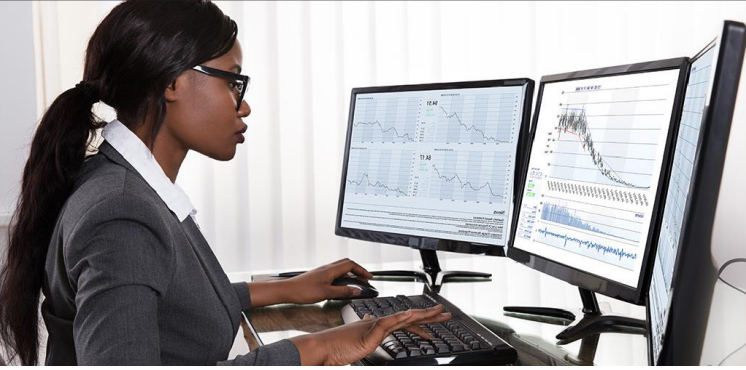


Botswana Market Watch

22 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
06:00	GB	Retail sales excluding auto fuel y/y	Mar	0,8%	4,6%
07:30	GE	Markit/BME manufacturing PMI	Apr P	54,5	56,9
08:00	EZ	Markit/BME manufacturing PMI	Apr P	54,7	56,5
08:30	GB	Markit manufacturing PMI	Apr P	54	55,2
13:00	EC	ECB's Lagarde Speaks			
13:45	US	Markit PMI manufacturing	Apr P	58	58,8

Factors Overnight	What happened?	Relevance	Importance	Analysis
US labour market	Weekly jobless claims fell 2k to 184k, while continuing claims fell a further 58k to 1.417mn. Unemployment rolls are shrinking to their lowest levels in 52 years	The labour market in the US is strong, and scarcity in labour and skills will contribute massively to inflation	3/5 (economy)	The Fed will feel emboldened to continue hiking amid such strong labour market dynamics that allow them to prioritise inflation above growth. However, headwinds are blowing hard
Oil prices	Oil prices have dropped approximately 4% on the week as investors raised concerns about waning demand amid rate hikes and Covid episodes in China	That said, oil prices remain high at over \$107pb and must ease further to ease inflation concerns	4/5 (market)	Oil prices remain an active contributor to inflation, which is unlikely to change in the near term. However, as supply ramps up against a global slowdown, a drift back below \$100pb is possible
OPEC	OPEC has told the IMF that the surge in oil prices is mainly a function of geopolitical tensions but that it was committed to stabilising the oil market	As more investment allows for greater oil pumping and supply chain logistics improve, oil will ease	4/5 (economy, markets)	OPEC has been unable to fully respond to the surge in oil prices as they reached the limits of their productive capacity. However, more production will incrementally come online

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Chinese growth	PBoC chief Yi Gang pledged this morning to keep policy accommodative to support the slowing economy, including steps to help small companies weather the latest Covid outbreak	China's monetary policy is accommodative and could become even more so, including some CNY weakness	3/5 (economy, Monetary policy)	The central bank is behaving quite differently from the more developed economy central banks by easing policy when the rest are hiking and trying to normalise. That is to be expected given the Chinese economy's growth struggles
Fedspeak	A 50bp rate hike will be on the table at the May meeting, according to Fed Chairman Powell, as inflation runs at three times the Fed's target	A strong labour market will only serve to raise the chances of a bold rate hike by the Fed	4/5 (economy)	Normalising monetary policy has become a priority, and the Fed is still playing catch up to the spike in inflation. The danger for the Fed is that the property market is already reacting
Russia - default	Russia is currently in a 30-day grace period on \$649mn worth of debt payments that were due on the 4 th April. This would signal a historic default	Investors will have very few options to recover their money, another unintended consequence	5/5 (geopolitics, markets)	Sanctions and the freezing of Russian assets can negatively affect any companies or investors exposed to Russia. Bond market investors may well lose most of their funds

Highlights news vendors

CNBC - [Many factory workers in Shanghai can't get back to work, even after Covid controls ease](#)

ALL AFRICA - [Google's Equiano Subsea Cable Lands in Nigeria](#)

FT - [Musk unveils \\$46.5bn financing package to fund Twitter bid](#)

SOUTH CHINA POST - [Shanghai tightens city's lockdown in 'societal zero-Covid' pursuit](#)

REUTERS - [Ukrainian fighters hold on as Putin claims victory in Mariupol](#)

Local and regional talking points

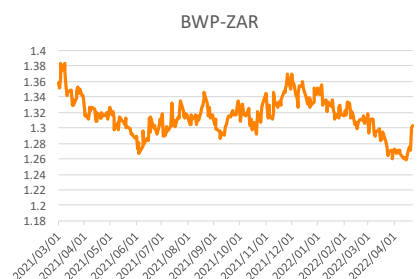
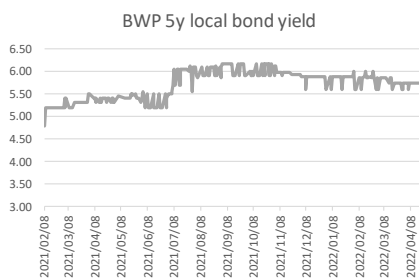
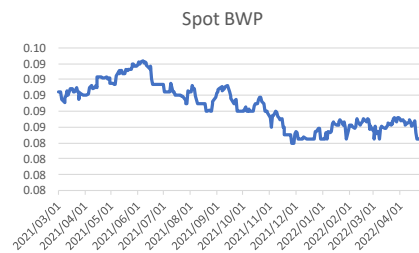
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.250304	1.258368	1.2743984	1.350124
BWPUSD	0.08112	0.093496	0.0826833	0.08755
GBP/BWP	15.927912	16.027128	15.583318	15.102486
BWPEUR	0.081016	0.081536	0.0765368	0.079968
JPY/BWP	11.284	11.3568	10.660125	11.1111
USDZAR	14.797056	16.038152	15.143862	15.69117275
EURUSD	1.04064	1.127776	1.06503	1.103377
GBPUSD	1.249728	1.354288	1.2790185	1.3249885

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0845	0	1m	-2.42775
BWPGBP	0.0649	0	3m	-7.53675
BWPEUR	0.0779	0.00	6m	-13.87425
BWPZAR	1.3028	0.0277	12m	-28.4895

	Close	Change
Dollar Index	100.602	0.024
EURUSD	1.0839	0.0003
GBPUSD	1.3018	-0.001
USDJPY	128.48	0.09
USDNGN	415.08	0
USDZAR	15.4192	0.0267

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change	Close	Change	
6m	1.554	0.002	SA 10y	9.865	-0.03
3y	4.75	0	US 10y	2.9076	0.0736
5y	5.75	0	German 10y	0.925	0.063
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0		243	-1

Equities			Commodities		
	Close	Change	Close	Change	
VIX	22.68	2.36	Gold	1951.495	-5.91
Dow Jones	34792.76	249.59	Brent Crude	108.33	1.53
FTSE	7627.95	27.94	3m Copper	10285	62
JSE All share	73350.94	-46.84	LME Index	5140.8	36.1
Bots DCIBT	7236.98	-1.98	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	48223.86	592.85			



- The local political landscape is hotting up with vendors across the world reporting on the latest developments. Bloomberg - *Former Botswanan President Ian Khama has been formally charged with 14 counts relating to the illegal possession of firearms in what is the first attempt at the criminal prosecution of a previous head of state. Khama, who is charged with three others, was not at the court in the capital, Gaborone, after having moved to South Africa in November, citing threats on his life from the current administration. The four accused face a combined 52 charges related to the theft and unlawful possession of various firearms, according to court documents obtained by Bloomberg. State prosecutors say the alleged offenses largely occurred during Khama's presidency, which ended in March 2018.*

The case, which was postponed to June 6, intensifies the fall-out between Khama and Mokgweetsi Masisi, his handpicked successor. The two have clashed over policies including the resumption of trophy hunting and presidential entitlements that Khama says he is being denied

- From a data perspective we still await the release of the 4th quarter GDP figure. Statistics Botswana have stated that they will be releasing the data before the end of April.

Financial Market commentary

- It was all about the rand from a regional perspective yesterday. The ZAR has lost around 5.0% over the past three sessions and is currently trading above the 15.40 mark, its weakest level in more than a month. While at first glance, there appear to be no key drivers behind the sell-off in the ZAR, with the USD under pressure, providing a tailwind for the broader emerging market currency basket, there are a number of underlying factors that are contributing to the recent bout of ZAR weakness.

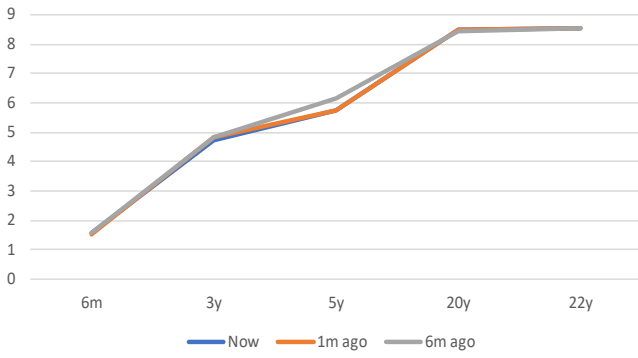
- Firstly, Barclays has sold half of its stake in ABSA, a sale of more than R10bn. These funds are likely being expatriated into hard currency taking advantage of the ZAR's recent overvaluation on a real-effective trade weighted basis. Gold is also weaker, which will be compounding pressure on the ZAR, as we are a net exporter of gold. The announcements of load shedding and the backlog of exports at the Durban Port due to the severe storms in KZN are adding further pressure to the rand to leave it on the defensive heading into the weekend.

- It is also fair to say that the latest bout of ZAR weakness is too short and sharp to be sustained. The move is likely the result of outflows related to the sale of the Barclays stake in ABSA and they will pass. If so, this is nothing to be overly concerned about and carry trade investors would not want to trade too bearishly on such information given the backdrop of high interest rates, the commodity link and the inflation differential that remains in the ZAR's favour. Although one could argue that this latest move in the ZAR is long overdue, readers would do well to monitor whether the tailwinds that have helped the ZAR to recover since the start of Dec 2021 as they remain intact.

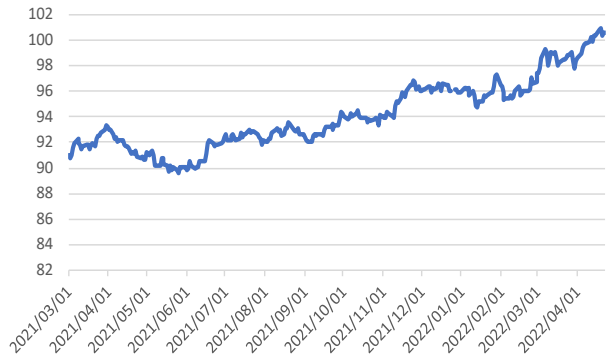
- Finally, after such a brutal sell-off, many stale short USD positions have now been cleared out. Although investors will be wary of re-establishing short positions given the volatility, some stability is expected to return. However, technical analysis reveals that levels closer to 15.50 might be tested before that unfolds and so investors are advised to proceed cautiously.

- Moving onto the BWP-USD, we expect the pressure to the downside to remain a feature as long as we have the ZAR under pressure. 0.0840 seems to be the floor for now however we cannot rule out a break should the ZAR breach the R15.50 level.

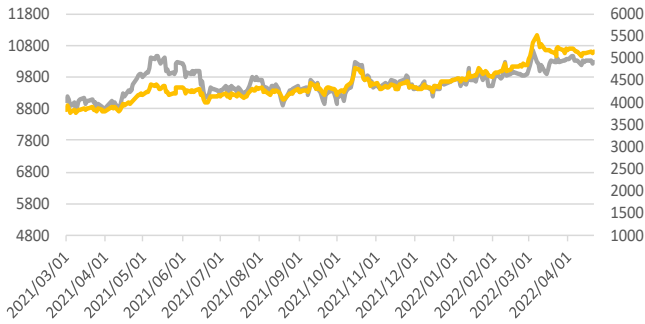
Botswana Yield Curve



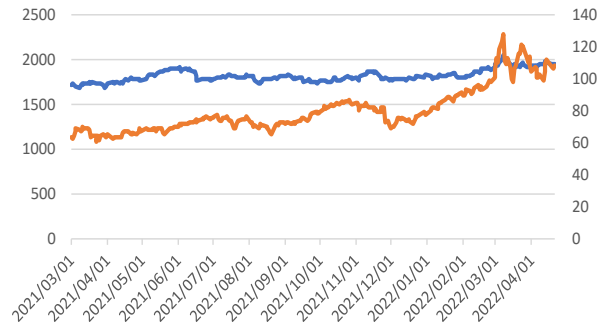
USD Index



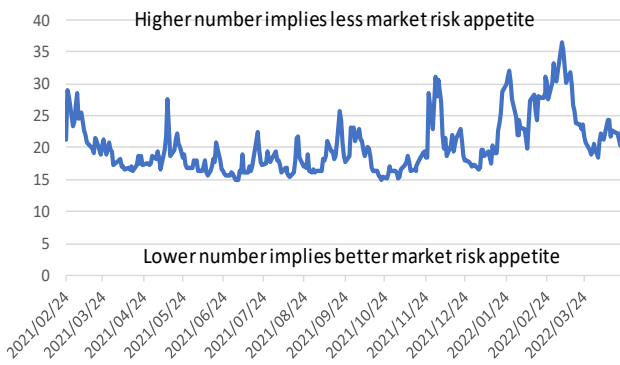
Base metals - Copper L_Hand axis LME Index R_Hand axis



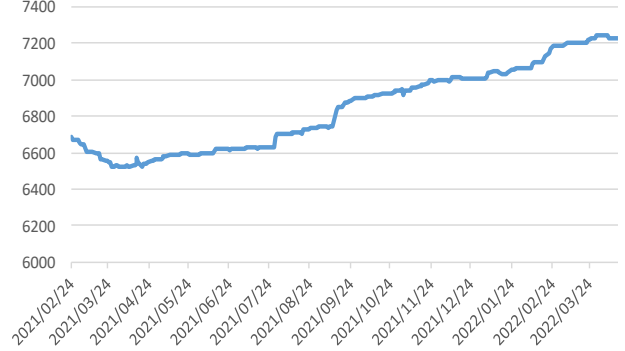
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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