

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No Data			
01:45	CH	Caixin services PMI	Apr	56.4 (a)	57.8
06:00	GE	Factory orders y/y	Mar	-3.10%	-5.7%
08:00	EC	ECB's Elderson Speaks			
09:00	EZ	Retail sales y/y	Mar	-3.1%	-3.0%
12:30	US	Change in nonfarm payrolls	Apr	180k	236k
12:30	US	Unemployment rate	Apr	3.6%	3.5%
17:00	US	Fed's Bullard Discusses the Economic Outlook			
19:00	US	Consumer credit	Mar	\$17.25bn	\$15.29bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
EZ monetary policy	Consistent with market expectations, the ECB hiked its benchmark policy rates by 25bps yesterday and announced more monetary tightening lies ahead as it grapples with high inflation. Initial jobless claims returned to their steady uptrend in the week through 29 April, rising from 229k to 242k as job cuts from the tech and financial industries broadened to consumer products. Although the private-sector Caixin services PMI dropped from 57.8 to 56.4 in April, it still reflected a fourth consecutive month of services-sector activity growth.	The ECB still needs to hike rates further as it lags behind other major central banks in its fight against inflation.	5/5 (monetary policy)	The ECB suggested that at least one more rate hike is in the pipeline, but also said that future decisions will be data-dependent; this was less a hawkish message than the market was anticipating, leading to a slight repricing of rate-hike risk.
US jobless claims		Rising jobless claims suggest that today's employment report may reflect a notable loosening of the labour market.	4/5 (labour market, monetary policy)	Although the US labour market remains tight, layoffs are starting to rise and will continue to in the coming months as the economy loses momentum after an aggressive rate-hike cycle; ultimately, this would support the case for the Fed to pivot to looser monetary policy.
China services PMI		China's services sector continues to drive its lopsided economic recovery.	4/5 (economy)	Services activity and government investment in infrastructure are offsetting relative weakness in the manufacturing sector and driving an economic rebound in China.

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.
US employment report	The April edition of the US employment report will be published today 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.
US CPI data	US CPI data for April, scheduled for publication next week, are expected to show steady headline but falling core inflation at the start of Q2.	Falling inflation and recent banking sector stress may support the case for a Fed policy pause and pivot.	5/5 (inflation, monetary policy)	The worst of the US inflation cycle is in the rear-view mirror, but disinflation is only just beginning and the process back to the Fed's 2% target is likely to be bumpy.

Highlights news vendors

BUSINESS LIVE - [PIC raises Gold Fields holding by R14bn in stamp of approval for miner](#)

FT - [US rejects Kremlin claims it was behind drone attack](#)

REUTERS - [Heavy fighting in Khartoum; Sudan's children caught in conflict, UN says](#)

SOUTH CHINA POST - [Joe Biden paves way for new sanctions tied to Sudan violence](#)

Local and regional talking points

- Thursday brought with it a wave of regional PMIs. Given its high frequency, the PMI data provides valuable insight into the health of economic conditions in the region. The Sub-Saharan Africa PMI average rose from 49.1 in March to 50.9 in April, the highest reading since April 2022. The regional average is made up of PMIs from Uganda, Kenya, Nigeria, Ghana, Zambia, Mozambique and South Africa. PMI data suggests that business conditions in Uganda, Nigeria, Ghana and Mozambique improved last month. Meanwhile, business conditions in South Africa, Zambia and Kenya deteriorated.
- South Africa's PMI slid to 49.6 in April from 49.7 in March. This was slightly better than expected - consensus estimates were for a decline to 49.4 in April. Nevertheless, the April reading continued to show that companies are struggling against numerous economic headwinds. April marked the second month that the S&P PMI was below the 50.0 neutral mark suggesting contractionary conditions for firms. It should also be noted that rising cost concerns due to a weaker rand have led to the cutting of purchasing activity and staffing levels.
- Ongoing sub-50 outcomes would further reinforce an economic contraction in 2023. More support for this expectation will come in the coming months if Eskom struggles even more with increased demand for power in the winter season. Commodity prices have also slowed, suggesting that softening external demand could also be a concern for businesses.

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.328448	1.33776	1.3540483	1.435305
BWPUSD	0.072672	0.093496	0.0740725	0.07828
GBPGBP	17.2146	17.33108	16.842169	16.33121
BWPEUR	0.071344	0.071864	0.0673995	0.070482
JPYBWP	10.556	10.6288	9.972375	10.39885
USDZAR	17.5488	19.018584	17.9601	18.60712425
EURUSD	1.059456	1.147848	1.084287	1.12301475
GBPUSD	1.210848	1.31196	1.2392273	1.28357625

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	
			BWPUSD	BWPZAR
BWPUSD	0.0757	0.0002	1m	-1.872
BWPGBP	0.0601	0.0001	3m	-5.68425
BWPEUR	0.0686	0.00	6m	-11.41725
BWPZAR	1.3832	-0.0016	12m	-27.44625

Dollar Index

	Close	Change
EURUSD	1.1036	0.0025
GBPUSD	1.2602	0.003
USDJPY	133.95	-0.32
USDNGN	459.84	0
USDZAR	18.2755	-0.0024

Local Fixed Income

Yield curve	Close	Change	International Fixed Income	
			Close	Change
6m	5.367	-0.004	SA 10y	10.075
3y	5.315	0.005	US 10y	3.3823
5y	6.65	0	German 10y	2.203
20y	8.79	-0.02	Spread SA 5y vs Bots 5y bpts	-11.41725
22y	8.95	0		206.5

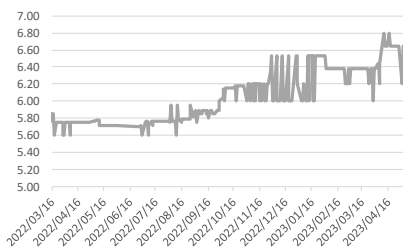
Equities

	Close	Change	Commodities	
			Close	Change
VIX	20.09	1.75	Gold	2051.1084
Dow Jones	33127.74	-270.29	Brent Crude	2039.0168
FTSE	7702.64	15.34	3m Copper	2016.278
JSE All share	77271.13	685.7	LME Index	1989.6475
Bots DCIBT	8003.12	1.67	1 carat index	1987.8702
Nigeria Index	52290.75	-91.47		

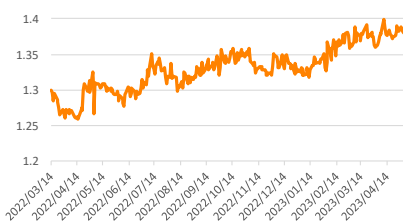
Spot BWP



BWP 5y local bond yield



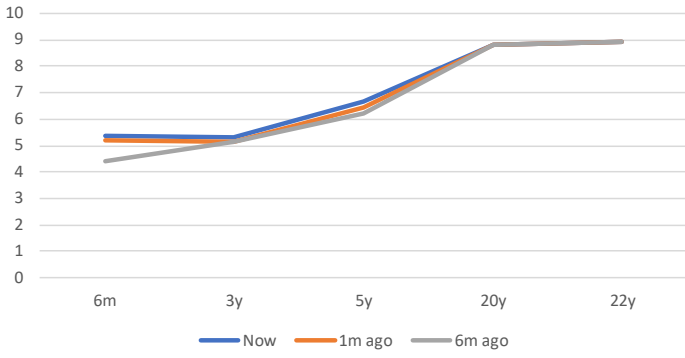
BWP-ZAR



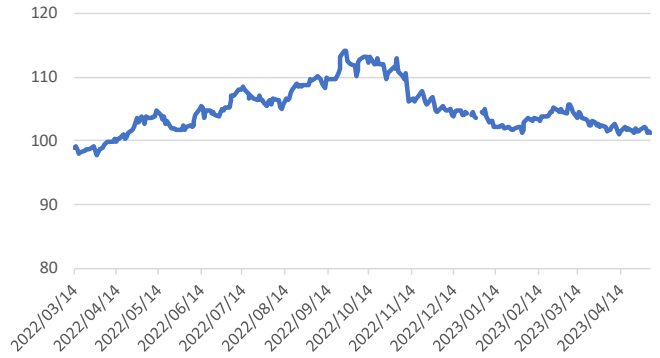
Financial Market Commentary

- This has been a tough week for the USD, despite the 25bp rate hike by the Fed and the better-than-expected ADP data. The guidance offered by the Fed was deemed less hawkish than anticipated and has given rise to speculation that the worst is over and that rates have topped out. By September, the Fed funds futures are pricing in a rate cut, which contrasts with expectations in the EZ and the UK where rates are likely to rise as inflation remains stubbornly high. The result is that the EUR and the GBP have performed a little better, and the USD is now on the defensive. However, of the majors, the JPY had the most outstanding week, making a sharp recovery against the USD as investors unwound carry trades into the USD. This is likely to be a theme that continues to unfold through the months ahead, which may explain why speculators have turned net bearish on the USD. The only concern, however, is that as central banks hike, they risk doing too much and plunging the world into recessionary conditions that prompt volatility across financial markets. This would be the counter-argument to selling USDs and will keep investors on their toes. But for now, the EUR-USD has consolidated above 1.1030 this morning, with the GBP rising through 1.2600 to end the week at the strongest levels vs the USD in nearly a year. The JPY for its part, is trading back below 134.00 as it unwound all of last week's losses.
- As we close out the week, the ZAR may end a little stronger if it consolidates around current levels of 18.2600. Despite some key events in the form of the Fed and ECB decisions on interest rates and the guidance offered, there was not much movement in the USD-ZAR that was surprisingly consolidative.
- For the ZAR, there have been some positive developments this week. Oil prices (SA's biggest import) have slid, while the price of gold has surged. The combination is great news. Add to that the higher platinum price when compared to late February, and SA's terms of trade will enjoy a boost. SA's trade account will likely remain in surplus through the months ahead, which will also support the ZAR, while SA's domestic demand is under pressure to constrain the demand for imports. The environment is a constructive one for ZAR that will likely manifest, the minute that portfolio outflows from SA subside.
- The BWP-USD, meanwhile, has risen to 0.0757, gaining for a third straight session in the interbank market. The BWP-ZAR has consolidated just above 1.3800 as the ZAR has regained its footing in recent sessions.

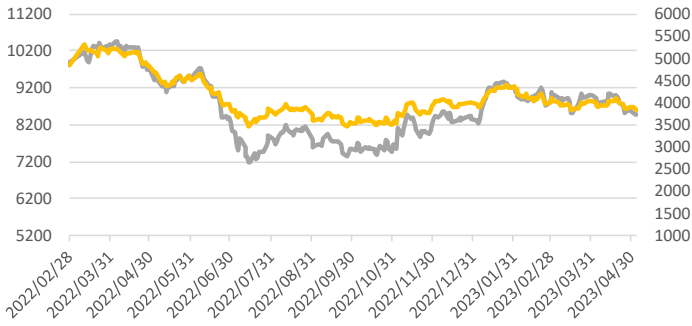
Botswana Yield Curve



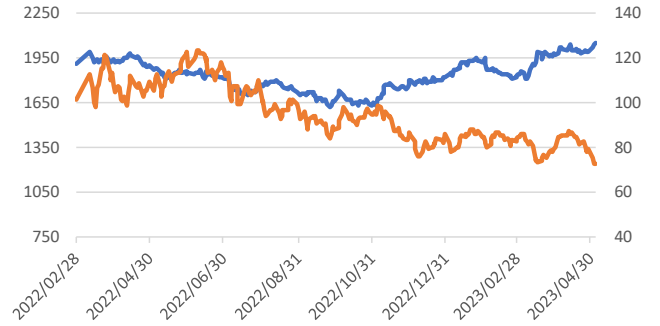
USD Index



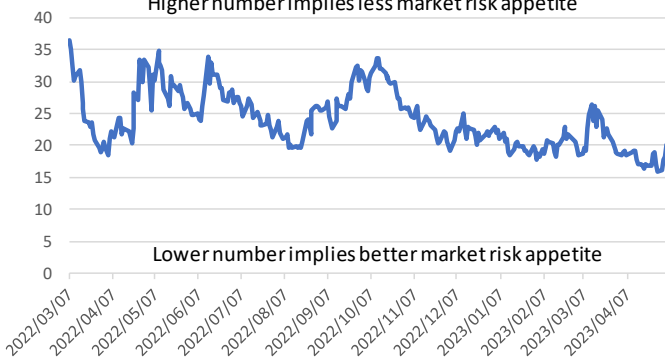
Base metals - Copper L_Hand axis LME Index R_Hand axis



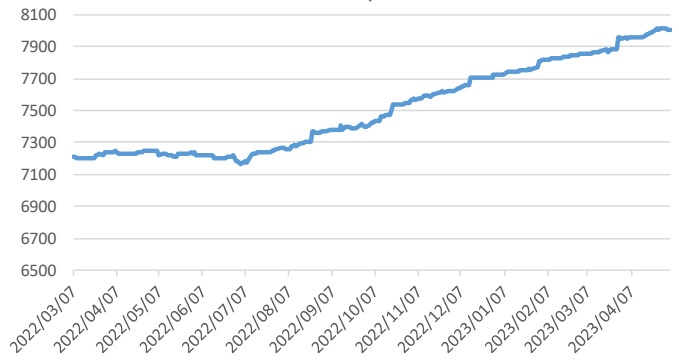
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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