

# Botswana Market Watch 12 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	BWP to sell BWP5bn 7-day certificates			
09:00	EZ	ZEW economic sentiment	Apr		-38,7
09:00	GE	ZEW economic sentiment	Apr	-48,5	-39,3
12:30	US	CPI y/y	Mar	8,4%	7,9%
12:30	US	Real ave weekly earnings y/y	Mar		-2,3%
18:00	US	Monthly budget statement	Mar	\$-185,5bn	\$-216,6bn
09:00	EZ	ZEW economic sentiment	Apr		-38,7

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>UK retailers</b>	British retailers reported a slowdown in growth through Mar in early signs that inflation is starting to impact consumptive behaviour	Benefits of WFH are gradually unwinding as the effects of inflation manifest in the system	<b>4/5</b> (economy)	It is an early indication of the negative impact of high inflation on the global economy. So far, the financial benefits of working from home have offset inflation, but that will dissipate
<b>Oil - OPEC</b>	OPEC told the EU on Monday that it was not possible to replace all of Russia's production and indicated that it would not pump more oil	Aa blow to the EU, which is looking to level an embargo and sanction oil, but first needs new sources	<b>4/5</b> (economy, market)	The EU wants to wean itself off Russian dependence, but it is simply not possible at the moment. Russia's dominance in the energy sector continues to be its strategic advantage
<b>Chinese Covid</b>	Tentative steps to reduce restrictions in Shanghai resulted in some residents stepping out of their homes for the first time in two weeks	The Covid infections have not been reduced to zero, and more infections will inevitably follow	<b>3/5</b> (economy, virus)	It is unlikely that China will get to grips with such a transmissible disease and should rather look to the examples in the West, where populations are learning to live with the disease

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Russia - Ukraine war</b>	Notwithstanding background negotiations and mediation efforts, Ukraine is still bracing for another onslaught from Russian forces in the South East	Sanctions have not deterred Putin, and the EU is now actively looking to lend strong arms support	<b>5/5</b> (geopolitics)	Giving arms to Ukraine will again frustrate Russia and is starting to tread into a grey area where some countries lending support to Ukraine are indeed NATO members
<b>French elections</b>	French presidential elections have turned interesting as the right-wing Le Pen has caught up in the polls with her nationalist and protectionist agenda	The election is tighter than many would like to admit and may hold consequences for the EU	<b>4/5</b> (economy, politics)	Neither candidate is hitting the sweet spot, but in much the same way Trump was elected, there is a groundswell of support against globalisation efforts that undermine national identity
<b>US inflation</b>	Comments from the Biden administration have warned that inflation could remain higher for longer. The Fed has sounded a hawkish tone, and inflation expectations are sky high	Today's inflation reading will help recalibrate inflation expectations through the next few months and drive rates	<b>4/5</b> (economy, monetary policy)	It is arguably the most important data development of the week and will be a market-moving event. US rates have already moved pre-emptively to price in the probability of a persistently hawkish Fed that wishes to rein in inflation



## Highlights news vendors

**CNBC** - [U.S., U.K. working to confirm reports of Russian chemical weapons attack in Mariupol; India's Modi avoids blaming Russia for war](#)

**ALL AFRICA** - [To Transform Agriculture, We Must Speed Up Innovations and Collaboration](#)

**FT** - [Ukraine calls for financial support to ensure country's 'survival'](#)

**SOUTH CHINA POST** - [Learning from Hong Kong, China targets elderly in Covid-19 vaccine drive](#)

**REUTERS** - [Ukraine braces for new Russian offensive as Moscow dismisses rape allegations](#)

## Local and regional talking points

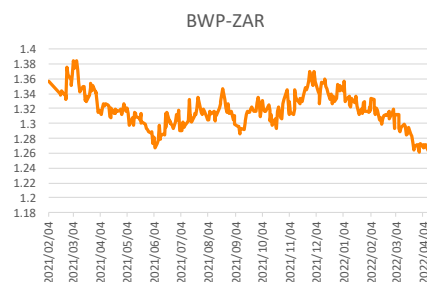
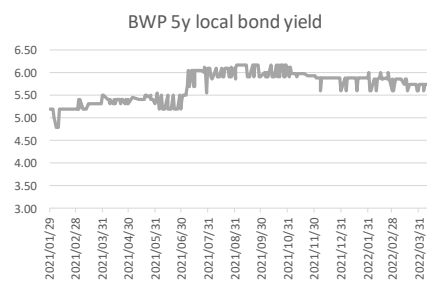
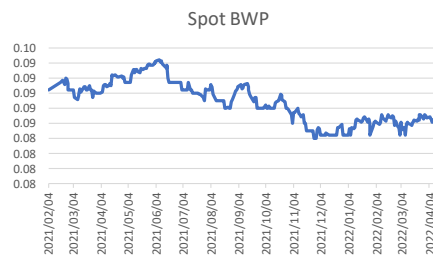
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.211712	1.22112	1.2350627	1.31016
BWPUSD	0.083136	0.093496	0.0847381	0.089919
GBPWP	15.533232	15.645656	15.197177	14.743022
BWPEUR	0.082784	0.083408	0.078207	0.081804
JPYBWP	11.2944	11.3672	10.66995	11.121275
USDZAR	13.991904	15.171208	14.319839	14.84298475
EURUSD	1.043904	1.131312	1.0683705	1.1068365
GBPUSD	1.250304	1.354912	1.279608	1.325599

	Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR	
BWPUSD	0.0866	0.0002	1m	-2.60325	-35.60917
BWPGBP	0.0665	0.0002	3m	-8.112	-56.61059
BWPEUR	0.0796	0.00	6m	-15.015	-111.7134
BWPZAR	1.2618	-0.007	12m	-30.5565	-242.8322

	Close	Change
Dollar Index	100.045	0.113
EURUSD	1.0874	-0.0009
GBPUSD	1.3024	-0.0005
USDJPY	125.36	0.01
USDNGN	415.12	0
USDZAR	14.5737	-0.0046

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.551	0.002	SA 10y	9.645	0.05
3y	3.525	-0.005	US 10y	2.7743	0.0705
5y	5.75	0	German 10y	0.813	0.103
20y	8.494	0.004	Spread SA 5y vs Bots 5y bpts		
22y	8.531	0.001		234.5	1

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.37	3.21	Gold	1953.4324	7.5824
Dow Jones	34308.08	137.55	Brent Crude	98.48	-4.3
FTSE	7618.31	117.75	3m Copper	10200.5	-123
JSE All share	74426.4	768.04	LME Index	5060.7	-95.3
Bots DCIBT	7231.26	-11.41	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	46867.95	87.95			



• While Botswana has yet to tap the hard currency bond market, it has become clear that African governments have regained their taste for Eurobonds this year, notwithstanding the deterioration in global lending conditions.

• South Africa became the third African nation to issuance dollar-denominated debt this week, following in the footsteps of Nigeria and Angola. The issuance of Eurobonds is a means of diversifying their funding sources from their local bond market, traditional multilateral institutions and foreign aid.

• Unlike multilateral loans, Eurobond borrowing is done through commercial terms with the interest rates, terms of the debt and coupon payments determined by market conditions. While interest rates across the globe have risen notably over the past six months following the hawkish shift in monetary policy from major central banks, including the Federal Reserve and the Bank of England, against the backdrop of dampened risk appetite due to the war in Ukraine and lingering Covid concerns, demand from international investors for African hard currency debt remains relatively healthy.

• Recall that Angola raised \$1.75bn last week at a similar spread to its previous issuance in 2019, with bids coming in at more than double the amount of bonds on offer. Meanwhile, South Africa's Eurobond issuance comes just a week after Moody's upwardly revised the country's sovereign credit rating outlook on an improving fiscal outlook. Note that while global risk appetite is not yet back at pre-Ukraine war levels, African countries, South Africa, Angola and Nigeria in particular, are benefitting wholesomely from elevated commodity prices, which is helping to lure investor

• Moreover, while lending conditions in the Eurobond market have deteriorated, it is worth pointing out that the yield on Angola's 10-year Eurobond was less than the initial guidance. Bloomberg reported, citing people familiar with the matter, that SA's Eurobond yields were also set lower than what was initially being discussed. This is a sign that investor appetite for high yielding commodity-linked African sovereign debt remains somewhat healthy despite the sharp rise in interest rates across the globe and investor concerns over the war in Ukraine and re-emergence of Covid infections

## Financial Market commentary

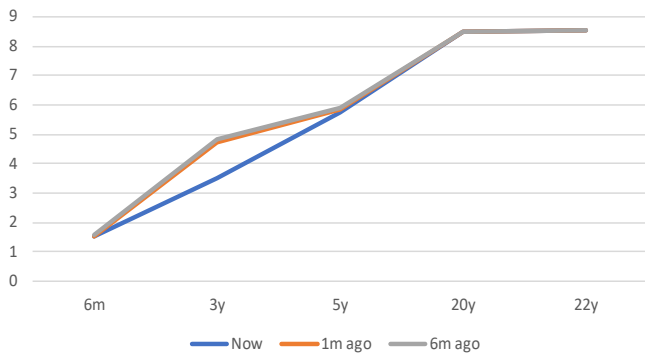
• Oil is tentatively rebounding this morning after the front-month Brent contract dropped back below \$100 per barrel yesterday, erasing all of the post-war gains it had made. This morning's rebound comes as China has eased some of its lockdown restrictions in Shanghai. However, it will likely be short-lived as Chinese authorities have suggested that they will reimpose tight restrictions as soon as cases rise once again, while millions remain confined to their homes still. Investors, therefore, will remain concerned over the demand outlook from the world's largest oil consumer. This concern is materialising in a narrowing of Brent's time spreads, with the nearest dated spread now at just 18 cents a barrel.

• Meanwhile, focus on the other side of the world will turn to inflation now. The US is set to release its latest CPI numbers with another multi-decadal high print expected. If this materialises, expectations for faster policy tightening by the Fed will ramp up further, dimming the longer-term economic growth outlook, raising recession fears and weighing on oil prices. Therefore, the bias for oil remains to the downside, barring any announcements from Europe that it is looking deeper at sanctioning Russian energy.

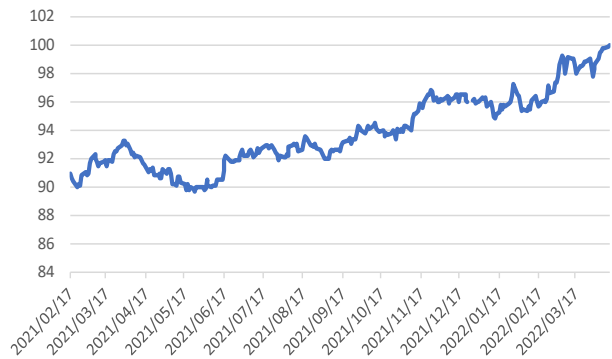
• The EUR-USD has reversed its gains made early yesterday following the initial reaction to the French election results. The pair is now back near a monthly trendline support that dates back to 2000. Today's US CPI data and the ongoing war in Ukraine threaten to push the EUR below this key support level which is currently at 1.0400. However, the pair is looking very oversold on a daily and monthly basis, suggesting that any losses from there may be relatively contained for now.

• The ZAR remains on the front foot this morning and this will undoubtedly support the BWP at the open. The ZAR is benefiting from strong terms of trade and good carry given the SARB's hiking of rates.

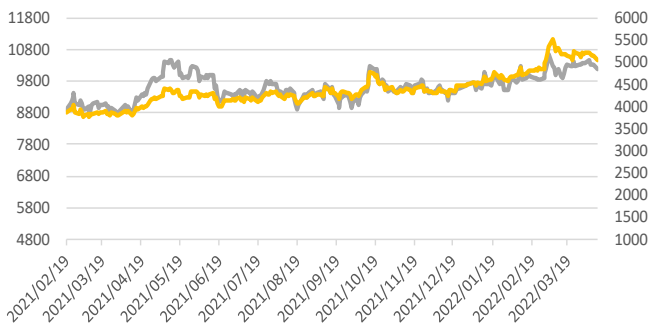
Botswana Yield Curve



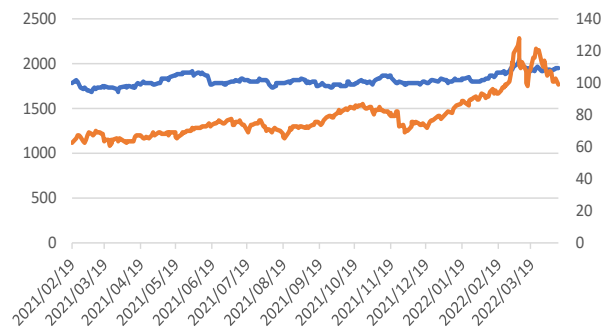
USD Index



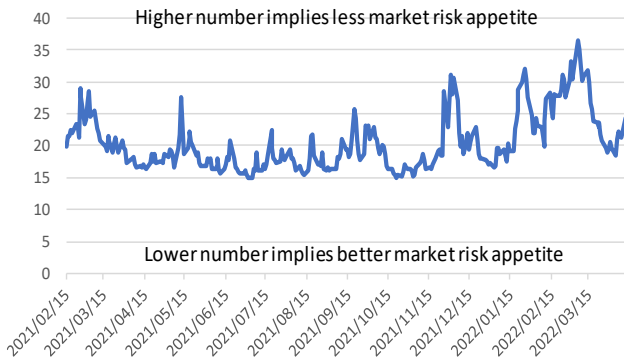
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



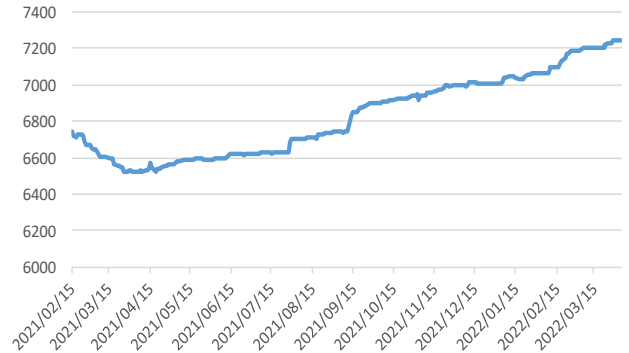
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance





## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

Mogamisi Nkate  
Phillip Masalila  
Kefentse Kebaetse  
Mompoloki Keseabetswe  
Amogelang Themba  
Tshwanelo Bogale  
Pearl David

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