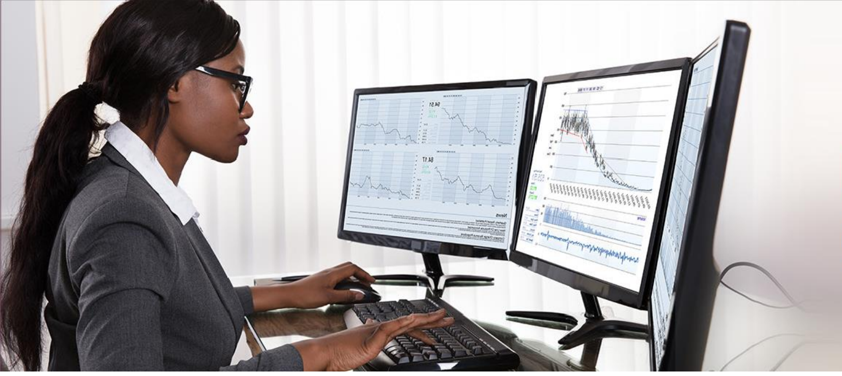


Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
09:00	EZ	Unemployment rate	Mar	6.6%	6.6%
11:00	US	MBA mortgage applications	Apr 28		3.7%
12:15	US	ADP employment change	Apr	140k	145k
13:45	US	S&P Global composite PMI	Apr F		53.5
13:45	US	S&P Global services PMI	Apr F	53.7	53.7
14:00	US	ISM non-manufacturing composite PMI	Apr	51.9	51.2
18:00	US	FOMC rate decision	May 3	5.25%	5.00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
EZ inflation	While headline CPI growth in the EZ accelerated from 6.9% y/y to 7.0% y/y in April, core inflation eased from a record high of 5.7% y/y to 5.6% y/y to suggest the worst of the inflation episode may be in the rear-view mirror	The absence of any material upside surprises in the CPI data suggests the ECB has scope to slow its tightening cycle to a 25bp hike this week	5/5 (inflation, monetary policy)	Fuel costs pushed up the headline number, while the more-notable core categories reflected slowing economic activity and less need for aggressive monetary tightening going forward; a 25bp rate hike is therefore likely tomorrow
US job openings	JOLTS data published yesterday showed job openings in the US declined from 9974k to 9590k in March, adding to recent signs that the labour market is cooling	Labour demand is moving more in line with supply, which will alleviate Fed concerns over a wage-price spiral	4/5 (economy, monetary policy)	Further signs of labour market loosening will follow in the coming months, but until then, the Fed will likely maintain its higher-for-longer posture as current conditions remain inflationary
US banking stress	Shares of US regional banks PacWest and Western Alliance Bank plunged yesterday as the demise of First Republic Bank triggered fresh concerns over the health of the US financial sector	Banking sector strain remains evident after the aggressive global rate-hike cycle of the last year and will need to be discussed by the Fed today	5/5 (markets)	While banking sector turmoil has thus far been dealt with adequately, more stress is expected through the weeks ahead as banks' resilience to aggressive rate hikes continues to be tested; ultimately, this could trigger a Fed policy pivot later this year

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Global monetary policy	The RBA's unexpected 25bp rate hike on Tuesday started off a week of major central bank meetings that will include policy decisions by the Fed today and the ECB tomorrow	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
China manufacturing PMI	China's Caixin manufacturing PMI is expected to remain steady at 50.0 in April, adding to signs that the country's post-lockdown economic recovery remains patchy	China's economic rebound is critical for global growth and prospective commodity demand	3/5 (economy)	Relative weakness in China's manufacturing sector raises the likelihood that the government will deliver more support for firms in the near future
US labour market data	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 - New Gold Fields foray will create entry point into Canadian mining
FT – Africa's Fastest Growing Companies 2023
REUTERS – Sudan's warring generals extend theoretical truce but keep fighting
SOUTH CHINA POST - Sudan peace efforts stumble as generals keep up deadly fighting

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.33008	1.339488	1.3557118	1.437159
BWPUSD	0.072096	0.093496	0.0734854	0.077868
GBPBWP	17.180592	17.299152	16.808897	16.301124
BWPEUR	0.070824	0.071344	0.0669083	0.069972
JPYBWP	10.6184	10.6912	10.031325	10.4599
USDZAR	17.710752	19.194552	18.125848	18.77928525
EURUSD	1.057632	1.146184	1.0824203	1.12138675
GBPUSD	1.198944	1.299168	1.2270443	1.271061

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0751	0.0001
BWPGBP	0.0601	-1E-04
BWPEUR	0.0681	0.00
BWPZAR	1.3854	0.0031
Dollar Index	101.75	-0.208
EURUSD	1.1017	0.0018
GBPUSD	1.2488	0.0024
USDJPY	135.92	-0.61
USDNGN	459.81	0
USDZAR	18.4435	-0.0137

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.8525	-1628.343
3m	-5.74275	-4106.56
6m	-11.154	-6268.121
12m	-26.00325	-11038.11

Local Fixed income

Yield curve	Close	Change
6m	5.371	0.003
3y	5.313	0.163
5y	6.65	0.45
20y	8.79	0.04
22y	8.95	0.05

International Fixed Income

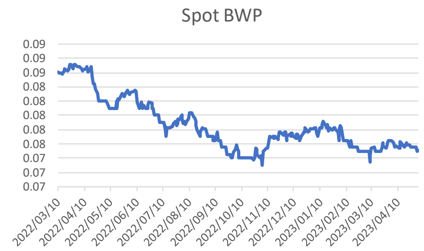
	Close	Change
SA 10y	10.195	0.015
US 10y	3.439	-0.013
German 10y	2.252	-0.068
Spread SA 5y vs Bots 5y bpts		
	221	-45

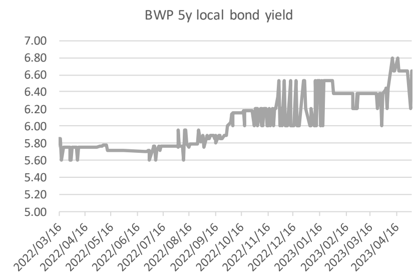
Equities

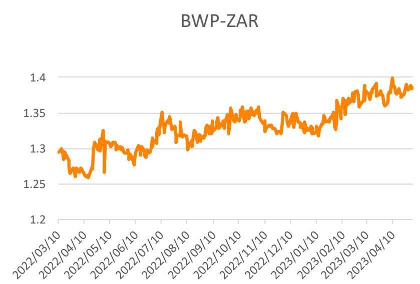
	Close	Change
VIX	17.78	1.7
Dow Jones	33684.53	-46.46
FTSE	7773.03	0
JSE All share	77532.9	0
Bots DCIBT	8008.47	0
Nigeria Index	52299.24	0

Commodities

	Close	Change
Gold	2016.278	26.6305
Brent Crude	1989.6475	-4.22
3m Copper	1987.8702	-81.5
LME Index	1989.4799	-6.8
1 carat index	1997.8723	





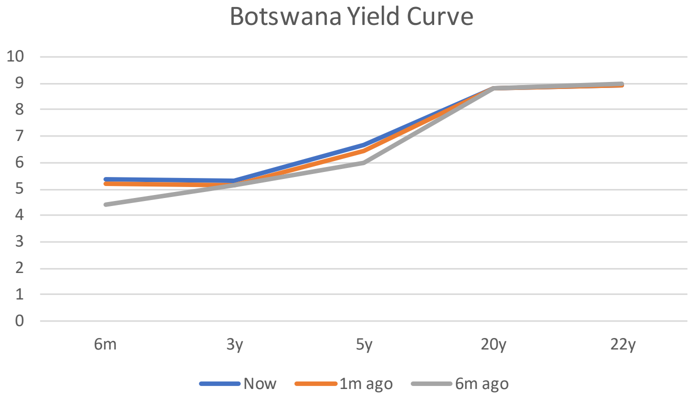


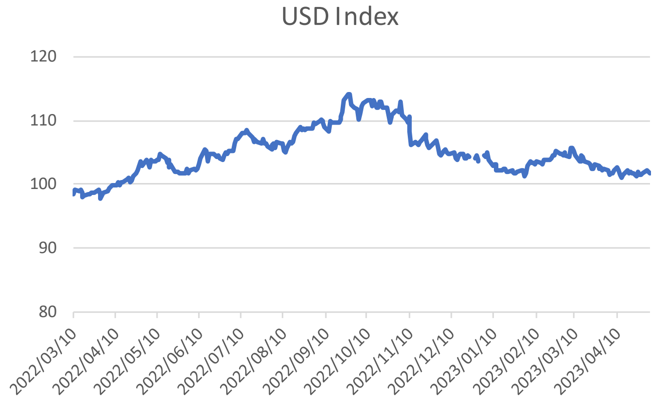
Local and regional talking points

- The International Monetary Fund has warned that Africa could suffer a permanent hit if tensions splinter the global economy into opposing trading blocs around the US and China. According to the lender, "if geopolitical tensions were to escalate, countries could be hit by higher import prices or even lose access to key export markets-about half of the region's value of international trade could be impacted." The lender estimates that sub-Saharan Africa could see a 4% decline in GDP after a decade under a severe version of this bipolar world.
- Locally, the BoB released its latest business expectations survey yesterday. According to the survey, firms expect overall output to expand by 4% in 2023, equal to the projection by the Ministry of Finance and in line with the 4.1% estimated by the IMF for the same period. On a quarterly basis, in general, firms expect GDP to increase by 3.1% and 3.2% in the first and second quarters of 2023, respectively. Notably, firms in the Mining and Quarrying; Manufacturing; Finance, Professional and Administrative Activities; and Retail Accommodation, Transport and Communications sectors were optimistic about economic growth prospects in the first quarter of 2023, while those in the Construction and Real Estate; and Agriculture were pessimistic.
- One interesting development was regarding inflation. Firms expect cost pressures to be subdued in the first quarter of 2023, attributable to the expected downward pressure on materials and transport costs, mainly due to relatively lower fuel prices. Nonetheless, firms anticipate upward pressure on wages, as a result of the expected increase in public sector wages last month. Firms' expectations about domestic inflation decreased, compared to the previous survey, but still surpassed the Bank's 3 – 6% target range for both 2023 and 2024.
- Focus today will, of course, be on the Fed, and tonight's FOMC meeting is shaping up to be a pivotal moment for 2023. Following the Fed's hike in March, expectations for further tightening have shifted to price in a more gradual moderation in US rates as the Fed seeks to reduce inflation, within a cooling economic growth environment while facing persistent concerns over the health of the US banking sector. Consensus estimates, according to Bloomberg, are for a further 25bp hike, while US money markets have priced in roughly a 85% chance of such an increase. The Fed will also likely continue allowing bonds to roll off its nearly $8.6 trillion balance sheet. What investors will be watching, however, is the forward guidance offered. The market has priced in a pause in rate hikes after this week's meeting, and rate cuts to follow from November. However, this could change very quickly depending on Chairman Powell's tone. It is likely that he will take a measured approach, giving the FOMC flexibility going forward while not ruling out policy moves in either direction over the months ahead.

Financial Market Commentary

- Ahead of the FOMC decision this evening, the USD has given up some ground. The JOLTS data was a touch disappointing, and investors are positioned for a rate hike, but with less hawkish guidance. Any indication that the cycle has turned to favour rate cuts in the future will weigh on the USD. CFTC positioning shows that speculators retain a bearish outlook for the USD and are waiting for a catalyst to trigger a larger move. The JPY for its part has also made a recovery off its lows and this morning is trading back below 136.00/dlr. That will trigger some retreat in the USD and some carry trade currencies. The JPY move was certainly an aggressive one in recent days and investors are questioning whether it was warranted given that very little changed. A move back below 135.00/dlr will likely weigh on the greenback, but ultimately it will be the Fed that will have the final say and trigger direction for the rest of the week. The EUR and the GBP have also recovered off yesterday's intra-day lows and trading back above 1.1020 and 1.2490 respectively.
- The ZAR, meanwhile, underperformed its EM peers at the start of the week, reflecting weak investor confidence towards SA as the country's idiosyncratic risks continue to be highlighted against a backdrop of tightening global liquidity conditions. The USD-ZAR is once again testing 18.5000, although a sustained break of this level is unlikely without a clear indication from the Fed that its monetary tightening cycle is not yet over. This is not expected at this evening's policy update, however, suggesting the balance of risks is tilted to the downside for the pair. Still, the situation remains highly fluid, with the Fed's policy update holding plenty of market-moving potential.
- The BWP-USD is trading near 0.0751 in the interbank market this morning after testing a move below 0.0750 yesterday as a result of some dollar weakness.


Botswana Yield Curve
10
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
120
110
100
90
80
2022/03/10
2022/04/10
2022/05/10
2022/06/10
2022/07/10
2022/08/10
2022/09/10
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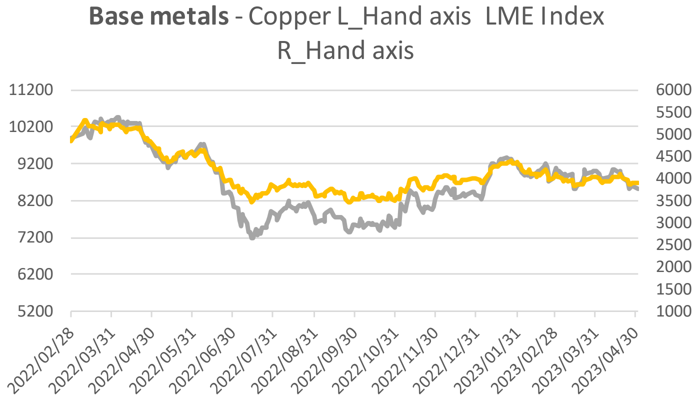
2022/11/10
2022/12/10
2023/01/10
2023/02/10
2023/03/10
2023/04/10


Base metals - Copper L_Hand axis LME Index R_Hand axis
11200
10200
9200
8200
7200
6200
5200
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
2022/02/28
2022/03/31
2022/04/30
2022/05/31
2022/06/30
2022/07/31
2022/08/31
2022/09/30
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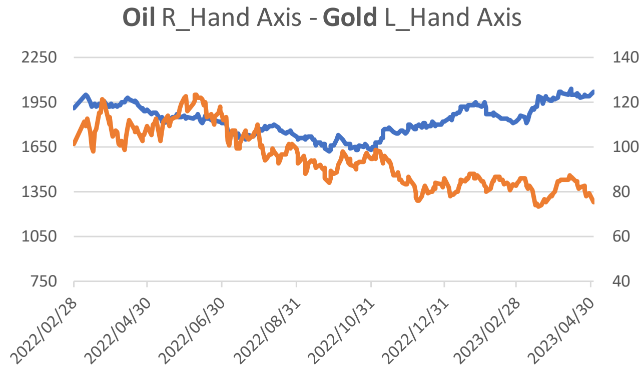
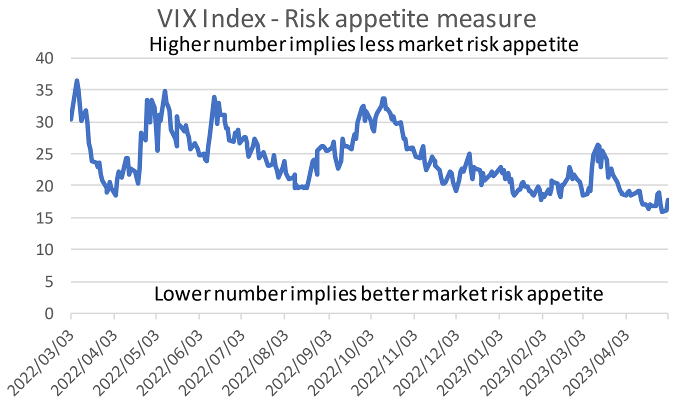
2023/03/31
2023/04/30


Oil R_Hand Axis - **Gold** L_Hand Axis
2250
1950
1650
1350
1050
750
140
120
100
80
60
40
2022/02/28
2022/04/30
2022/06/30
2022/08/31
2022/10/31
2022/12/31
2023/02/28
2023/04/30


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
40
35
30
25
20
15
10
5
0
Lower number implies better market risk appetite
2022/03/03
2022/04/03
2022/05/03
2022/06/03
2022/07/03
2022/08/03
2022/09/03
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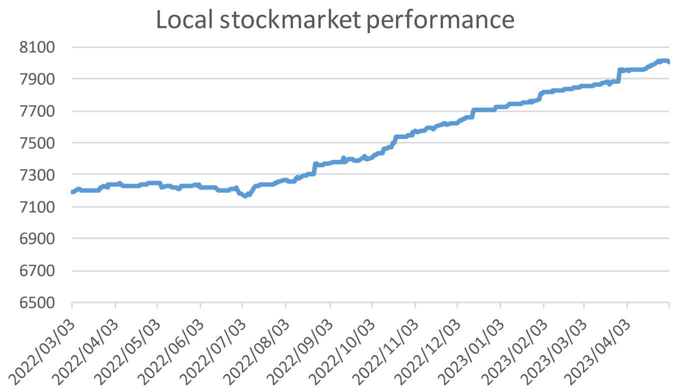
2023/03/03
2023/04/03


Local stockmarket performance
8100
7900
7700
7500
7300
7100
6900
6700
6500
2022/03/03
2022/04/03
2022/05/03
2022/06/03
2022/07/03
2022/08/03
2022/09/03
2022/10/03
2022/11/03
2022/12/03
2023/01/03
2023/02/03
2023/03/03
2023/04/03

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