

Botswana Market Watch

| GMT | Country | Data event or release | Period | Market Exp | Previous |
|--|--|---|-------------------------------------|---|----------|
| - | BW | No Data | | | |
| 05:00 | JN | Leading index | Dec F | 97.2 (a) | 97.2 |
| 09:00 | EZ | M3 money supply sa y/y | Jan | 3.90% | 4.10% |
| 10:00 | EZ | Consumer confidence | Feb F | | -19 |
| 13:30 | US | Durable goods orders m/m | Jan P | -3.90% | 5.60% |
| 15:00 | US | Pending home sales y/y | Jan | | -34.50% |
| 15:30 | US | Fed's Jefferson Discusses Inflation and the Dual Mandate | | | |
| 15:45 | EC | ECB's De Cos Speaks | | | |
| Factors Overnight | What happened? | Relevance | Importance | Analysis | |
| US PCE inflation | US PCE core inflation, which is the Fed's preferred gauge of price pressures, rose from 4.6% y/y to 4.7% y/y in Jan, adding to signs that sticky inflation remained prevalent at the start of the year | The print will reinforce the Fed's resolve to raise interest rates further and hold them higher for longer | 5/5 (inflation, monetary policy) | Rising price pressures suggest that there is not yet any reason for the Fed to turn less hawkish, especially since supply-chain bottlenecks have eased and inflation is being driven by the demand-side | |
| US consumer sentiment | The U.Mich. consumer confidence index continued its recent uptrend in Feb, with the current conditions subindex falling while the expectations subindex rose | As the US economic cycle nears a turning point, the consumer sentiment data provide insights into household demand conditions | 4/5 (economy) | Inflationary household spending may remain robust in the near term amid expectations for continued strong incomes, with confidence only set to wane once the US labour market loosens significantly | |
| US housing market | New home sales increased by more than expected to a near one-year high in Jan, reflecting some tentative signs of stabilisation in the US housing market after a brutal year | The housing sector has borne the brunt of the Fed's rate-hike cycle, and serves as a leading indicator for the rest of the economy | 4/5 (economy) | It may be premature to read too much into the jump in new home sales, since mortgage rates eased in January, but have risen since. Concerningly, new home prices have fallen, which could have spillover effects into the rest of the economy in due time | |
| Factors on the Radar | What happened? | Relevance | Importance | Analysis | |
| Brexit | UK PM Sunak and EC President von der Leyen will announce a new Brexit deal for Northern Ireland if they can agree on final details at a meeting today | The deal seeks to resolve tensions caused by the 2020 post-Brexit arrangements governing Northern Ireland's open border with the EU | 4/5 (geopolitics) | As both the UK and the EU look to conclude Brexit for good, practical issues on the ground remain. These are preventing both sides from putting the divorce behind them and clearing the way to divert voters' attention towards domestic reforms | |
| US-Sino tensions in relation to the Russia-Ukraine war | The US warned China of serious consequences should it provide arms to support Russia's invasion of Ukraine, following intelligence reports suggesting that it was considering doing so | US-Sino relations are turning increasingly hostile as they fail to see eye to eye on a number of issues | 3/5 (war, geopolitics) | Strong incentives for the major players to keep the Russia-Ukraine war going are becoming concerning as it becomes increasingly global in nature | |
| UK business confidence | Survey data showed that more than 60% of British businesses are optimistic about the UK's medium-term growth outlook | The survey challenges gloomy near-term forecasts for the UK economy | 3/5 (economy) | Notwithstanding British businesses' optimism, the UK economy looks set for recession in 2023 as the full impact of the BoE's aggressive rate-hike cycle filters through into the real economy | |

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REUTERS – [Nigeria's electoral commission starts announcing state-wide results](#)

SOUTH CHINA POST - [US first lady Jill Biden, on visit to Horn of Africa, appeals to wealthy nations for drought relief](#)

Local and regional talking points

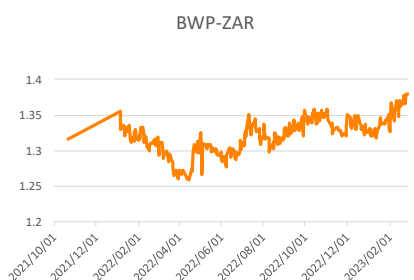
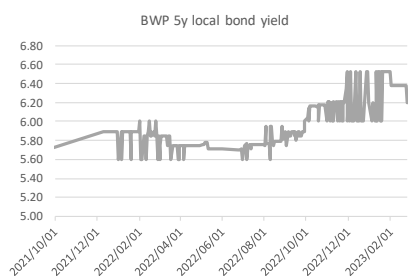
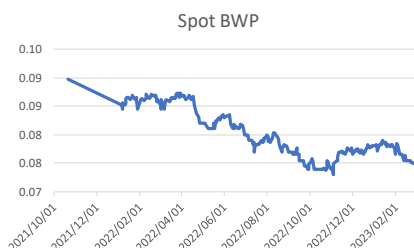
| Corporate Foreign Exchange | | | | |
|----------------------------|--------------|---------------|--------------|---------------|
| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
| | CASH | CASH | TT | TT |
| BWPZAR | 1.322784 | 1.334208 | 1.3482752 | 1.431494 |
| BWPUSD | 0.071712 | 0.093496 | 0.073094 | 0.077353 |
| GBPGBP | 16.488056 | 16.626064 | 16.131343 | 15.666868 |
| BWPEUR | 0.073736 | 0.074256 | 0.0696593 | 0.072828 |
| JPYBWP | 10.5872 | 10.6704 | 10.00185 | 10.43955 |
| USDZAR | 17.707488 | 19.194864 | 18.122507 | 18.7795905 |
| EURUSD | 1.011744 | 1.096472 | 1.0354568 | 1.07275025 |
| GBPUSD | 1.146048 | 1.241968 | 1.1729085 | 1.2150985 |

| Interbank Spot Foreign Exchange | | | Forward Foreign Exchange | | |
|---------------------------------|--------|---------|--------------------------|-----------|-----------|
| | Close | Change | | BWPUSD | BWPZAR |
| BWPUSD | 0.0748 | -0.0002 | 1m | -2.13525 | -1396.26 |
| BWPGBP | 0.0626 | -0.0002 | 3m | -6.303375 | -2638.216 |
| BWPEUR | 0.0709 | 0.00 | 6m | -11.2905 | -4674.405 |
| BWPZAR | 1.3797 | 0.0035 | 12m | -22.72725 | -9308.576 |

| Dollar Index | | |
|--------------|---------|---------|
| | Close | Change |
| EURUSD | 1.054 | -0.0006 |
| GBPUSD | 1.1938 | -0.0006 |
| USDJPY | 136.28 | -0.18 |
| USDNGN | 459.94 | 0 |
| USDZAR | 18.4447 | 0.0389 |

| Local Fixed income | | | International Fixed Income | | |
|--------------------|-------|--------|------------------------------|-------|--------|
| Yield curve | Close | Change | | Close | Change |
| 6m | 5.387 | 0.002 | SA 10y | 10.13 | 0.015 |
| 3y | 5.15 | -0.189 | US 10y | 3.949 | 0.068 |
| 5y | 6.2 | -0.18 | German 10y | 2.529 | 0.054 |
| 20y | 8.7 | -0.1 | Spread SA 5y vs Bots 5y bpts | | |
| 22y | 8.9 | -0.11 | | 244 | 0 |

| Equities | | | Commodities | | |
|---------------|----------|--------|---------------|-----------|--------|
| | Close | Change | | Close | Change |
| VIX | 21.67 | 0.53 | Gold | 1810.81 | -11.83 |
| Dow Jones | 32816.92 | 108.82 | Brent Crude | 1822.64 | 0.95 |
| FTSE | 7878.66 | -22.91 | 3m Copper | 1825.04 | -187.5 |
| JSE All share | 76937.77 | 840.69 | LME Index | 1834.3232 | -91.5 |
| Bots DCIBT | 7842.42 | 0.53 | 1 carat Index | 1841.14 | |
| Nigeria Index | 54949.21 | 330.85 | | | |

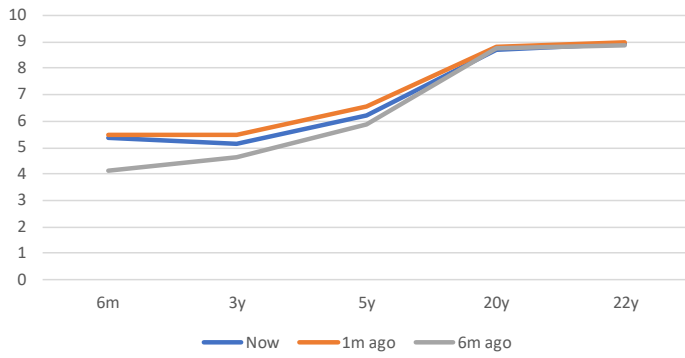


- It was a staggering week last week where just about all that could go wrong went wrong for South Africa. The budget painted a bleak picture of the state of SOEs while National Treasury absorbed Eskom's debt onto the public balance sheet. The country was then grey-listed and will have a long slog of some three years before the decision can be made to reverse its status, all in a week where former Eskom CEO De Ruyter spilt the beans on the corruption and maladministration at Eskom. It was difficult to find any positives other than that these risk events had passed. Add to that the global sell-off in stock markets, the rise in US Treasury yields and the surge in the USD, and emerging market assets have come under intense pressure.
- For SA in particular, the pressure is acute as domestic data comes in weaker than expected and highlights the necessity for deep-seated reforms, but also that the economy probably already finds itself in a technical recession. These are troubled times for SA, and investor sentiment is poor.
- Locally, the Bank of Botswana (BoB) has said that it plans to give commercial banks free rein to set their prime lending rates from the beginning of April. The central bank has said that the freeing up these prime lending rates will "facilitate market competition and fair pricing of credit and other lending products." The liberalisation of the prime lending rates may help support competition in the market and allow smaller banks to potentially gain some market share. We don't, however, expect to see major differences between the banks.

Financial Market Commentary

- Given the past week's events, the depreciation of the ZAR is understandable. As it trades above 18.4000 and threatens the prior highs towards 18.5000, the risk is of another spike in USD-ZAR. The global environment is turning sour, with stock markets taking a turn for the worse. US Treasury yields are rising, and the USD again looks like it could enjoy one more surge, despite its overvaluation. The demand for the safe-haven USD has escalated and may intensify through the week ahead if the host of US data scheduled for release remains strong and gives the impression that the Fed will need to persist with their tightening. Therefore, investors may prefer trading off a long USD base and waiting for some normality to return before trying to time a reversal.
- The BWP-USD, meanwhile, closed last week at 0.0750 after touching lows of 0.0743 during trade on Friday. The pair is offered this morning amid further depreciation for the ZAR, and is trading at 0.0748 at the time of writing. Given the outlook for the ZAR, we could see the BWP-USD remain under a bit of pressure over the near term.
- Finally, Botswana sold BWP500mn in bonds on Friday, allotting BWP50mn of the 2027 at 7.95%, BWP340mn of 2031 bonds at 8.485%, and BWP110mn of 2040 bonds at 8.642%. The allocation of the bonds was interesting given the initial amounts on offer. With demand for the 2027 coming in higher than the BWP200mn on offer, it shows that the yields asked were too high, with the bond trading at around 7.8267% in the secondary market, according to Bloomberg data. The 2031 also cleared around 7bp higher than in the secondary market, while the 2040 cleared around 8bp higher.

Botswana Yield Curve



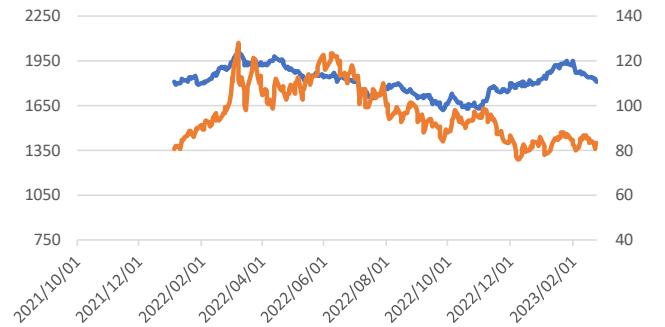
USD Index



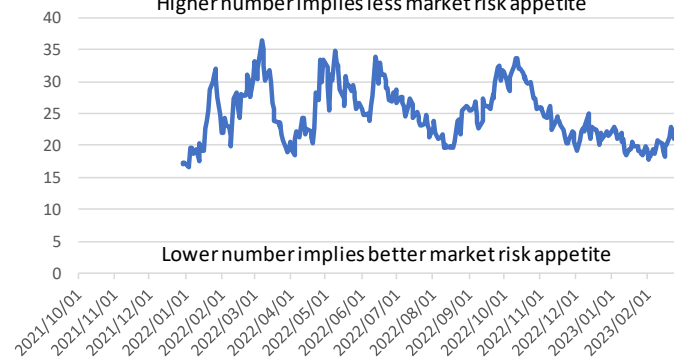
Base metals - Copper L_Hand axis LME Index
R_Hand axis



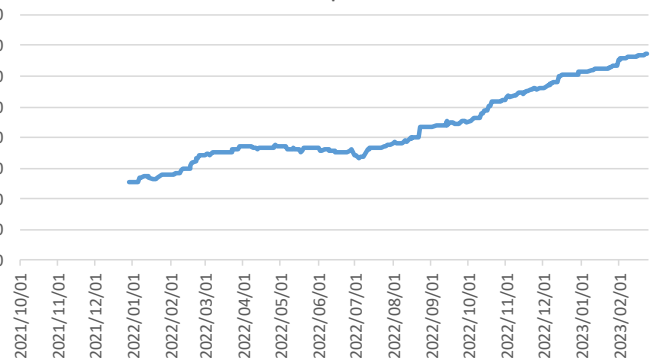
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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