

# Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	Botswana to sell BWP4.5bn 7-Day Certificates			
00:30	JN	Nikkei Japan PMI Mfg	Feb P	47.4 (a)	48.9
08:30	GE	S&P Global/BME manufacturing PMI	Feb P	48	47.3
09:00	EZ	S&P Global/BME manufacturing PMI	Feb P	49.4	48.8
09:30	GB	S&P Global manufacturing PMI	Feb P	47.5	47
10:00	EZ	ZEW economic sentiment	Feb		16.7
10:00	GE	ZEW economic sentiment	Feb	19.5	16.9
14:45	US	S&P Global PMI manufacturing	Feb P	47	46.9
15:00	US	Existing home sales	Jan	4.11mn	4.02mn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Japan manufacturing activity	PMI data showed that Japan's manufacturing sector contracted at the fastest pace in 30 months in February, as weakening demand and cost pressures weighed	Given the export-focussed nature of Japan's economy, the data point to a weakening global economy	4/5 (economy)	As central banks' aggressive rate-hike cycles filter through into the global economy, it will likely face a significant downturn through the quarters to come, with initial signs starting to show
Russia-Ukraine war	Russian President Putin will provide an update on his 'special military operation' in Ukraine today, a day after US President Biden made a surprise visit to Kyiv and declared his "unwavering support" for Ukraine	The risk of a further escalation of the war remains prevalent, with the loss of life, infrastructure, and economic potential all at stake	3/5 (war, geopolitics)	A new Russian offensive is expected in the coming days, which could lead to an escalation of the war should Ukraine's Western allies opt to get more involved
Russian oil flows	Russian exports of discounted crude to China have risen to record highs as the reopening of the world's biggest energy importer supports demand	The impact of Western sanctions on Russia is being limited by strong support from China	2/5 (geopolitics)	The uptick in Chinese buying is evidence of the fact that the country's economic recovery is picking up steam, while it also continues to fund Russia's fiscus at a time when the rest of the world has tried to isolate it

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Global PMIs	Flash PMIs scheduled for release out of the world's major economies today 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 more scope for rate hikes than its peers
Fed meeting minutes	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

**BUSINESS LIVE** - [How Treasury plans to short-circuit jitters over Eskom debt](#)

**FT** – [Burkina Faso announces French military task force has left the country](#)

**REUTERS** – [Record South African outages to remain till Wednesday, Eskom says](#)

**SOUTH CHINA POST** - [UK foreign minister says discussed Xinjiang and Taiwan with China's Qin Gang](#)

## Local and regional talking points

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.312992	1.322976	1.3382945	1.419443
BWPUSD	0.07248	0.093496	0.0738768	0.07828
GBPGBP	16.452488	16.56564	16.096545	15.60993
BWPEUR	0.073632	0.074048	0.069561	0.072624
JPYBWP	10.5456	10.6184	9.96255	10.388675
USDZAR	17.390496	18.857592	17.798086	18.44961525
EURUSD	1.024224	1.109784	1.0482293	1.08577425
GBPUSD	1.154208	1.250704	1.1812598	1.2236455

### Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0755	0.0000	1m	-2.01825	-1185.303
BWPGBP	0.0628	1E-04	3m	-6.708	-2446.132
BWPEUR	0.0708	0.00	6m	-12.9675	-4469.985
BWPZAR	1.3678	-0.0027	12m	-27.25125	-9125.125

### Forward Foreign Exchange

Dollar Index	103.989	0.127
EURUSD	1.067	-0.0012
GBPUSD	1.2024	-0.0014
USDJPY	134.37	0.14
USDNGN	460.05	0
USDZAR	18.1167	0.005

### Local Fixed income

Yield curve	Close	Change		Close	Change
6m	5.386	0.001	SA 10y	10.115	0.09
3y	5.34	-0.001	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		
22y	9.01	0		224	4

### International Fixed Income

### Equities

	Close	Change		Close	Change
VIX	21.23	1.21	Gold	1841.14	-0.45
Dow Jones	33826.69	129.84	Brent Crude	1841.59	1.07
FTSE	8014.31	-8.17	3m Copper	1837.44	154
JSE All share	79829.39	-955.41	LME Index	1836.19	100.9
Bots DCIBT	7836.58	1.13	1 carat index	1854.29	
Nigeria Index	54224.35	-717.03			

### Commodities

- The African Union is set to launch a debt status data bank on its members, taking the first step to monitor and advise on possible debt distress. The data bank will help member states improve their fiscal governance as the continental body pursues development programs among members. Once launched, it would become the first such move by the continental body that has traditionally focused on political instability but has been changing to pursue development.
- Botswana has deposited its instrument that ratifies the African Continental Free Trade Area agreement with the African Union. Botswana is now the 45<sup>th</sup> country in the continent to ratify the agreement, which covers 55 AU members that have a combined GDP of around 3.4trn USD. Studies conducted by the United Nations Economic Commission for Africa reviewed that this agreement can potentially increase intra-Africa trade by 26% by 2045 compared with around 15% in 2021. The World Bank added that, if properly implemented, free trade is expected to lift 30mn Africans out of extreme poverty by 2035, as deeper integration would boost incomes, catalyse investments, create jobs, and facilitate the development of regional supply chains.
- Meanwhile, South Africa's National Treasury plans to announce a "non-deal" investor call immediately after the budget is read out in parliament, specifically dealing with Eskom. This is unusual because it is happening immediately after the announcement and will deal almost entirely with just Eskom. There will likely be many questions around the debt roll-up and what accountability will be levied on Eskom for the debt relief. There are two schools of thought.
- The first is that the debt relief could be phased in over 4-5 years, but then Eskom will not receive the full benefit of the debt relief in the short term. However, that would allow National Treasury to monitor progress and ensure accountability should reforms not be implemented according to plan. The second is that all the debt relief arrives upfront, alleviating Eskom from the burden of the interest on debt, turning it profitable. While the latter would be more efficient in helping Eskom deal with its financial constraints, it removes National Treasury's ability to hold the Eskom board to account and alleviates the pressure for immediate reforms

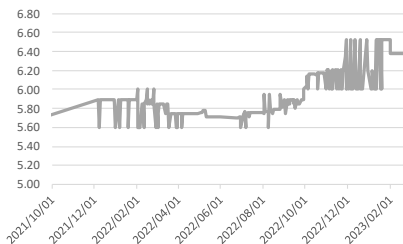
## Financial Market Commentary

- The USD-ZAR remains rangebound as the market struggles to garner sufficient impetus to break higher. The pair is, however, trading with a topside tilt at the moment, as rising US Treasury yields are weighing on the market's risk appetite more broadly. While the PMI data scheduled for release today may provide the market with some directional cues, it will more likely wait for the Fed's meeting minutes and US PCE inflation data, and, of course, SA's budget speech, for fresh directional impetus. Accordingly, some consolidation may be on the cards for today, with volatility set to pick up from tomorrow.
- The BWP-USD, meanwhile, remains near its recent lows with the volatility for the South African Rand not helping the local unit. The BWP-SUD will likely remain largely unchanged through the session ahead as we expect consolidation for the ZAR ahead of the budget announcements tomorrow.
- Note that today will hold the usual 7-day certificate auction locally. Details regarding the end-of-week auction, meanwhile, have been released. The BWP500mn slate will consist of BWP200mn each of 2027 and 2031 tenors, and BWP100mn of the 2041 tenor. BWP500mn of 91 and 182 bills will also be auctioned.
- Globally, as we have mentioned several times before, there is a lot priced into the USD. Whether or not the USD deserves to attract even more support from such lofty valuation levels is questionable. It will require even stronger data, more hawkish talk from Fed speakers and a deeper wobble in global financial markets. While possible, investors are reminded that we are now deep into the monetary tightening cycle, and the full effects of the tightening combined with the inflation episode will manifest soon. It is doubtful that the US economy will defy gravity for much longer or ignore the pressures that will detract from economic growth. It is more a question of when rather than if. That may explain the reluctance of speculators to bet on the USD too aggressively. As we await more data and the Fed's minutes, the EUR-USD has taken its guidance from the USD index and remained rangebound around 1.0670, while the GBP-USD has consolidated marginally above the 1.2000 mark.

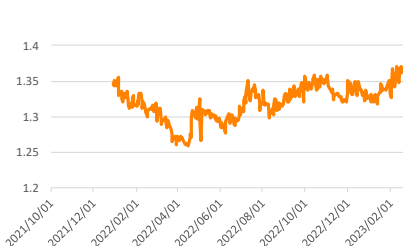
Spot BWP



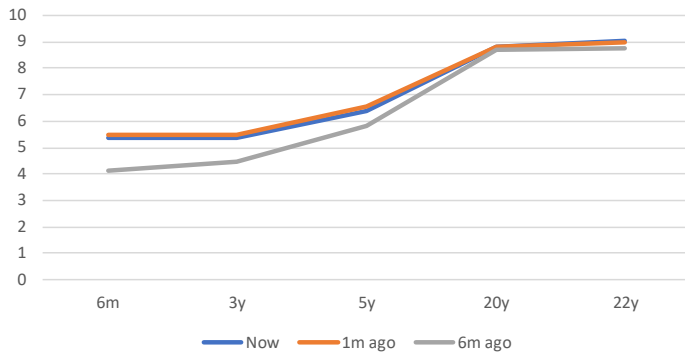
BWP 5y local bond yield



BWP-ZAR



Botswana Yield Curve



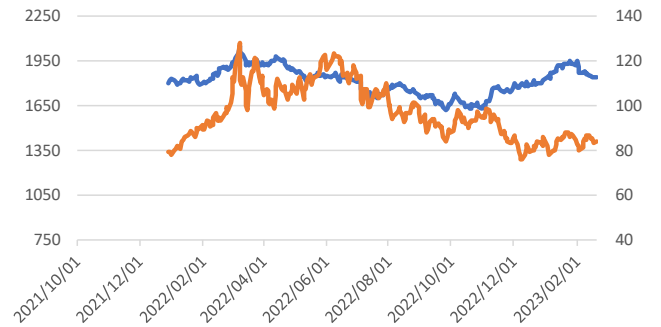
USD Index



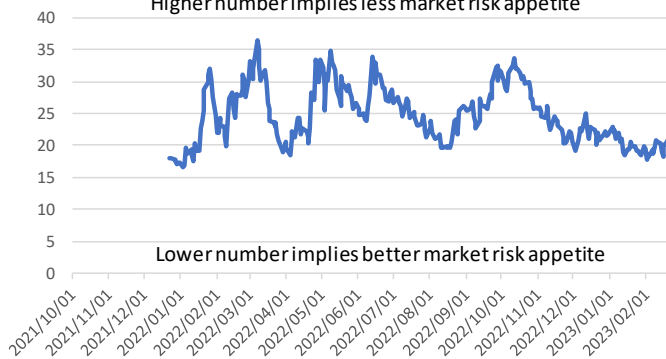
Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis



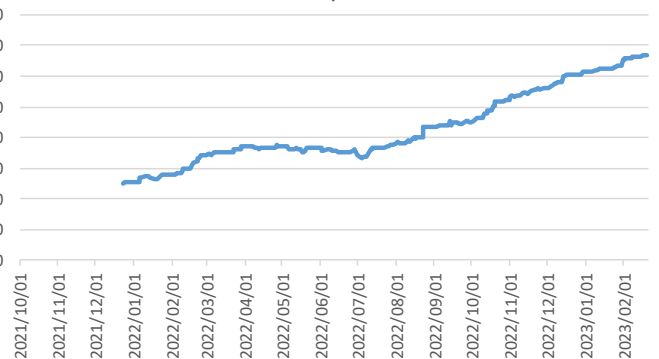
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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