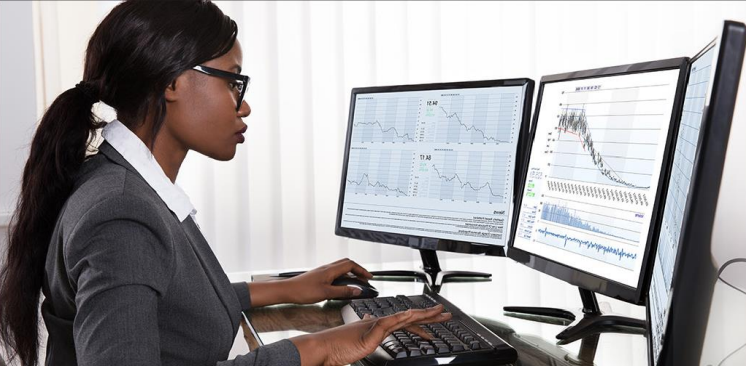


Botswana Market Watch 28 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Benchmark Interest Rate	April 28		3.75%
	BW	GDP y/y	4Q		8.4%
09:00	EZ	Consumer confidence	Apr F		-16.9%
12:00	GE	CPI y/y	Apr P	7.3%	7.3%
12:30	US	GDP q/q annualised	1Q A	1.00%	6.9%
12:30	US	Personal consumption	1Q A	3.4%	2.5%
12:30	US	Initial jobless claims	Apr 23		184k
15:00	US	Kansas City manufacturing activity	Apr		37

Factors Overnight	What happened?	Relevance	Importance	Analysis
Beijing lockdown	This week Beijing plans to test most of its 22mn residents after reporting more than 160 cases since April 22 nd . Precautions and curbs have stepped up	The impact on the economy will be significant and threatens supply chains and GDP	4/5 (Economy, virus)	The risk is that the impact of these lockdowns has been underestimated and that China's zero-covid policy will place a far greater drag on the economy, reducing growth to well below the trend
Russia warning	Russian President Putin warned the West against further assistance to Ukraine, saying that it was only prolonging the war and the destruction	Russia further warned Europe that it should not rely only on Russia	5/5 (geopolitics)	Ukraine warned Europe that it should not rely only on Russia for oil and gas, although Russia denied blackmailing the EU. Putin also warned of lightning retaliation against Western interference
German Economy	German consumer morale plunged to a historic low through May as the war in Ukraine led to soaring costs for households	It reflects the amount of pressure that Russia has exerted on the EU	4/5 (economy, geopolitics)	This economic response will prompt countries to seek alternative sources of energy and to diversify dependence away from Russia

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Inflation	Global inflation is expected to remain higher for longer. Supply chain pressures as per the Fed's indicator remain high, as do commodity and energy prices	Inflation will place a burden on central banks to respond but are wary of the impact on GDP	5/5 (economy, Virus, markets, geopolitics)	Stagflation is now looking like a central theme. China's lockdown is not helping; sky-high energy prices the same, while the war in Ukraine has severely affected the EU economy
EUR collapse	A widening disparity in monetary policy expectations is driving the sharp drop in the EUR. Investors are positioning for recessionary conditions and loose policy	The war in Ukraine, sky-high energy prices, inflation, and sanctions have all weighed	5/5 (market, economy, geopolitics)	It seems unlikely that the ECB will be able to do much with its monetary policy, which will likely lead to the EUR remaining under considerable pressure. FX market pricing in a EZ recession
US GDP	GDP data will be released today, and the data is expected to confirm an expansion of 1.1% q/q annualised, a significant slowdown from the 6.9% the previous quarter	The emergence of Omicron, supply chain issues and very strong imports constrained overall growth	4/5 (markets, economy)	A very strong credit cycle due to loose monetary policy has prompted consumption way beyond what the US economy could produce, and the net effect was to detract from overall GDP as record trade deficits were generated

Highlights news vendors

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ALL AFRICA - [Ethiopia Arrests Four Over Hotel Bomb Attack](#)

FT - [EU energy groups prepare to meet Putin's terms for Russian gas](#)

SOUTH CHINA POST - [Taiwan aims to use lessons from Ukraine in annual Han Kuang war game](#)

REUTERS - [Putin warns West of lightning retaliation; sanctions batter Russian economy](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.255392	1.268736	1.2795845	1.361248
BWPUSD	0.07872	0.093496	0.080237	0.085284
GBPGBP	15.715544	15.873936	15.375544	14.958132
BWPEUR	0.08112	0.081952	0.076635	0.080376
JPYBWP	11.0552	11.1696	10.443975	10.92795
USDZAR	15.3096	16.600272	15.668419	16.2411315
EURUSD	1.009248	1.09356	1.0329023	1.06990125
GBPUSD	1.201152	1.301664	1.229304	1.273503

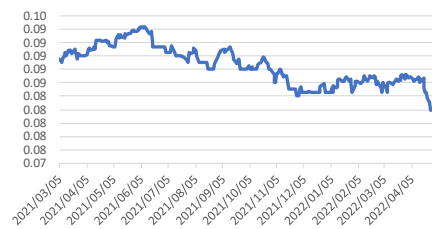
	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZA
BWPUSD	0.082	0	1m	-2.5545
BWPGBP	0.0655	0.0002	3m	-7.26375
BWPEUR	0.078	0.00	6m	-13.15275
BWPZAR	1.3075	0.0052	12m	-27.1635

	Close	Change
Dollar Index	103.457	0.503
EURUSD	1.0513	-0.0042
GBPUSD	1.2514	-0.0034
USDJPY	129.63	1.21
USDNGN	414.92	0
USDZAR	15.9507	0.0571

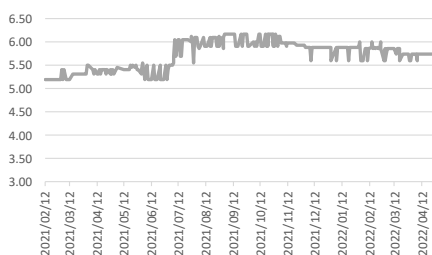
Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	1.548	0.002	SA 10y	9.885
3y	3.53	-1.22	US 10y	2.7281
5y	5.75	0	German 10y	0.802
20y	8.49	-0.01	Spread SA 5y vs Bots 5y bpts	246
22y	8.53	-0.02		0

Equities	Close		Commodities	
	Close	Change	Close	Change
VIX	31.6	-1.92	Gold	1886.1154
Dow Jones	33301.93	-809.28	Brent Crude	105.32
FTSE	7425.61	5.65	3m Copper	9856
JSE All share	70264.11	513.44	LME index	4904.7
Bots DCIBT	7249.02	6.42	1 carat index	Invalid field(s)
Nigeria Index	48571.75	9.66		#VALUE

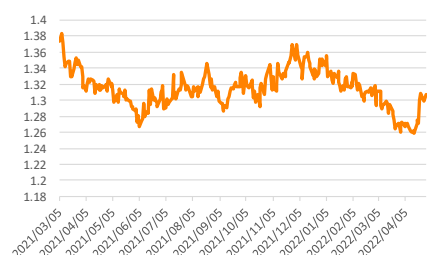
Spot BWP



BWP 5y local bond yield



BWP-ZAR



• Today sees the Bank of Botswana announcing its verdict on interest rates. Recall, the bank has been reluctant to hike rates preferring to look through the current phase of inflation classing it as transitory. The BoB has extended its timing of when it expects inflation to return to its 3-6% target band however we do not see the bank shifting from its current stance at the moment.

• It is worth noting that the bank announced it would be revamping how it manages interest rates by shifting the current reference rate to using the yield on the main monetary operations instrument as the policy rate. *"The improvements to the monetary policy operations will designate an anchor policy rate capable of affecting liquidity management decisions of banks, and thus providing a direct link to policy changes,"* Central Bank Governor Moses Pelaelo said. *"The improvements will also achieve an interest-rate structure that fosters an active interbank market that also projects the policy stance and desired impact of monetary operations on economy-wide interest rates."*

• On another note, A new study released this week by Henley & Partners revealed that private wealth in Africa is expected to surge by 38% over the next decade to \$3trn on the back of massive growth in the technology and professional services sectors. Some countries stand to benefit evenly more over the next decade, with private wealth in Mauritius, Rwanda and Uganda forecast to increase by at least 60% over the period. Private wealth growth in Kenya, Morocco, Mozambique and Zambia is also projected to rise markedly over the next ten years.

• While off of a relatively low base, private wealth growth in Africa is expected to trounce other regions of the globe over the next ten years. The report suggests that the centi-millionaire wealth band stands to benefit the most in the years to come. In Southern Africa, wealth creation in Mozambique is expected to be driven by strong growth in the tourism, business process outsourcing and manufacturing sectors. In Zambia, wealth generation is expected to stem from the mining and financial services sectors over the next decade. Meanwhile, wealth growth in East Africa is expected to come from robust growth in the tourism, real estate, and financial services sectors.

Financial Market commentary

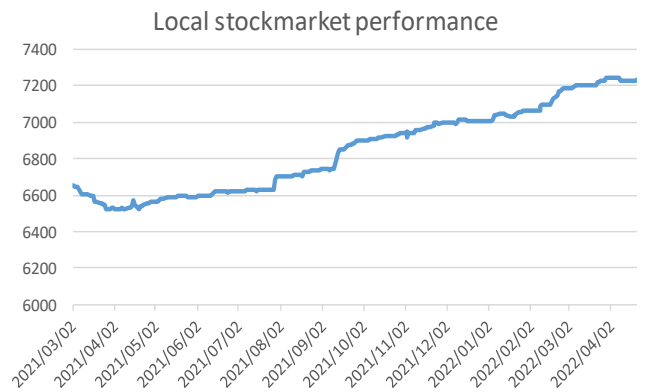
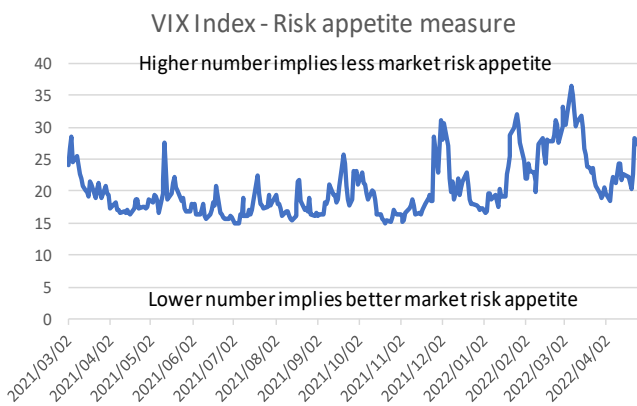
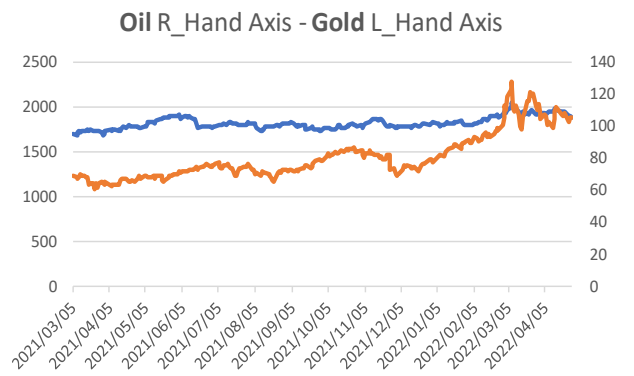
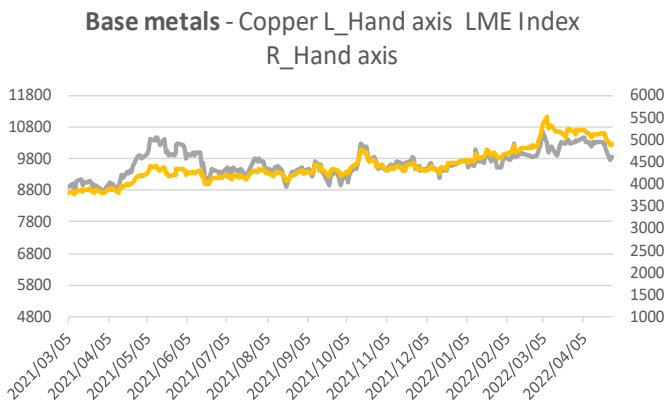
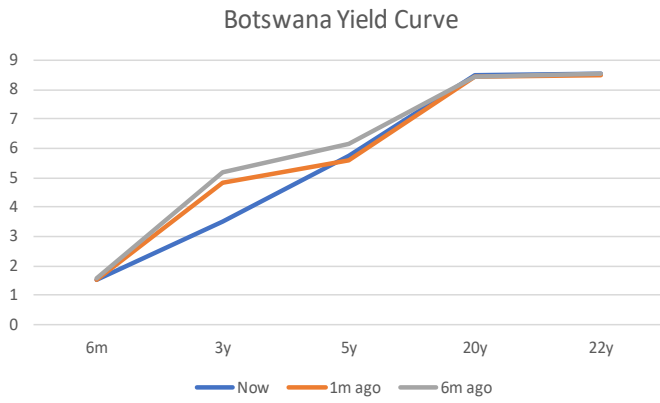
• USD-ZAR this morning finds itself a further 30 cents weaker than its best levels on Tuesday with yesterday's public holiday ensuring that volumes were thin which exacerbated the move. Any signs of a loss in momentum on Tue proved premature. Exporters are again being offered a great opportunity to cover 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 on Tue 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-in scenarios for the ZAR. Finally, the Russia-Ukraine war continues to create 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 two weeks and this has pressured the BWP in turn with the currency dropping below the 0.0850 pivot. It is currently marking time around 0.0820 as we head into the local open.

• Moving over to commodities, the industrial metals complex steadied yesterday as market participants took a breather from the extended washout of longs across the board. Copper finished flat, while zinc, aluminium and nickel all finished up on the session.

• This morning things have turned negative once again. 3m LME copper is currently trading 0.5% lower on the session at \$9805.00/oz while aluminium is some 0.2% lower on the day. For now a stronger dollar is offsetting any talk of

stimulus programmes from Beijing following the COVID-19 lockdowns in the world's second largest economy.



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