	-431.2	Brent Crude	1837.44	-2.14
FTSE	8004.36	14.7	3m Copper	1836.19	-35.5
JSE All share	79271.78	755.43	LME Index	1854.29	-21.9
Bots DCIBT	7833.77	0.85	1 carat index	1853.39	
Nigeria Index	53804.46	13.83			

Commodities

- De Beers remains optimistic it will maintain its long-standing partnership with Botswana, although some negotiations to agree on new terms are complex. De Beers' Vice President-Corporate Affairs said that the company was "confident the successful partnership will continue and that the arrangement must make economic and strategic sense for both parties." Last week President Masisi threatened to walk away from talks on the extension of De Beers' mining rights in the country unless Botswana got a larger share of revenues. Botswana also wants greater access and clarity concerning the creation of value for the stones after they leave the country and head for international retailers. The comments regarding a continued partnership will be reassuring to investors, but some uncertainty remains until the details are ironed out and it is understood exactly how any new deal will impact Botswana's fiscus going forward.

- This week may go down as one of the most important, if not the most important, week of the year for South Africa. The government's budget will headline the main event for the year ahead, where we will all learn of the government's spending priorities and how it may assist Eskom. Focus will then quickly turn to the risk of grey-listing, followed by the rating agencies who might even give their perspective on what this all means for SA's credit ratings. The prospects do not look good, and the volatility evident in the ZAR market last week may reflect that.
- Speculation has mounted that the government will absorb over R200bn of Eskom's R400bn debt pile to give the parastatal breathing room to spend more on maintenance and diesel to help reduce the overall intensity of the load-shedding. For the time being, tackling this crisis is crucial, and all efforts to reduce load-shedding must be explored to prevent an outright economic catastrophe through what is already clearly a global downturn. The implications longer-term are that SA's fiscal resilience erodes alongside its infrastructure

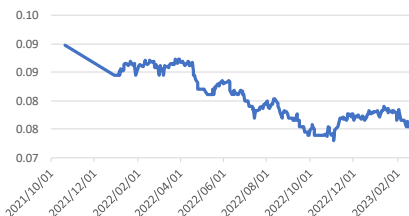
Financial Market Commentary

- As the USD-ZAR faces increased technical resistance between 18.0000 and 18.2000, there is potential for a turnaround in the coming days. However, this would require improved fundamentals and risk appetite. Much depends on Finance Minister Godondwana's budget, as well as the publication of the Fed's February meeting minutes and PCE core inflation data this week. There is thus plenty of two-way risk facing the USD-ZAR at the moment, meaning the week ahead is likely to be a big one for the pair's medium-term prospects.

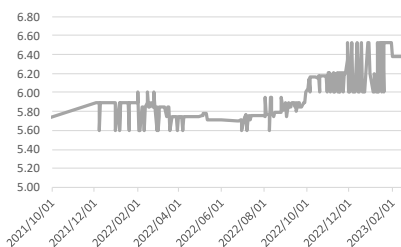
- The BWP-USD, meanwhile, gained on Friday to close out the week at 0.0758, tracking the gains seen for the ZAR as we week closed out. As noted above, it could be a volatile week for the ZAR and any currencies pegged to it. We also have the local rate decision on Thursday, with last week's inflation data suggesting that the central bank may opt to keep rates on hold once again.

- After threatening to surge significantly stronger, the USD has backed away from its appreciative trend. That may have more to do with profit-taking than it does anything more significant than that. The guidance from Fed speakers is that more rate hikes are needed while the data continues to hold up well. USD bulls remain in the ascendency, but both the EUR and the GBP have recovered from their lows. Much will depend on the Fed minutes this week and whether the market is sufficiently priced for the bias that they offer. One should point out that the market appears fully priced at the moment and that the risks are turning asymmetric, where sufficiently hawkish commentary is needed to support the USD. The minute that support dies down, the USD may find it difficult to hold on to its gains from such an existing overvalued position. The EUR-USD is still trading fractionally below 1.0700, while the GBP is back above 1.2030 at time of writing. Even the JPY as a measure of the carry trade has recovered off its lows vs the USD and now appears to be bidding its time.

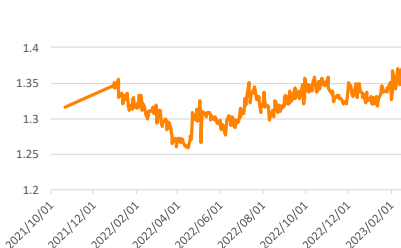
Spot BWP



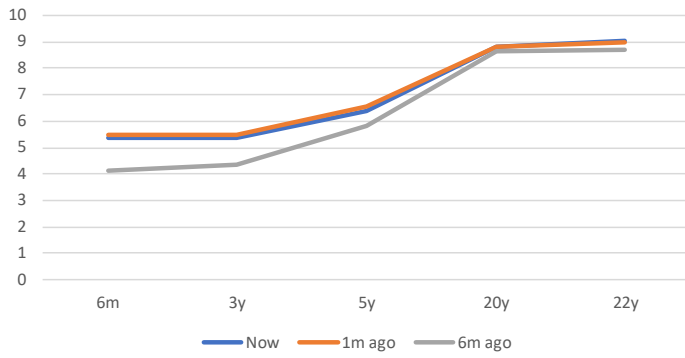
BWP 5y local bond yield



BWP-ZAR



Botswana Yield Curve



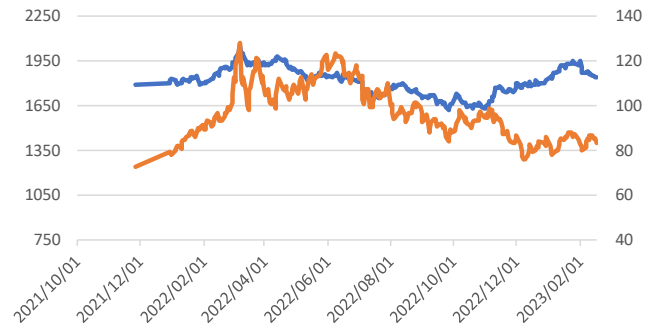
USD Index



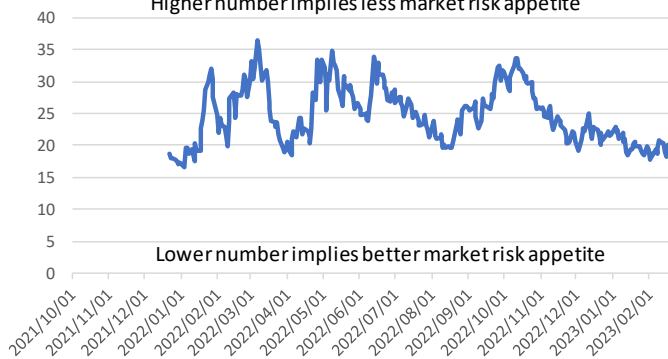
Base metals - Copper L_Hand axis LME Index
R_Hand axis



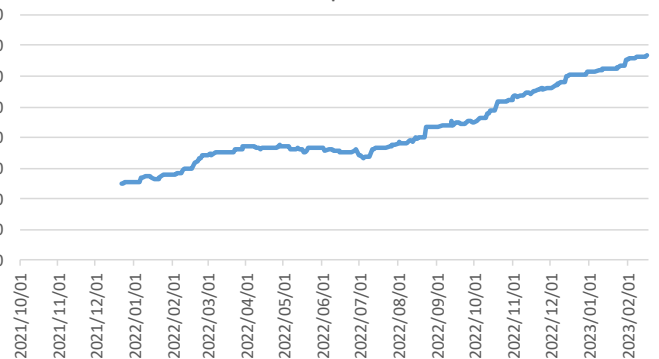
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure
Higher number implies less market risk appetite



Local stockmarket performance



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