

Botswana Market Watch

26 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	Botswana to Sell BWP 5bn of 7-Day Certificates			
12:30	US	Durable goods orders m/m	Mar P	1.00%	-2.1%
13:00	US	House price index m/m	Feb	1.5%	1.6%
13:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Feb	19.2%	19.1%
14:00	US	Consumer confidence	Apr	108.35	107.2
14:00	US	New home sales	Mar	774k	772k
14:00	US	Richmond Fed manufacturing index	Apr	8.00%	13.00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
GBP collapse	The GBP had a torrid trading session yesterday trading down to its weakest levels since Sep 2020 as investors scaled back expectations of BoE tightening	As the BoE worries about tightening and a slowdown, rate hike expectations will be scaled back	5/5 (geopolitics)	The depreciation in the GBP reflects expectations that the BoE may not press ahead with as much tightening as one might anticipate, and that GBP depreciation is therefore justified
CNY drop	The CNY finished yesterday at a 1yr low as a worsening economic outlook sparked speculation that the CNY had further to fall and that the authorities would allow it	A weaker currency is considered helpful in boosting China's export competitiveness	4/5 (economy, monetary policy)	China's policies are turning more growth-orientated, and, significantly, the authorities did not respond to the depreciation with any intervention. This will accompany looser monetary policy
Dow reversal	What started out as a bad day for markets quickly reversed through the trading session, with the Dow ending the trading session up by some 200 points	US interest rates started to ease on expectations of a slowdown, and stocks rebounded	3/5 (economy, markets)	Stocks will always look through the current environment for clues on the future. Ironically, the dip in rates to price in a slowdown is supportive for stocks

Factors on the Radar	What happened?	Relevance	Importance	Analysis
China lockdown	Beijing has expanded its mass testing to 10 more districts and plans to test 20mn people for Covid as more lockdowns loom	China's Covid episode is rapidly becoming a larger threat to global GDP growth	4/5 (economy, virus)	Chinese residents were flocking to supermarkets to stock up in anticipation of further lockdowns. The Chinese capital reported 33 new local cases
IMF Stagflation warning	The IMF has warned of stagflation risks in Asia and has cut the growth outlook while anticipating a rise in inflation that will call for monetary tightening	Asian economies are facing a tough balancing decision to act against inflation without hurting GDP	4/5 (economy, monetary policy)	As inflation starts to pick up in Asia, central banks will have a tough trade-off to consider, given its impact on the underlying economy. The IMF has cut 2022 growth expectations
Russia-Ukraine war	In an interview, Russian foreign minister Lavrov has warned of the risk of WW III and says US weapons have become a legitimate target adding that Nato is fighting a proxy war	Russia laments the amount of support that Ukraine has received from the west and the difficulties it faces	5/5 (geopolitics)	The common theme is that Russia miscalculated and that the cost of conducting this war is far outweighing the gains. US Secretary of State Blinken has indicated that the west is looking to weaken Russia through the war



Highlights news vendors

- CNBC - [Elon Musk's deal to buy Twitter leaves many key questions unanswered](#)
- ALL AFRICA - [Meteorological Department Warns of Tropical Depression in Indian Ocean](#)
- FT - [Aircraft lessors face uphill battle to return assets recovered from Russia to skies](#)
- SOUTH CHINA POST - [Beijing mass testing goes citywide as Covid-19 cases in capital rise](#)
- REUTERS - [Russia warns world not to underestimate the considerable risks of nuclear war](#)

Local and regional talking points

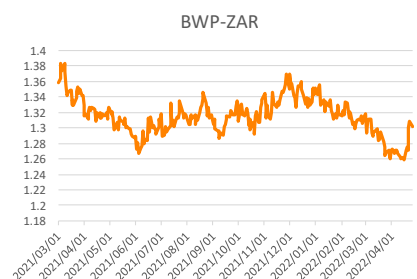
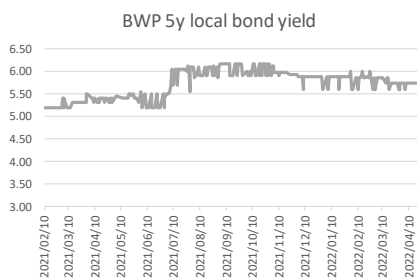
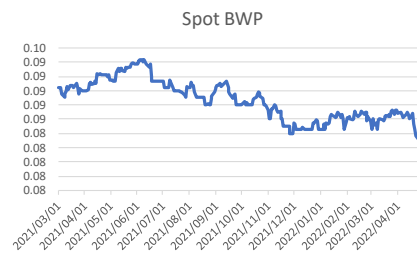
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.249248	1.25424	1.2733221	1.345695
BWPUSD	0.079776	0.093496	0.0813134	0.085902
GBPWP	15.914288	15.976688	15.569989	15.054956
BWPEUR	0.080496	0.080808	0.0760455	0.079254
JPYBWP	11.076	11.1176	10.463625	10.877075
USDZAR	15.03264	16.292224	15.384968	15.939748
EURUSD	1.03008	1.116128	1.0542225	1.091981
GBPUSD	1.225152	1.327664	1.2538665	1.2989405

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0831	-0.0006	1m	-2.588625	-16.10557
BWPGBP	0.0652	0	3m	-8.087625	-57.28806
BWPEUR	0.0776	0	6m	-14.639625	-115.4106
BWPZAR	1.3023	0.0317	12m	-27.03675	-248.5134

	Close	Change
Dollar Index	101.563	-0.189
EURUSD	1.0727	0.0016
GBPUSD	1.276	0.002
USDJPY	128.17	0.05
USDNGN	414.08	0
USDZAR	15.66	-0.0113

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.554	0.003	SA 10y	9.91	0.055
3y	3.525	-1.225	US 10y	2.8179	-0.0866
5y	5.75	0	German 10y	0.848	-0.115
20y	8.494	-0.006	Spread SA 5y vs Bots 5y bpts		
22y	8.531	-0.019		249	0

Equities			Commodities		
	Close	Change		Close	Change
VIX	27.02	-1.19	Gold	1897.6925	-32.0375
Dow Jones	34049.46	-981.36	Brent Crude	102.32	-4.33
FTSE	7380.54	-106.27	3m Copper	9769	-341
JSE All share	69750.67	-1086.04	LME Index	4864.9	-195.7
Bots DCIBT	7236.98	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	48558.91	235.79			



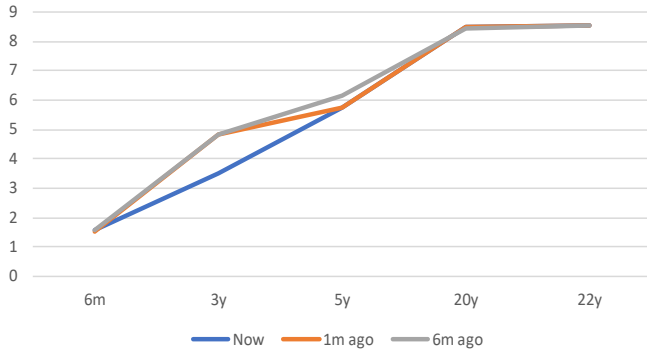
- China is once again at the heart of a new global supply chain crisis, with Beijing's stringent covid containment measures expected to unleash another wave of chaos on supply chains between Asia, Europe and the US. This will have massive spillover effects for Africa. China's covid zero policy amid a resurgence in covid infections has brought the pandemic full circle, just over two years after the outbreak upended the global economy.
- The Shipping backlogs in China, together with the impact of the ongoing war in Ukraine, have come as a double-edged sword to global supply chains, inflation and global growth. According to shipping analysts, even if the covid outbreak in China is brought under control, the disruption will ripple globally and extend through the year as backed up cargo ships start sailing again.
- Bloomberg data shows that China accounts for around 12 % of global trade. The stringent covid restriction has brought factories and warehouses in the world's second-largest economy to a halt, slowed by truck deliveries and aggravated containers backlogs. In the near term, the shipping bottlenecks will mean costly delays in the \$22trn global merchandise sector, which has faced a troubled two years.
- According to Flexport, a major US freight forwarder, it takes an average of 111 days for goods to reach a warehouse in the US from the moment they're ready to leave an Asian factory, close to the record of 113 set in January and more than double the trip in 2019. The global supply chain issues are expected to keep inflation pressures elevated in the coming months and are dampening the growth outlook.
- Looking at the day ahead, local investors will have the 7-Day auction to contend with as well as the potential release of GDP.

Financial Market commentary

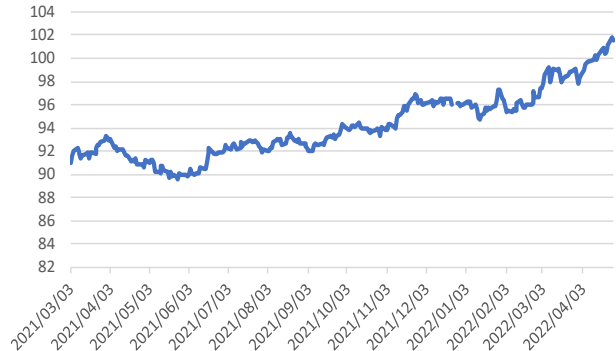
- Yesterday was a bloodbath for industrial metals with losses recorded across the board. The market panicked as investors looked at how the COVID-19 virus is spreading through China. Talk of Beijing being locked down in a similar fashion to Shanghai was running wild through chat forums across the globe. 3m copper fell by 3.43%, 3m aluminium by 4.89% and zinc by 6.19%.
- This morning we have a recovery underway, 3m LME copper is up by 2.19% at the time of writing at \$9983.00/tonne. This is being driven by bargain hunters and a slightly weaker dollar.
- It is worth noting that these moves have occurred at time when liquidity is certainly lower than it has been in the past. The cost of trading on exchanges has ramped up given the wild price swings and this has discouraged participation potentially exacerbating the situation.
- Oil prices are rebounding this morning following a two-day slide, which briefly took the benchmark front-month Brent contract back below the \$100 per barrel mark. Prices have recovered to around \$103.45 this morning as the market digests the PBoC's pledge to increase support for China's economy amid fears that Beijing could be next to be placed under lockdown. Given the tight supply situation, any form of positive news regarding demand will see prices rally as dip-buyers will step in. Focus, however, will be on whether or not the entire city of Beijing will be forced into lockdown and for how long that will extend. There are very few signs to suggest that any of China's harsh COVID containment measures will be lifted soon.
- Speaking of supply, satellite images have suggested that Russia's output of crude has declined by around 10% since the invasion of Ukraine, while recent damage to an oil depot on the border between the two countries suggests that Russian supply may continue to decline. Asian refiners have also started to shun Russia's Sokol crude due to sanctions, while millions of barrels of Urals crude were left unsold as European buyers continued to refrain from purchasing the nation's oil.
- Through the tumult in global financial markets yesterday, the USD benefited handsomely and scaled the highest levels since Q1 2020, when lockdowns occurred. This marks approximately one year of the appreciative trend in the USD that shows no signs of abating. Although the USD is overbought, it is unclear what the catalyst for a reversal might be other than a major reversal in the rates market

as the world starts to price out the Fed's ability to hike as aggressively as it promised it would. The USD has tested 1.0700 support vs the EUR, while the GBP crashed down to 1.2750 overnight before stabilising. All eyes remain on U.S. earnings today and how stock markets respond to clues on risk appetite and the possible monetary policy scenarios that need to be priced in.

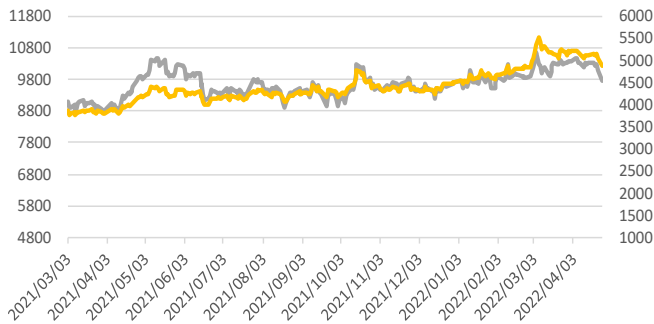
Botswana Yield Curve



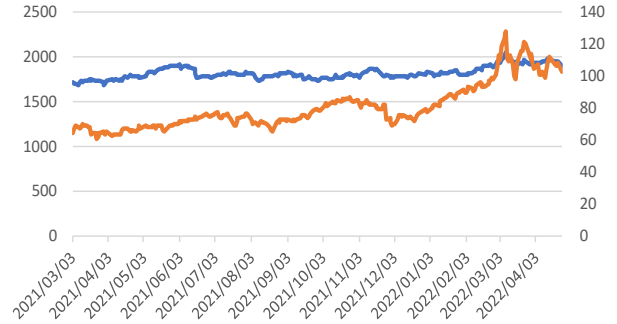
USD Index



Base metals - Copper L_Hand axis LME Index
R_Hand axis

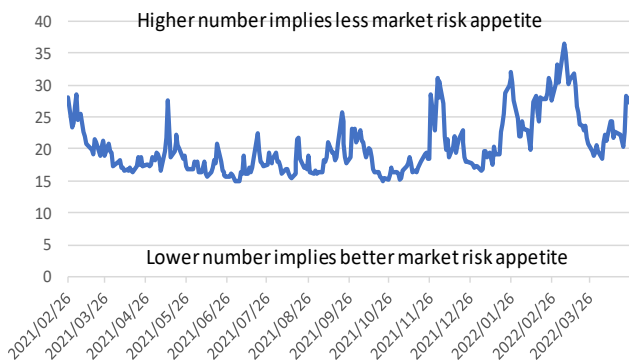


Oil R_Hand Axis - Gold L_Hand Axis



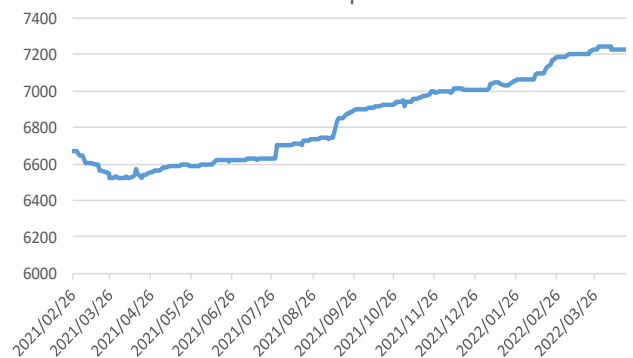
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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