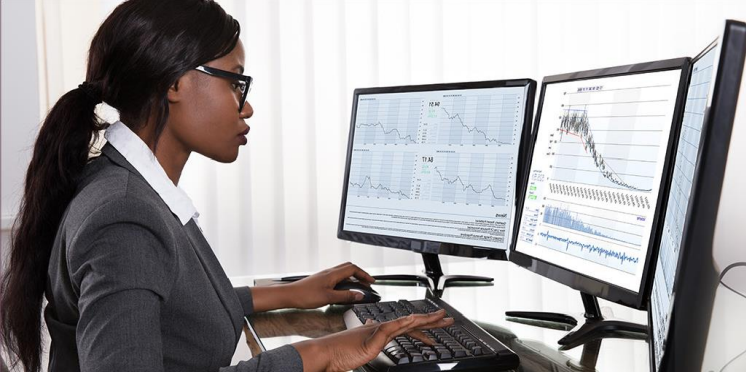


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	Botswana to sell 7 and 28 Day Certificates			
04:30	AU	RBA rate decision	May 2	3.85% (a)	3.60%
07:55	GE	S&P Global /BME manufacturing PMI	Apr F	44	44
08:00	EZ	S&P Global /BME manufacturing PMI	Apr F	45.5	45.5
08:30	GB	S&P Global manufacturing PMI	Apr F	46.6	46.6
09:00	EZ	CPI estimate y/y	Apr	7.0%	6.90%
14:00	US	Durable goods orders m/m	Mar F		3.2%
14:00	US	Factory orders	Mar	1.4%	-0.7%

Factors Overnight	What happened?	Relevance	Importance	Analysis
EZ economic growth	Preliminary GDP data released on Friday showed the Eurozone economy grew only 0.1% q/q (1.3% y/y) in the three months through March	Surging inflation, waning confidence, and higher interest rates are taking a toll on the EZ economy	5/5 (economy)	While economic growth in the EZ is weak, it remains positive as the bloc shows resilience in the face of unprecedented headwinds; unfortunately, the ECB cannot yet stop its fight against inflation
US PCE core inflation	The Fed's preferred gauge of price pressures continued to reflect sticky core inflation despite moderating from a revised 4.7% y/y to 4.6% y/y in March	The inflation data bolster the case for the Fed to hike rates this week	5/5 (inflation, monetary policy)	The PCE core inflation data add to recent prints that support the case for the Fed to implement a 25bp rate hike this week, as price pressures remain too sticky for the central bank's liking
China PMI data	PMI data published out of China over the weekend reflected growing strain in manufacturing (49.2), while services activity remained strong (56.4)	China's economic rebound is concerningly narrow as manufacturing lags services activity	4/5 (economy)	Notwithstanding still-strong services activity, China's contracting manufacturing sector calls for policy support as the country's narrow economic rebound raises concerns over its sustainability

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Global monetary policy	The RBA's unexpected 25bp rate hike this morning started off a week of major central bank meetings that will include policy decisions by the Fed and ECB	While the global monetary cycle is nearing its peak, some central banks are further away than others from declaring victory over inflation	5/5 (monetary policy)	Both the Fed and ECB are expected to hike rates by 25bps this week, although the ECB's forward guidance is likely to be significantly more hawkish as it has more scope for further monetary tightening than the Fed
Eurozone inflation	Eurozone CPI data scheduled for release today are expected to reflect a rise in headline inflation in April, while core inflation may moderate from record highs	Sticky inflation raises the risk that the ECB will hike rates into more restrictive territory through the months ahead	5/5 (inflation, monetary policy)	CPI data for April will be pivotal to the ECB's May policy decision; while headline inflation has been trending lower due to recent declines in energy prices, there may be a slight uptick due to the rise in oil prices in April, while core inflation is expected to moderate from record highs
US labour market data	JOLTS job openings, ADP employment change, weekly jobless claims, and – most notably – the official US employment report for April are all scheduled for release this week	Any labour market weakness could bolster bets on a Fed policy pivot later this year	5/5 (economy, monetary policy)	The US labour market – a key determinant of when a Fed policy pause and pivot can take place – remains extremely tight, but signs of loosening are starting to emerge that will support bets on a looming policy pause

Highlights news vendors

BUSINESS LIVE - [Allan Gray cautions investors on risk of JSE's 'value traps'](#)

FT – [Ghana's government to stop borrowing from central bank](#)

REUTERS – [Sudan conflict could prompt 800,000 people to flee, UN says](#)

SOUTH CHINA POST - [UN sending envoy as Sudan's army and rival announce latest truce extension](#)

Local and regional talking points

- The Bank of Botswana left its monetary policy rate unchanged at 2.65% on Friday, citing a continued downward trend in inflation. The Monetary Policy Committee expects inflation to temporarily revert to the 3%-6% target range by the third quarter of the year and then on a sustained basis from the second quarter of 2024. The revised inflation outlook reflects expectations of a stronger pula against the rand and downward revisions of international commodity prices. On the growth front, the MPC projects the economy to operate below full capacity in the short to medium term and, therefore, not create demand-driven inflation pressures.
- Meanwhile, the BoB also noted on Friday that rough diamond sales by De Beer's Botswana unit, Debswana, rose to BW14bn in Q1, an increase of 10% y/y. This is the highest quarterly sales figure since Q2 of 2022. The figures suggest that sales have been resilient despite what were some market and economic disruptions globally toward the end of Q1.
- Globally, market conditions will normalise as the public holiday-induced long weekend draws to a close. Volume levels will likely improve once more and not a moment too soon as the weekend brought with it more stress in the US banking system and the need for another mid-sized bank to be merged with a larger one. JP Morgan Chase has bought out First Republic in a move that has helped America's largest bank become even larger and more systemically important. However one looks at it, it offers a fresh perspective on the state of the US banking sector. That comes before any mark-to-market write-downs that banks might suffer in the months ahead due to an anticipated drop in house prices.
- It forms an interesting backdrop to the US Fed's decision this week. The FOMC will need to balance their desire to regain control of inflation with the need to support the credit cycle, which is clearly under pressure. To that, the Fed will also need to debate the impact of another government shutdown as the US budget deficit drives US government debt levels towards the debt ceiling. While it is simply unthinkable that the US would default on any of its debt, it is interesting to note that the latest CFTC data shows that speculators are hedging themselves against a calamity with a record net short position on US 10yr bonds.

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.332768	1.341792	1.3584516	1.439631
BWPUSD	0.072576	0.093496	0.0739746	0.078383
GBPGBP	17.065048	17.1834	16.695852	16.19205
BWPEUR	0.071552	0.072072	0.067596	0.070686
JPYBWP	10.816	10.8888	10.218	10.653225
USDZAR	17.628864	19.101576	18.042041	18.68832075
EURUSD	1.054272	1.142544	1.0789815	1.1178255
GBPUSD	1.198752	1.299064	1.2268478	1.27095925

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0755	-0.0001	1m	-1.95	-1655.827
BWPGBP	0.0604	0.0002	3m	-5.7135	-4038.416
BWPEUR	0.0688	0.00	6m	-11.12475	-6268.121
BWPZAR	1.389	-0.0006	12m	-25.389	-11038.11

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
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BWPGBP	0.0604	0.0002	3m	-5.7135	-4038.416
BWPEUR	0.0688	0.00	6m	-11.12475	-6268.121
BWPZAR	1.389	-0.0006	12m	-25.389	-11038.11

Dollar Index	Close	Change
EURUSD	1.099	0.0015
GBPUSD	1.2502	0.0006
USDJPY	137.63	0.15
USDNGN	459.87	0
USDZAR	18.3616	-0.0356

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	5.371	0	SA 10y	10.18	-0.025
3y	5.306	0	US 10y	3.452	0.022
5y	6.65	0	German 10y	2.32	-0.065
20y	8.79	0	Spread SA 5y vs Bots 5y bpts		
22y	8.95	0		218.5	2

International Fixed Income

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Equities

	Close	Change		Close	Change
VIX	16.08	0.3	Gold	1989.6475	1.7773
Dow Jones	34051.7	272	Brent Crude	1987.8702	1.17
FTSE	7870.57	38.99	3m Copper	1989.4799	9
JSE All share	78218.37	96.25	LME Index	1997.8723	27.4
Bots DCIBT	8016.37	3.12	1 carat index	1988.8757	
Nigeria Index	52403.51	167.63			

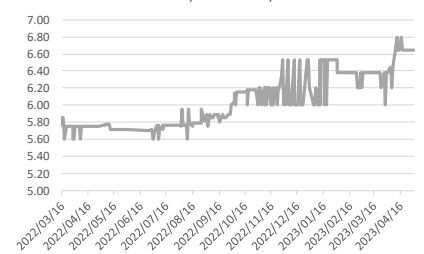
Commodities

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Spot BWP



BWP 5y local bond yield



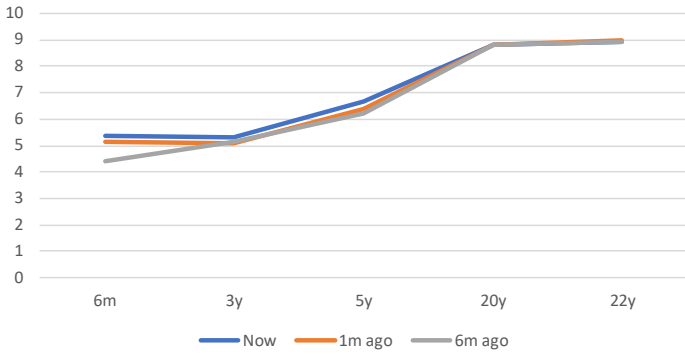
BWP-ZAR



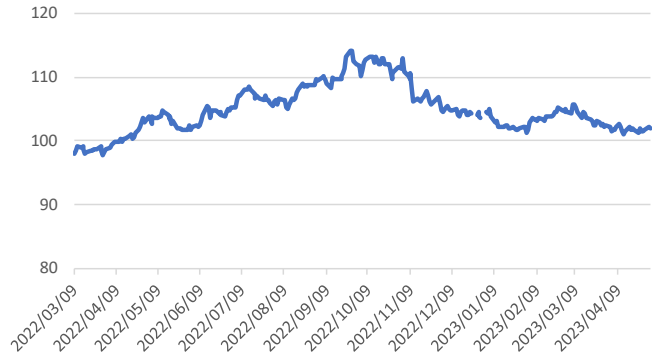
Financial Market Commentary

- Botswana held its monthly bond auction for April on Friday. The Bank of Botswana sold a combined BWP 81mn worth of bonds on Friday, selling BWP 19bn of the 2031 bonds. Demand for the 2031 bonds was really strong, with bids coming in at BWP 375mn, resulting in a cover ratio of almost 20. The 2031 cleared at 8.518%, which is slightly lower than the clearing year at the March auction, which stood at 8.547%. The BoB meanwhile sold BWP 62mn of the longer-dated 2040 bonds. Bids for the 2040 bonds amounted to BWP 365, resulting in a cover ratio of 5.9. The clearing yields on the 2040 bond rose from the last time it was issued on February 24, increasing from 8.642% to 8.715%.
- The biggest move in global FX markets in the past three trading sessions has been the collapse of the JPY. It sank to a 15yr low against the EUR and lost tremendous ground against the other majors as the BoJ stuck to its ultra-accommodative monetary policy in contrast to other central banks that continued to hike. The AUD, for instance, jumped to a one-week high on news that the RBA surprised investors by hiking rates 25bp. The result is that the JPY is trading towards 137.70/dlr and 151.30 vs the EUR. Through the crosses, the USD index jumped back up to 102.40 this morning while gaining against the EUR and the GBP through yesterday's trade. The EUR consolidated just below 1.1000 this morning while the GBP is trading at 1.2500 and remains on the front foot. This week's focus will remain on the Fed's FOMC and its decision, given the persistent banking difficulties and the looming debt-ceiling constraints. Most currency markets worldwide will take their cue from the USD's reaction to the FOMC statement and the guidance offered. Ahead of that, some consolidation is likely.
- Although it is difficult to read anything in the price action of the past few trading sessions, it has not gone unnoticed that the USD-ZAR has built up a technical bull-flag pattern that might point to another near-term assault on the 18.60/dlr level. Any sustained break of 18.40 might trigger the move as it would signal an unfolding bull flag as well as a break of a trend line that has held since early March.

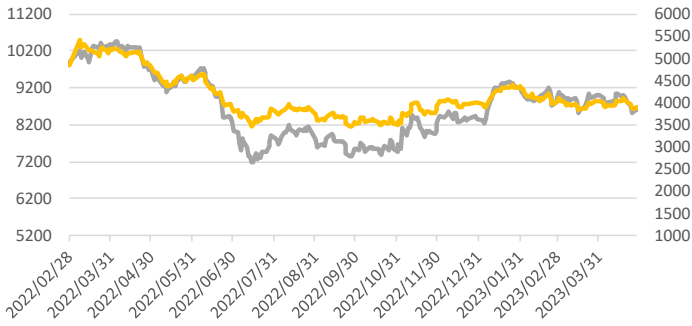
Botswana Yield Curve



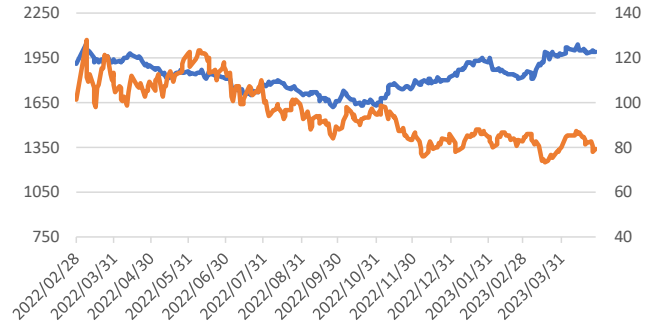
USD Index



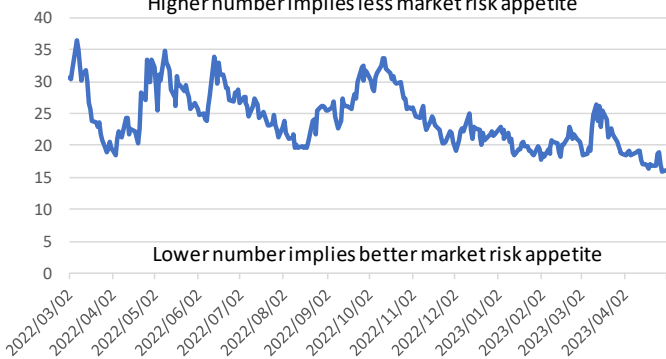
Base metals - Copper L_Hand axis LME Index R_Hand axis



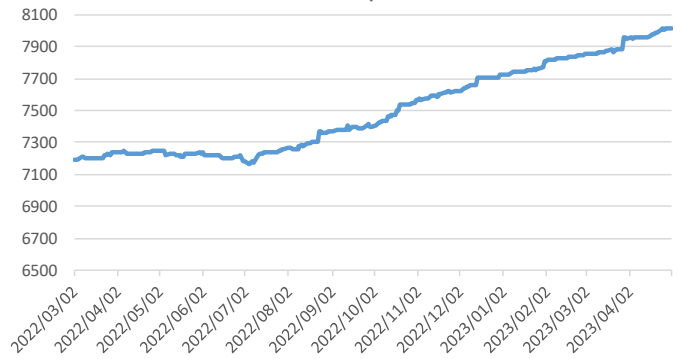
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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