

# Botswana Market Watch

## 27 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>GDP for 4Q potentially released</b>			
<b>11:00</b>	<b>US</b>	MBA mortgage applications	Apr 22		-5.00%
<b>12:30</b>	<b>US</b>	<b>Wholesale inventories m/m</b>	<b>Mar P</b>		<b>2,5%</b>
<b>12:30</b>	<b>US</b>	Advance Goods Trade Balance	Mar	-\$105bn	-\$106,6bn
<b>14:00</b>	<b>US</b>	Pending home sales y/y	Mar		-5,4%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Russia - Poland</b>	Russia cut gas supplies to Poland on Wed in what appears to be Russia flexing its muscle on the EU, reminding the Bloc of its dependency on Russian energy	This will only serve to escalate tensions between Russia and the West and impacts the EU economy	<b>5/5</b> (geopolitics)	Bulgaria, a NATO member, expects that Russia may do the same to them. The imposition of sanctions on Russia and supplies of support, military and otherwise, prompted Russia's response
<b>Aussie inflation</b>	Australian inflation has risen to a 20yr high, bringing forward the timing of rate hikes, with petrol, food and home building costs soaring	The spike in inflation raises the chances of the RBA hiking rates as early as next week to combat price rises	<b>4/5</b> (economy, monetary policy)	The higher probability is a June rate increase, but given inflation developments globally and the strength of the Aussie economy, the RBA might prefer to be pre-emptive
<b>German Russian relations</b>	Russia has expelled 40 German diplomats after Germany had expelled Russian diplomats over the war in Ukraine. Germany is now sending weapons to Ukraine	Relations have now deteriorated to levels last seen during the cold war. Russia more isolated	<b>4/5</b> (economy, geopolitics)	As tensions ratchet higher, further disruptions to economic relations will follow, and the threat of a larger war looms large as the west continues to back Russia into a corner

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>EU - Covid</b>	The EC looks set to announce that the EU has shifted into a new phase of the pandemic, moving away from emergency measures	Testing will become targeted, and monitoring will mirror that of the flu	<b>4/5</b> (economy, virus)	With the bulk of people vaccinated and or boosted and with death rates having plummeted, it makes sense to treat the pandemic differently
<b>BoE normalisation</b>	The BoE is set to take the first steps towards normalising monetary policy and selling some of the £875bn worth of government bonds it bought	Together with the Fed and others that want to normalise, this will contribute toward tighter conditions	<b>4/5</b> (economy, monetary policy)	The risk is that the central banks in aggregate will remove too much stimulation too quickly. The risk is that they prompt a major correction in stock markets and undermine the recovery
<b>US Treasuries</b>	This is a market to be carefully monitored as yields slowly dip in anticipation of a slowdown in global growth that will detract from the central banks' ability to hike rates	A further slide in US Treasuries will lend some support to the stock market but will detract from the strength of the USD	<b>4/5</b> (markets, economy)	The US yield curve once again appears to be flattening. High inflation, rising short-term rates, the lockdowns in China and the downward revisions to global growth forecasts are becoming difficult for investors to ignore

### Highlights news vendors

**CNBC** - [Alphabet reports weak earnings and revenue on big YouTube miss](#)

**ALL AFRICA** - [Loaf of Bread Now Costs U.S.\\$2, a 100 Percent Increase Since Russia Invaded Ukraine](#)

**FT** - [Poland and Bulgaria braced for halt to Russian gas supplies](#)

**SOUTH CHINA POST** - [Beijing sees Covid-19 case record as Shanghai totals continue decline](#)

**REUTERS** - [Beijing presses on with mass COVID testing as locked-down Shanghai seethes](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.246752	1.265664	1.270778	1.357952
BWPUSD	0.07872	0.093496	0.080237	0.085696
GBPGBP	15.720016	15.95516	15.37992	15.03467
BWPEUR	0.08008	0.081328	0.0756525	0.079764
JPYBWP	10.8888	11.0552	10.286775	10.816025
USDZAR	15.204288	16.479944	15.560639	16.12340675
EURUSD	1.021344	1.106872	1.0452818	1.08292525
GBPUSD	1.207296	1.30832	1.235592	1.280015

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.082	0	1m	-2.56425
BWPGBP	0.0652	0	3m	-7.293
BWPEUR	0.077	0.00	6m	-13.2015
BWPZAR	1.2985	-0.0101	12m	-27.261

Dollar Index		Change	
	Close	Change	
EURUSD	1.0639	0.0003	
GBPUSD	1.2576	0.0004	
USDJPY	127.7	0.48	
USDNGN	414.98	0	
USDZAR	15.8353	0.002	

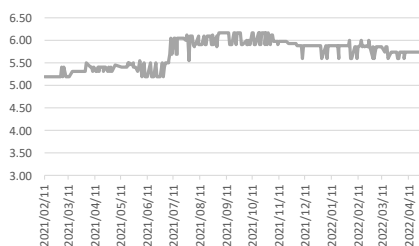
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.546	-0.008	SA 10y	9.885	-0.025
3y	4.75	1.225	US 10y	2.7281	-0.0898
5y	5.75	0	German 10y	0.802	-0.046
20y	8.5	0.006	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.019		246	-3

Equities			Commodities		
	Close	Change		Close	Change
VIX	33.52	6.5	Gold	1905.5576	7.8651
Dow Jones	33240.18	238.06	Brent Crude	104.99	2.67
FTSE	7386.19	-141.14	3m Copper	9860	91
JSE All share	70264.11	-2514.23	LME Index	4892.3	27.4
Bots DCIBT	7243.4	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	48568.57	99.26			

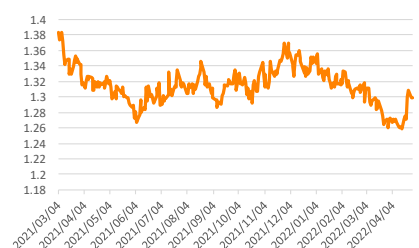
Spot BWP



BWP 5y local bond yield



BWP-ZAR



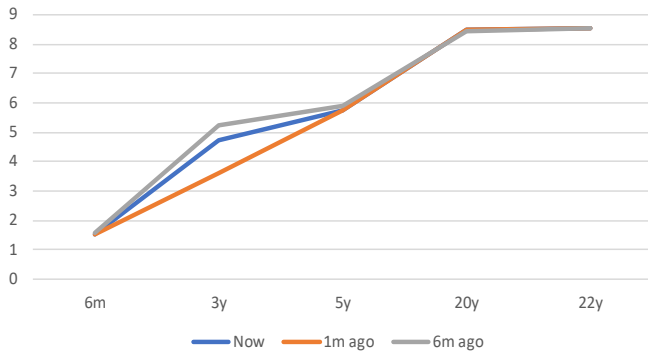
- Given the lack of local influences we thought we would bring the reader up to speed on developments in South Africa.
- It has been an incessant phase of depreciation for the ZAR that one can safely say extends well beyond just the Barclays sales of ABSA flows. It coincides with a USD that has gone from strength to strength, another load shedding episode which may return as the grid remains heavily constrained, and the difficulties in global stock markets that are starting to price in higher degrees of risk. Furthermore, recent Covid data shows that SA is about to enter its next wave, although hospitalisations, thankfully, remain very low, while the full effects of the floods in KwaZulu-Natal are not yet fully understood. The USD's safe-haven status is back in play, and investors appear to be turning slightly more conservative in how and where they invest.
- Domestically, unions are looking to fight back against inflation by threatening to strike if Sibanye does not agree to its wage offer, again reaffirming the toxic relationship between labour and business in SA. At the same time, the government has adopted a tough stance on public sector wage negotiations, so SA may be about to enter an uncomfortable period of labour market unrest and difficulties that only make a difficult situation worse. Such are the effects of higher inflation on household disposable incomes.
- USD-ZAR this morning has been able to consolidate above 15.8000 despite showing signs of a loss in momentum yesterday. Exporters are again being offered a great opportunity to cover some of their exposures forward at the best levels in nearly four months to offer some reprieve. Any help is welcome, with SA's leading indicator data yesterday slipping slightly by 0.1% to confirm a difficult trading environment that shows few signs of improvement.

The re-introduction of load shedding and severe damage caused by the floods in KZN, impacting the flow of goods in and out of the Durban port, could result in exports being negatively affected. This, alongside tighter global financial conditions, will contribute to the decline in the leading indicator. It could also detract from SA's export performance which must be considered when pricing the ZAR. Finally, the Russia-Ukraine war is also creating unfavourable external conditions, with supply-side challenges increasing, especially as China continues to pursue its Zero Covid policy and opts for more lockdowns. All that said, the ZAR has re-adjusted violently in the past ten days and will likely find a base soon off which to stabilise which will in turn be good news for the BWP.

## Financial Market commentary

- When looking at the performance of base metals in the short term, investors will continue to take direction from developments in China surrounding the spread of the COVID-19 virus, and Beijing's stance towards containing the outbreak. Some 3/4 of the 22m Beijing residents lined up for COVID-19 tests yesterday which has sparked fears of a citywide lockdown like the one that has befallen Shanghai for the past month. Growth fears, coupled with supply chain issues are all being debated on base metal desks this morning and the outlook for the short term is not positive.
- 3m LME copper has slipped this morning registering losses of some 0.6% at the time of writing, 3m aluminium is currently off by 0.15% while Zinc is 0.16% lower on the day.
- It has been an impressive performance by the USD in recent weeks, and that performance has simply accelerated this week. Any signs of difficulties across equity markets only serve to elevate the USD's safe-haven status. One factor to consider is the retreat in U.S. Treasury yields. This might be an early indication that one of the drivers of the USD is starting to lose momentum as investors consider the possibility that global growth does not match expectations and that the central banks cannot lift rates as aggressively as they otherwise might've. The surge in the USD index translated into a dive in the EUR-USD below 1.0650, while against the GBP, the USD surged below 1.2600. Even the recovery in the JPY has been no match for the USD that strengthened against most of the majors.

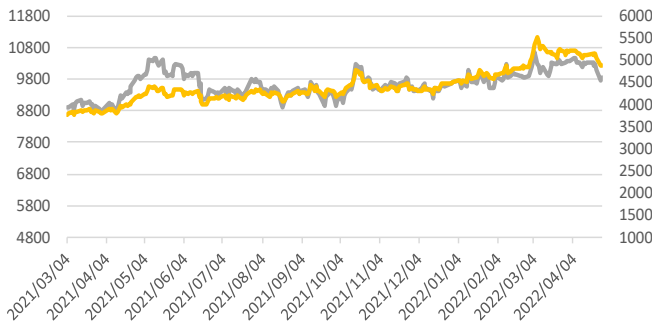
### Botswana Yield Curve



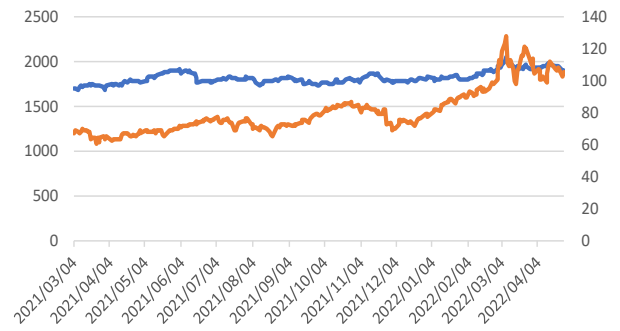
### USD Index



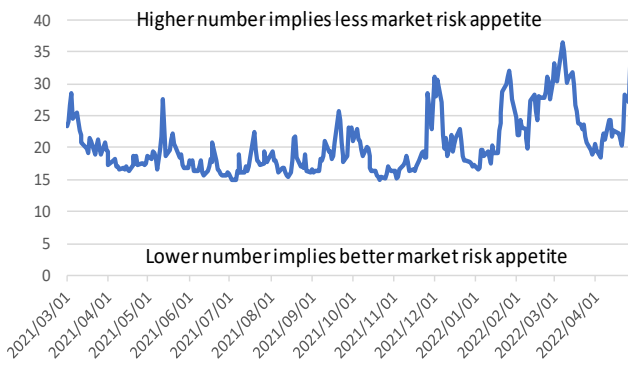
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



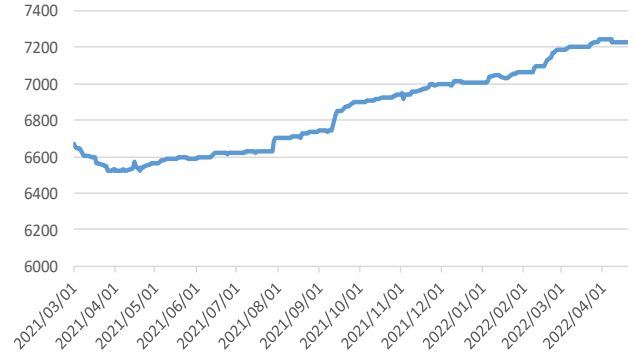
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance





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