

Botswana Market Watch

25 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
08:00	BW	Nothing on the cards			
09:00	GE	IFO business climate	Apr	88,1	90,8
09:00	EZ	Construction output wda y/y	Feb		4,1%
12:30	US	Chicago Fed activity index	Mar		0,51

Factors Overnight	What happened?	Relevance	Importance	Analysis
Oil prices	Oil prices have slid to a 2-week low as the lockdowns in China added to global headwinds stoking fears of a slowdown	If oil supply can build into a world of softening demand, prices will ease	3/5 (market)	US oil companies have also added more rigs for oil and gas. Forces are gradually rebalancing to take some of the upside risks out of oil prices.
Chinese lockdowns	China is struggling to get to grips with its Covid episode and has begun to mass-test once again. Three days of mass testing start today	More disruptions to the economy may force the central bank's hand to ease the pressure	4/5 (economy)	China's zero-covid policy means it will react powerfully to any outbreak. However, given the transmissibility of the latest variants, this is likely to prove futile
UK House Prices	Asking prices for houses in Britain surged again in April, although there are indications that the momentum behind the move is slowing	Data does not yet show the full impact of inflation and tightening monetary policy	3/5 (economy, markets)	Growing affordability constraints means that this market will be ripe for a correction once monetary policy tightens and could still become a source of instability in the coming months

Factors on the Radar	What happened?	Relevance	Importance	Analysis
ECB bond buying	ECB policymakers are keen to end their bond purchase scheme at the earliest possible moment and raise interest rates as early as July but no later than Sep	Inflation is now above the 2.0% target which now removes a key reason the ECB has been reluctant to hike	3/5 (economy, Monetary policy)	The ECB will have more of a balancing act to tackle, given the war in Ukraine and the major blow it has dealt the EZ economy. Nonetheless, inflation remains a priority to tackle
Earnings week	Stock futures are down as investors brace for a heavy earnings season that will reveal the true state of corporate America and how it is handling global challenges	Rising interest rates amid soaring inflation, the war in Ukraine and lockdowns in China are all weighing	4/5 (economy)	Corporate earnings will be the ultimate test of the broader economy's health and will likely drive sentiment across a number of different markets. Strong earnings results would, however, result in some stability returning
Russia - Ukraine	While Ukraine is actively seeking more powerful weapons to deploy against Russia, Russia is moving to legitimise its occupation through the hosting of a poll	An "illegitimate referendum" might be used to justify its presence to the Russians	5/5 (geopolitics, Economy, markets)	This would be nothing new for Russia, which has deployed such tactics. However, under such duress, any vote is likely to be rigged and, therefore, will not be taken seriously

Highlights news vendors

CNBC - [Hong Kong's Hang Seng index briefly falls 3%; oil slides 3%](#)

ALL AFRICA - [Presidency Knocks U.S. Think Tank, Policy Experts for Predicting Nigeria's Collapse](#)

FT - [Macron defeats Le Pen to be re-elected French president](#)

SOUTH CHINA POST - [Shanghai adds 51 new Covid-19 deaths amid rise in symptomatic cases](#)

REUTERS - [Swiss veto German request to re-export ammunition to Ukraine](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.255488	1.265664	1.2796823	1.357952
BWPUSD	0.080352	0.093496	0.0819005	0.086829
GBPWP	15.797392	15.91564	15.455622	14.99743
BWPEUR	0.080704	0.081328	0.076242	0.079764
JPYBWP	11.1696	11.2528	10.55205	11.00935
USDZAR	14.999808	16.265496	15.351366	15.91359825
EURUSD	1.035072	1.121744	1.0593315	1.0974755
GBPUSD	1.22928	1.332136	1.2580913	1.30331575

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0837	-0.0008	1m	-2.457
BWPGBP	0.0652	0.0003	3m	-7.41
BWPEUR	0.0775	0.00	6m	-13.338
BWPZAR	1.3086	0.0335	12m	-27.03675

	Close	Change
Dollar Index	101.224	0.004
EURUSD	1.0781	-0.0013
GBPUSD	1.2805	-0.0032
USDJPY	128.36	-0.2
USDNGN	415.08	0
USDZAR	15.6342	-0.0003

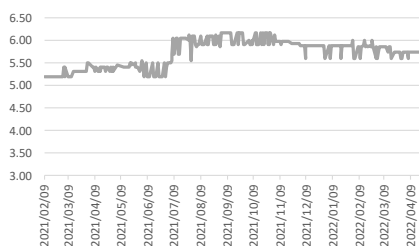
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.551	-0.003	SA 10y	9.855	-0.01
3y	4.75	0	US 10y	2.9045	-0.0031
5y	5.75	0	German 10y	0.963	0.038
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0		249	6

Equities		Commodities			
	Close	Change	Close	Change	
VIX	28.21	5.53	Gold	1929.73	-21.765
Dow Jones	33811.4	-368.03	Brent Crude	106.65	-1.68
FTSE	7521.68	-1.27	3m Copper	10110	-175
JSE All share	72264.9	-432.49	LME Index	5060.6	-80.2
Bots DCIBT	7236.98	8.19	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	48459.65	85.15			

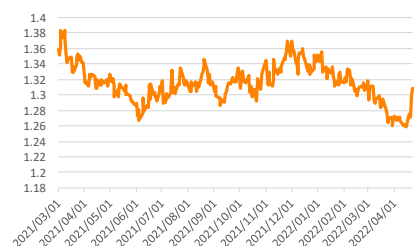
Spot BWP



BWP 5y local bond yield



BWP-ZAR

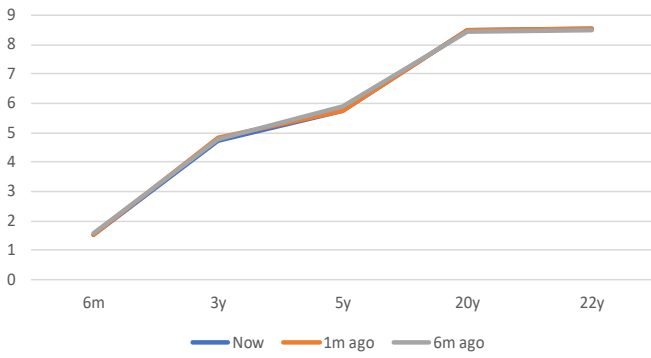


- Botswana is expected to see the release of the 4th Quarter 2021 GDP data this week which has been delayed for almost a month. Equally important is the next sitting of the Bank of Botswana who will decide on interest rates on the 28th April. So far, the bank has been steadfast in its approach of steady as she goes, resisting the call to raise rates instead focusing on the fact that it views the current inflation episode as transitory. The bank has chosen to prioritise the repair of the economy by allowing negative real interest rates to persist, granted this does not encourage savings, but this may not be the goal for the BoB at the moment.
- On the political front, News24 reported the following - South Africa and Botswana are seeking to ratify 40 agreements and memoranda of understanding (MoU) through the Bi-National Commission (BNC), as the two economies try to recover from the impact of the Covid-19 pandemic. In her opening address of the Ministerial Session of the Fifth Session of the BNC between the two countries on Thursday, International Relations and Cooperation Minister Naledi Pandor said, despite both economies suffering the devastating impacts of Covid-19, they, "have a responsibility to work closely to address the resultant challenges and ensure the restoration of the dignity of our people whose lives have severely been affected by the pandemic".
- On Friday, President Cyril Ramaphosa met his Botswana counterpart, Mokgweetsi Masisi, and "held substantive and fruitful discussions on a wide range of issues of common interest across the bilateral, regional, and international spectrum," read their joint communique.

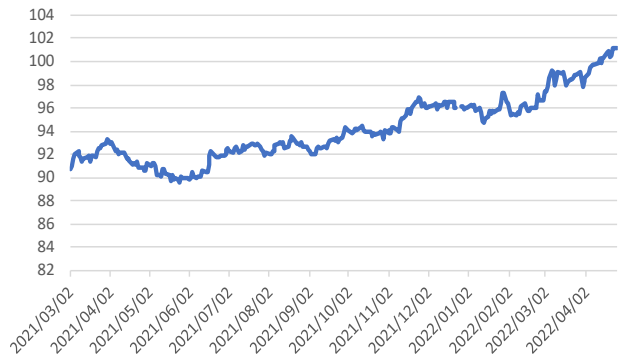
Financial Market commentary

- Stock markets the world over are under pressure this morning, and heavily. There is no respite as risk aversion across the globe ramps up, with the VIX trading at its highest levels in five weeks. 2yr US Treasury yields have risen to the highest levels in three years, the gold price has responded to the more hawkish central banks, and even Oil prices have extended their losses, edging back towards the \$103pb mark.
- The risk always existed that persistent hawkish talk from central banks would eventually weigh on market sentiment, which now appears to be unfolding. Stock and bond markets are now pricing in the inevitable slowdown from ongoing hawkish policy talk. While it may be a case of talking tough to force the markets to adjust and start the process of unwinding stimulus without having to act tough, it is becoming abundantly clear that central bankers are not done yet. Investors are pricing in the possibility that because central banks are behind the curve, they act too forcefully, in too short a space of time and disrupt asset pricing the world over.
- So far this year, the ZAR has traded like a safe-haven currency. That, however, came to a screeching halt last week when the ZAR collapsed spectacularly, losing approximately R1.00 in a week. Flows related to Barclays' sale out of ABSA may have been the original catalyst. Still, a flurry of events tipped the scales against the ZAR. These ranged from some stops being triggered by the sudden move by the ZAR, a rise in risk aversion globally, the pricing in of more hawkish central banks, geopolitical risks out of Ukraine and the effects of the latest round of lockdowns in China.
- That does not mean that all previous bullish perspectives on ZAR have been completely revised. The clear-out that unfolded will help reset markets to a more fundamentally sound level. In one week, the ZAR has undone the bulk of its overvaluation and will now be trading closer to fair value. It is also better positioned to respond to fundamental drivers such as the strong terms of trade, commodity prices and a domestic economic slowdown. All three factors have been supportive of ZAR appreciation in the past.

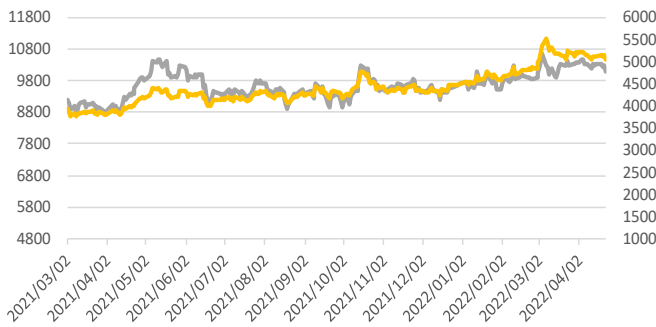
Botswana Yield Curve



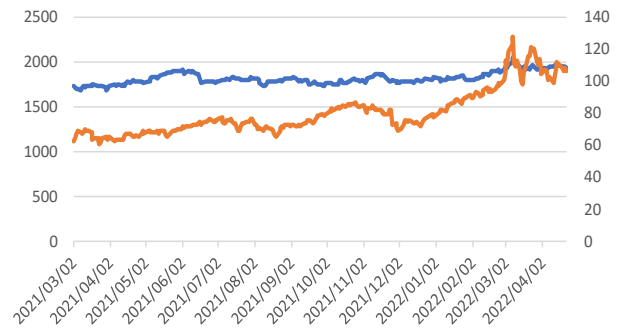
USD Index



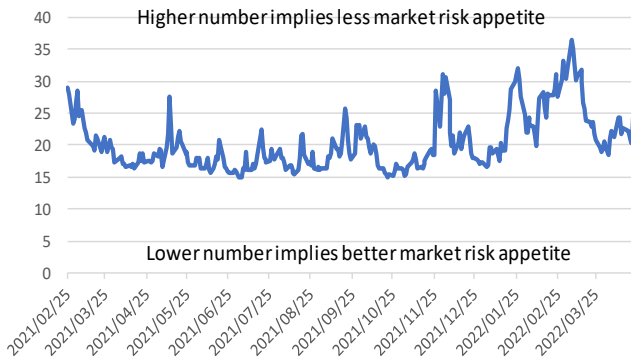
Base metals - Copper L_Hand axis LME Index R_Hand axis



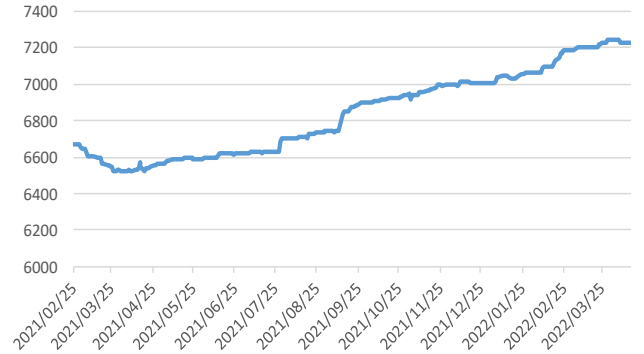
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

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

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.