

# Botswana Market Watch

## 13 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
<b>06:00</b>	<b>GB</b>	CPI y/y	Mar	6,7%	6,2%
<b>11:00</b>	<b>US</b>	MBA mortgage applications	Apr 1		-6,3%
<b>12:30</b>	<b>US</b>	PPI final demand y/y	Mar	10,6%	10,00%
<b>14:00</b>	<b>CA</b>	Canada central bank rate decision	Apr 13	1,00%	0,5%

Factors Overnight	What happened?	Relevance	Importance	Analysis
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<b>Russia- German relations</b>	S&P Global has warned that a trade rupture between Germany and Russia could impact negatively global growth	Germany remains a key global centre of manufacturing production	<b>5/5</b> (economy)	A major downturn in Germany would certainly drag the rest of Europe with it, especially at a time of rising inflation, reduced trade and covid threats
<b>US inflation</b>	Gasoline prices surged through March and accounted for more than half of the rise in CPI, helping inflation rise to 8.5% or the highest reading since 1981	Excluding food and fuel, prices are substantially lower, although in time, they may rise	<b>4/5</b> (economy, monetary policy)	The base will be exceptionally high once the energy surge is fully priced into inflation. Inflation has, therefore, peaked or is close to peaking if it hasn't. Inflation expectations now become key
<b>Japanese machinery orders</b>	Feb's core orders fell 9.8% m/m vs expectations of -1.5%. Service orders tumbled 14.4% while manufacturing orders fell 1.8%. Orders from IT firms fell 36.9%	Soaring input costs, global uncertainty due to the war and expectations of weaker demand	<b>4/5</b> (economy)	With so many risks, investment into machinery and equipment has stalled until the dust settles on global demand and factors of production become more affordable

Factors on the Radar	What happened?	Relevance	Importance	Analysis
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<b>WTO forecast</b>	The WTO has slashed its global trade growth forecast to 3.0% in 2022, and 3.4% in 2023 as the effects of Covid, the war and surging prices all impact demand	It is a signal that the prevailing headwinds, when coupled with rising interest rates, will affect growth	<b>5/5</b> (economy)	Stock markets have shown some signs of positioning for this but have remained resilient thus far. The risks to earnings and growth are, however, rising by the day
<b>Fed on inflation</b>	Separate comments from Brainard and Barkin on the post-pandemic outlook showed there were differences of opinion on whether inflation would moderate over the longer-term	While both agreed that inflation was peaking and would moderate, outlooks longer-term differed fundamentally	<b>4/5</b> (economy, monetary policy)	Barkin raised the issue that supply chains may adjust to render them more resilient and less dependent on dominant players. That would make them more expensive and could help keep price pressures more elevated
<b>China - Supply chains</b>	China's covid episode risks imposing more logistical supply constraints on the global economy, given its massively influential role in supply chains	China is not just a producer of final goods but refining and intermediary goods as well	<b>4/5</b> (economy)	Given its prominent role as a production hub, it will always influence the way in which supply chains function, and the recent lockdowns are raising fears of another shock to supply chains



### Highlights news vendors

**CNBC** - [In the U.S., consumers are paying more for everything. In China, the inflation problem is very different](#)

**ALL AFRICA** - [Why Africa Is Divided Over the Russia-Ukraine War](#)

**FT** - [Fed official: It's 'fantasy' to think modest rate rises will tame inflation](#)

**SOUTH CHINA POST** - [Shanghai's Covid-19 lockdown horizon extended by another record day of cases](#)

**REUTERS** - [Biden says Russia committing genocide in Ukraine](#)

## Local and regional talking points

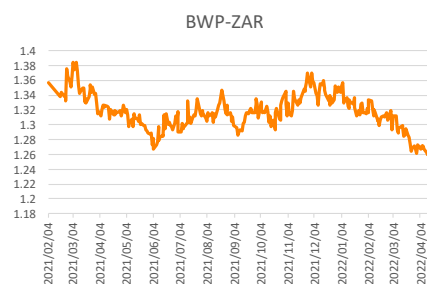
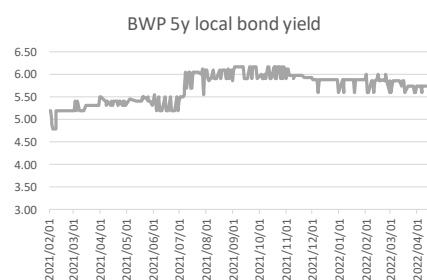
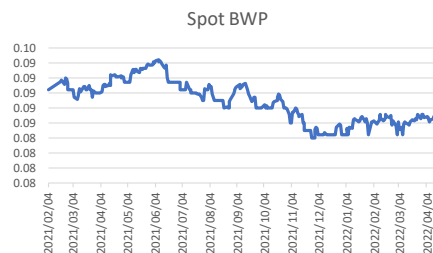
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.20864	1.217664	1.2319315	1.306452
BWPUSD	0.083424	0.093496	0.0850317	0.090125
GBP/BWP	15.465736	15.573688	15.131141	14.675206
BWPEUR	0.083408	0.083928	0.0787965	0.082314
JPY/BWP	11.3464	11.4192	10.719075	11.17215
USDZAR	13.908864	15.07532	14.234853	14.74917125
EURUSD	1.040352	1.127152	1.0647353	1.1027665
GBPUSD	1.249152	1.353352	1.278429	1.32407275

	Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0869	0.0003	1m	-2.613	-36.58651
BWPGBP	0.0668	0.0003	3m	-8.1315	-56.97466
BWPEUR	0.0802	0.00	6m	-15.04425	-112.3681
BWPZAR	1.2604	-0.0103	12m	-30.62475	-243.6191

	Close	Change
Dollar Index	100.262	-0.03
EURUSD	1.0837	0.0011
GBPUSD	1.3012	0.0015
USDJPY	125.49	0.14
USDNGN	414.09	0
USDZAR	14.4855	-0.0187

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.553	0.002	SA 10y	9.645	0
3y	4.75	1.225	US 10y	2.727	-0.0473
5y	5.75	0	German 10y	0.79	-0.023
20y	8.5	0.006	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.019		233	-1.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.26	-0.11	Gold	1966.59	13.1576
Dow Jones	34220.36	-413.04	Brent Crude	104.64	6.16
FTSE	7576.66	-51.25	3m Copper	10342.5	142
JSE All share	73801.88	-349.71	LME Index	5108	47.3
Bots DCIBT	7225.54	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	47205.03	236.49			

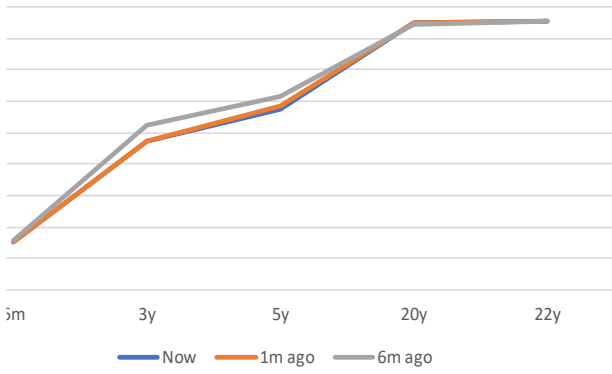


- The news vendors are focused on the new COVID-19 variant detected recently in Botswana. Both researchers in Botswana and South Africa are carrying out further investigations to understand the virulence and infectivity of the new strain.
- The World Health Organisation reported the following - *The identified sub-lineages variant are BA.4 and BA.5. World Health Organization (WHO) experts are working with scientists and researchers in the two countries to deepen analysis of the sub-lineages which have so far been identified in four people in Botswana and 23 in South Africa. Outside Africa, the BA.4 and the BA.5 have been confirmed in Belgium, Denmark, Germany and the United Kingdom. Currently there is no significant epidemiological difference observed between the new sub-lineages and known sub-lineages of the Omicron variant, which include BA.1, BA.2 and BA.3 sub-lineages.*
- We do not expect a knee-jerk reaction to the discovery by the world as was the case in November 2022 when South Africa and Botswana announced the discovery of the Omicron variant which resulted in mass shunning of both countries by the international community.
- The WHO added - *"There is no cause for alarm with the emergence of the new sub-variants. We are not yet observing a major spike in cases, hospitalizations or deaths," said Dr Matshidiso Moeti, WHO Regional Director for Africa. "We are working with scientists in Botswana and South Africa to gain complete behavioural knowledge of these sub-lineages and supporting African countries enhance genomic surveillance to detect potentially dangerous variants and stay ahead of the virus," Dr Moeti said.*

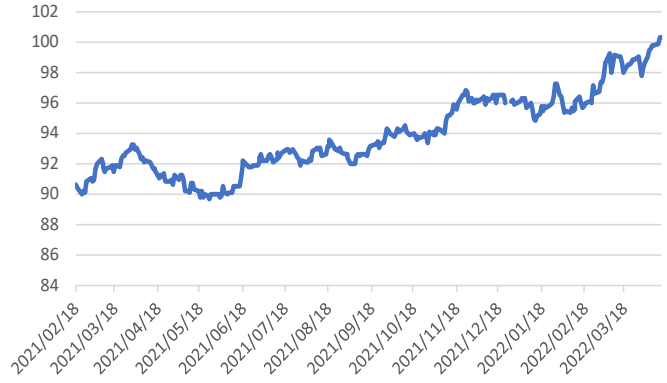
## Financial Market commentary

- Gold received a boost yesterday following the release of US headline inflation which printed the highest level since 1981. This caused a flood of interest given the metal's characteristics as a hedge against inflation. Equally the geopolitical bid is ever present given the fact that the talks between Russia and the Ukraine have stalled. Gold is currently marking time just ahead of the \$1970.00/oz mark as we head into the EU session, from a strategy perspective we remain buyers on any dips but would suggest trimming positions into the Easter break given the lower liquidity.
- Other precious metals are bid this morning with the noble group keeping a close eye on developments surrounding supplies out of Russia. The fact of the matter is it is becoming more difficult to absorb any Russian supplies, and in due course should there not be a cease-fire we expect Russian supplies to be shunned completely.
- Moving over to energy, Oil had its best session in three weeks yesterday, rallying back above the \$100 per barrel mark as China eased some COVID restrictions and Russian President Putin promised to continue with the war in Ukraine. With this, more and more traders are shunning Russian products, with Vitol Group noting that they will stop trading all Russian energy products by the end of the year. Russia's exports of oil were around 7mn barrels a day before the war started, and while some Asian buyers continue to purchase, given the discounts on offer, such a figure will be nearly impossible to replace over the near to medium term.
- The ZAR continues to power ahead and make back lost ground, with the pair trading as low as 14.4500/dlr through yesterday's trade. It again looks set to test the prior lows seen in March and highlights how some of the drivers of the ZAR are more than a match for the bad news. Commodity prices, strong trade accounts, a positive carry trade, a liquid proxy for commodity-linked emerging markets, a conservative central bank and manageable inflation all mean that SA gets to weather the global storm better than most. In a world where relative attraction is king, this says a lot about the troubles other countries are facing and SA's unique position to benefit from the current commodity price surge. While it may not last indefinitely, it is likely to extend for a while still, and ZAR may still impress further through the months ahead which will in turn support the BWP.

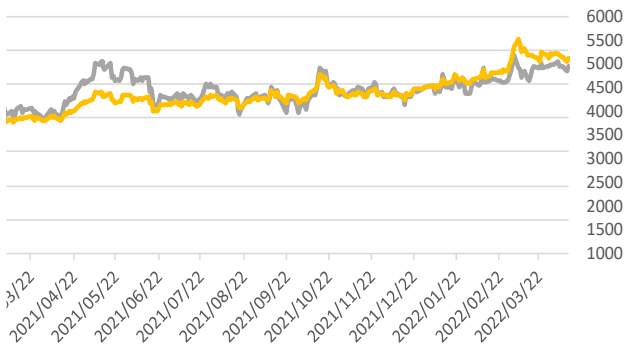
Botswana Yield Curve



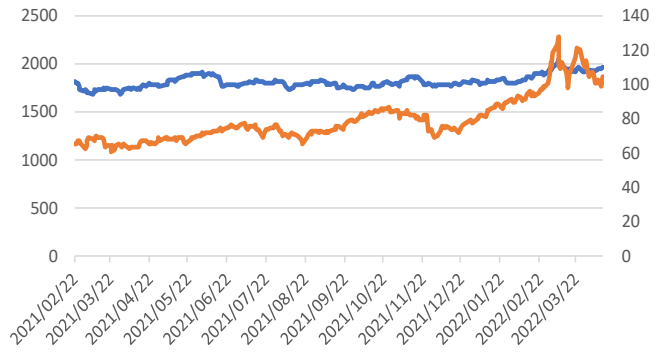
USD Index



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

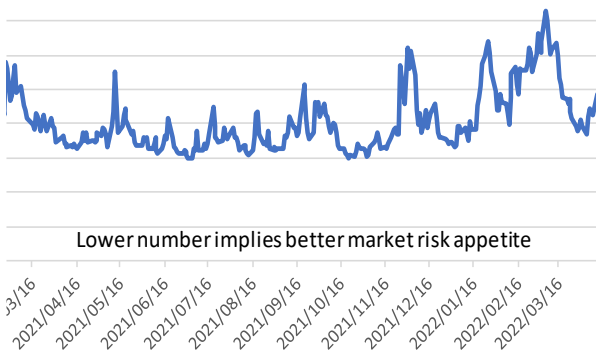


Oil R\_Hand Axis - Gold L\_Hand Axis



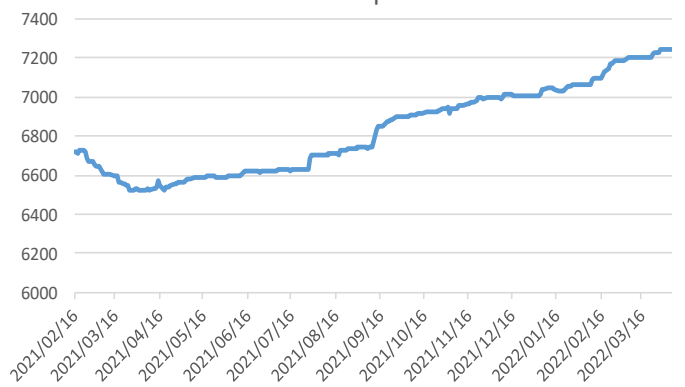
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance





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