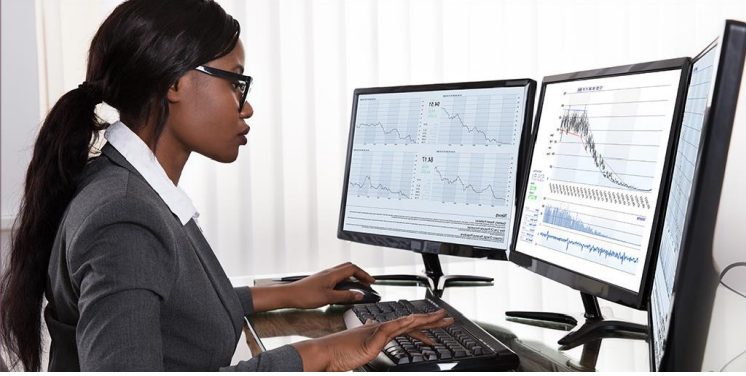


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
01:45	CH	Caixin manufacturing PMI	Apr	49.5 (a)	50
07:55	GE	S&P Global services PMI	Apr F	55.7	55.7
08:00	EZ	S&P Global composite PMI	Apr F	54.4	54.4
08:30	GB	S&P Global services PMI	Apr F	54.9	54.9
12:15	EZ	ECB rate announcement	May 4	3.75%	3.50%
12:30	US	Initial jobless claims	Apr 29	245k	230k

Factors Overnight	What happened?	Relevance	Importance	Analysis
US monetary policy	Consistent with market expectations, the Fed raised its benchmark interest rates by 25bps and hinted that this might well be the final rate hike of the cycle The Caixin manufacturing PMI fell from 50.0 to 49.5 in April, adding to signs that China's manufacturing sector is struggling and that its post-lockdown economic recovery remains patchy	With the Fed's hiking cycle now all but done, the focus is shifting towards the beginning of a policy pivot to rate cuts	5/5 (monetary policy)	The Fed will likely confirm that it is at the top of its rate hike cycle at its June meeting, and although it maintains that it will keep rates elevated for some time, banking sector turmoil has brought forward expectations for a pivot
China manufacturing PMI	Russia threatened to retaliate after a failed attempt to assassinate President Putin in a drone attack on the Kremlin yesterday, which it maintains was the work of the Ukrainian government	China's manufacturing weakness raises questions about the global growth outlook and prospective commodity demand	4/5 (economy)	While relative weakness in China's manufacturing sector is concerning, it raises the likelihood that the government will deliver more fiscal support in the coming months
Russia-Ukraine war		A further escalation of the Russia-Ukraine war now looks likely, which could renew market cautiousness in due time	3/5 (geopolitics)	Beyond the risk of an escalation of the Russia-Ukraine war, the grain export agreement between the two countries that expires later this month is also being questioned, which could have serious ramifications for global food prices

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US banking stress	PacWest is the latest US regional bank at risk of folding, and is reportedly discussing all of its options having been approached by potential partners and investors	Banking sector strain in the US remains evident, even though the Fed maintains that there is little to be concerned about	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 higher interest rates continues to be tested; ultimately, this could trigger a Fed policy pivot later this year
EZ monetary policy	The ECB is expected to continue its monetary tightening cycle with a 25bp rate hike today, although forward guidance will likely remain hawkish as it continues its fight against sticky inflation	The ECB is lagging the Fed in its rate-hike cycle, meaning it has further to go as the Fed considers a pause	5/5 (monetary policy)	A tentative stabilisation in underlying inflation and signs that credit conditions are tightening will likely convince the ECB that the time is right for a downshift from 50bp hikes, but the monetary authority will undoubtedly remain hawkish
US employment report	The April edition of the US employment report will be published tomorrow and is expected to show a slowing rate of payrolls increases and an increase in the unemployment rate	Any labour market weakness could bolster bets on a Fed policy pivot later this year	5/5 (economy, monetary policy)	The April jobs report will likely reflect still-robust hiring, although signs that the labour market is loosening are starting to emerge; still, the real test for the Fed's inflation-fighting resolve is set to arrive later this year when the economy experiences a downturn

Highlights news vendors

BUSINESS LIVE - [Allan Gray sees rates, inflation 'higher and stickier' for longer](#)

FT - [Sudan conflict risks exploding into 'all-out war', UN warns](#)

REUTERS - [Egypt launches national dialogue amid ongoing security crackdown](#)

SOUTH CHINA POST - [UN pressures Sudan's warring generals after aid looted](#)

Local and regional talking points

- This week's main event was the FOMC decision and statement, and in line with expectations, the Fed opted to lift rates by a further 25bp. Judging by the movement in the USD, investors have interpreted the statement more dovish, with the trade-weighted USD index dropping back towards April lows and retaining a weaker bias this morning. US Treasury yields have also nudged a little lower, especially at the shorter end of the curve, with the 10yr vs 2yr bond spread turning less inverted at -47bp this morning.
- While the message may be that inflation and interest rates may remain elevated for longer, it is not clear that the Fed will hike again. If anything, this implies a lower peak in the Fed funds rate than investors anticipated prior to the banking difficulties, highlighting just how significant that turned out to be. As indicated in previous reports, tighter lending standards and a more cautious approach to bank lending will act like another rate hike. The Fed will feel comfortable with its decision to pause and assess the full effects of the already implemented tightening, although it could respond to inflation if it stops trending lower.
- However, while the Fed may be reaching for the pause button, the ECB is not, and all eyes will be on their decision today and whether the governing council opts to lift rates by 25bp or a bolder 50bp. Although investors appear to be tilting towards a smaller step, inflation remains a problem in Europe, and the ECB may want to send a stronger message, even though there are growth headwinds to consider. Should they hike as expected, this would mark the seventh consecutive hike in this record-breaking tightening cycle. A 25bp hike and an accompanying hawkish statement, or a bolder 50bp hike, will translate into a firmer EUR to pile more pressure onto the USD through the crosses. It may also add to the pressure on equity markets.

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.316256	1.325568	1.3416214	1.422224
BWPUSD	0.072288	0.093496	0.0736811	0.078074
GBPGBP	17.264312	17.384432	16.890805	16.381484
BWPEUR	0.070616	0.071136	0.0667118	0.069768
JPYBWP	10.5248	10.5976	9.9429	10.368325
USDZAR	17.479872	18.944744	17.889557	18.53488175
EURUSD	1.06368	1.152736	1.08861	1.127797
GBPUSD	1.207968	1.309048	1.2362798	1.28072725

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0753	-0.0003	1m	-1.8525	-1705.722
BWPGBP	0.0598	-0.0004	3m	-5.655	-4129.275
BWPEUR	0.0679	0.00	6m	-11.24175	-6320.55
BWPZAR	1.3714	-0.0176	12m	-26.832	-11090.51

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0753	-0.0003	1m	-1.8525	-1705.722
BWPGBP	0.0598	-0.0004	3m	-5.655	-4129.275
BWPEUR	0.0679	0.00	6m	-11.24175	-6320.55
BWPZAR	1.3714	-0.0176	12m	-26.832	-11090.51

Dollar Index

	Close	Change
Dollar Index	101.08	-0.263
EURUSD	1.1081	0.0022
GBPUSD	1.2584	0.002
USDJPY	134.44	-0.24
USDNGN	459.85	0
USDZAR	18.2128	-0.0606

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	5.371	0.003	SA 10y	10.065	-0.06
3y	5.31	0.16	US 10y	3.3543	-0.0487
5y	6.65	0.45	German 10y	2.241	-0.009
20y	8.81	0.06	Spread SA 5y vs Bots 5y bpts		
22y	8.95	0.05		207.5	-6

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Equities

	Close	Change		Close	Change
VIX	18.34	0.56	Gold	2039.0168	22.7388
Dow Jones	33414.24	-367.17	Brent Crude	2016.278	-2.99
FTSE	7788.37	-97.54	3m Copper	1989.6475	-45.5
JSE All share	78218.6	-685.47	LME Index	1987.8702	-29.8
Bots DCIBT	8010.14	-7.9	1 carat index	1989.4799	
Nigeria Index	52207.77	-104.27			

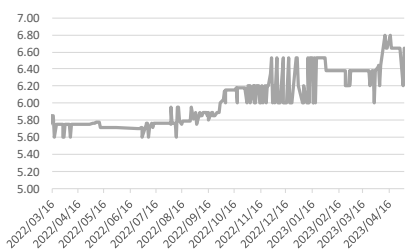
Commodities

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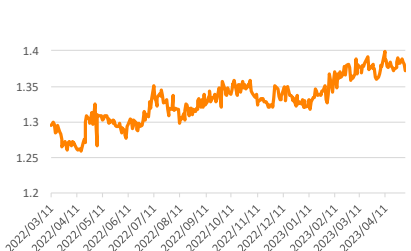
Spot BWP



BWP 5y local bond yield



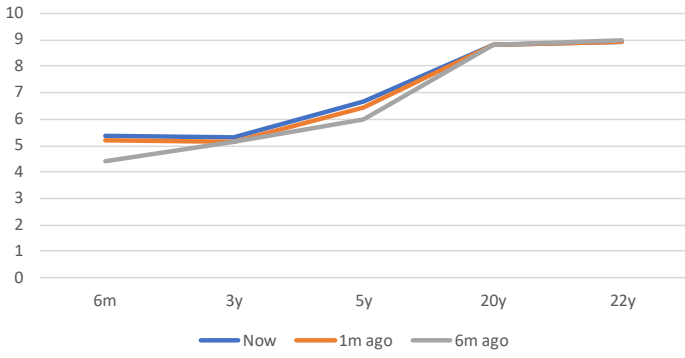
BWP-ZAR



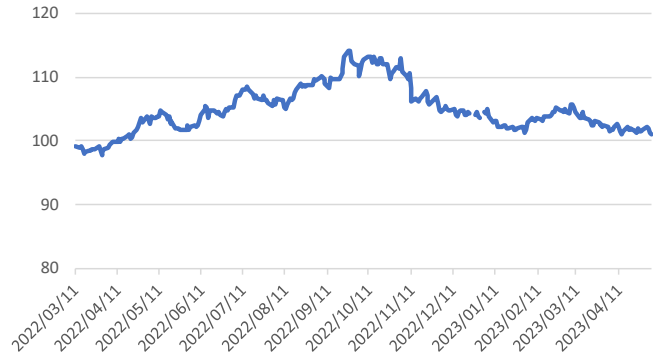
Financial Market Commentary

- Last night's FOMC ensured that the USD would remain on the defensive and reinforced its overvalued state. The USD deserves to come under some pressure as the Fed reaches for the pause button and the banking crisis saps confidence. Although Fed Chairman Powell characterised the US banking sector as healthy, he did acknowledge that the events of the past two months have impacted confidence levels and resulted in a change to lending behaviour. The Fed is adopting a more cautious approach lest it escalates the degree of stress already evident in the banking system and perpetuates a sharper slowdown in the lending and credit cycle. As it is, US house prices are about to start declining y/y, and this will further pressure bank balance sheets to the point where banks will need to manage their risks and exposure towards the property sector more carefully.
- All eyes today will turn to the ECB and its guidance. A hike with a hawkish statement or a more robust 50bp hike will trigger further EUR appreciation vs the USD and force further rotation from the greenback. Ahead of today's decision, the EUR-USD is nudging back up towards 1.1100 and trades at 1.1082 this morning, while the GBP is trading at 1.2580 and nudging closer to 1.2600 this morning. The JPY has made a spectacular recovery appreciating back down to 134.45 at time of writing as carry trades into the USD were unwound.
- While the ZAR has capitalised on the USD's post-Fed retreat, it still has a long way to go to recover all of its April losses. It is currently trading just north of the R18.2000/\$ mark, with market sentiment towards the local unit still cautious. As for the EUR-ZAR and GBP-ZAR crosses, consolidation at very high levels remains the order of the day. The EUR-ZAR market may find fresh directional inspiration from the ECB's policy update today, while the GBP-ZAR market will have an eye on next week's BoE meeting. On the whole, however, these crosses are expected to remain supported for a while longer, at least until SA's optics improve or the likes of the ECB and BoE turn less hawkish.
- The BWP-USD has opened near 0.0753 in the interbank market this morning, down from yesterday's close of 0.0756.

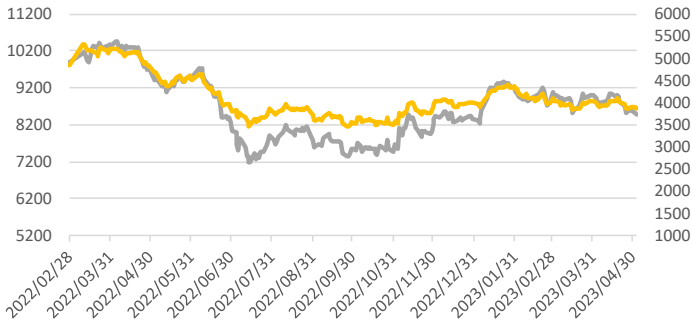
Botswana Yield Curve



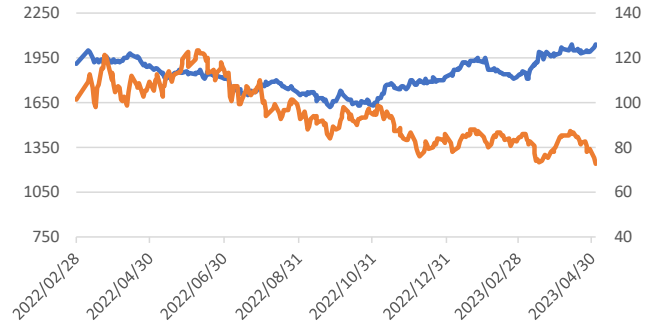
USD Index



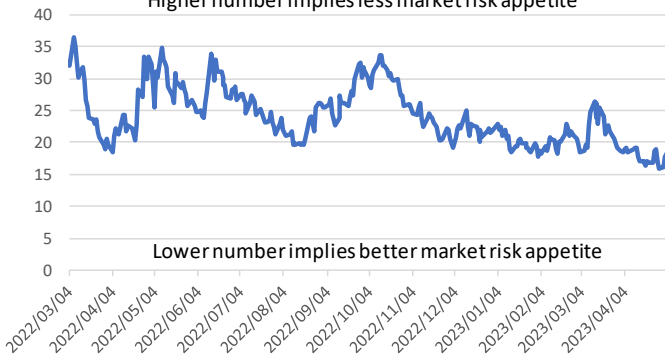
Base metals - Copper L_Hand axis LME Index R_Hand axis



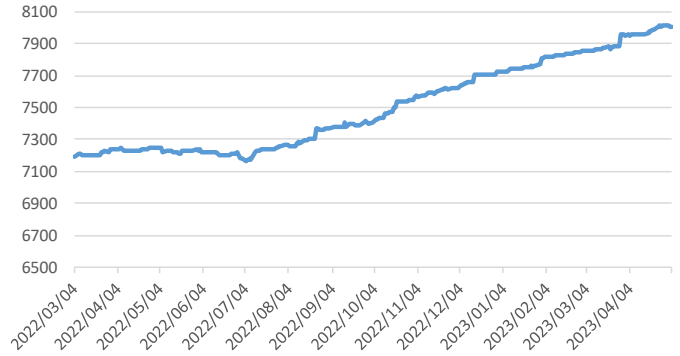
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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