

# Botswana Market Watch

## 29 April 2022



| GMT   | Country | Data event or release                             | Period | Market Exp | Previous |
|-------|---------|---|--------|------------|----------|
| 08:00 | BW      | 2025, 2031 and 2043 local currency bonds on offer |        |            |          |
|       | BW      | GDP y/y   | 4Q     |            | 8.4%     |
| 09:00 | EZ      | CPI estimate y/y                                  | Apr    | 7,6%       | 7,5%     |
| 09:00 | EZ      | GDP sa y/y  | 1Q A   | 5,1%       | 4,6%     |
| 12:30 | US      | BLS Employment cost index q/q SA                  | 1Q     | 1,1%       | 1.00%    |
| 12:30 | US      | PCE core y/y                                      | Mar    | 5,3%       | 5,4%     |
| 13:45 | US      | Chicago PMI                                       | Apr    | 61         | 62,9     |
| 14:00 | US      | Michigan consumer confidence                      | Apr F  | 65,7       | 65,7     |

| Factors Overnight           | What happened?   | Relevance  | Importance                       | Analysis  |
|-----------------------------|--|--|----------------------------------|---|
| <b>Beijing lockdown</b>     | China's lockdowns are intensifying as Beijing shuts more venues, including gyms, malls and cinemas, to contain outbreak                          | China's response remains a forceful one that will impact productivity                | <b>4/5</b><br>(Economy, virus)   | On top of the other existing headwinds to global growth, China's approach to Covid is not helpful and could extend the impact on supply chains and GDP            |
| <b>Tech company warning</b> | While many tech companies produced strong results for the quarter, their forward guidance was a lot less rosy                                    | Companies might struggle to match the lofty valuations priced into stocks            | <b>4/5</b><br>(markets, economy) | It is not just a function of higher interest rates, but when they are combined with high inflation, wars and ongoing Covid lockdowns, the headwinds are important |
| <b>US GDP</b>               | US GDP disappointed through Q1 and contracted 1.4% due to resurgent Covid-19 cases and the government's decision to stop pandemic relief funding | Rampant inflation, supply chain shortages and a tight labour market have all weighed | <b>4/5</b><br>(economy)          | Through the quarters ahead, the picture doesn't improve with the Fed about to embark on aggressive tightening that has already impacted the US housing market     |

| Factors on the Radar            | What happened?  | Relevance   | Importance                           | Analysis  |
|---------------------------------|---|---|--------------------------------------|---|
| <b>US assistance to Ukraine</b> | US President Biden has asked Congress for \$33bn to support Kyiv in its war against Russia. This would include \$20bn for weapons and heavier artillery | Russia has warned that further financial help to Ukraine may escalate tensions and trigger WW III | <b>5/5</b><br>(economy, geopolitics) | The objective now is to weaken Russia's army as much as possible and stall any further aggression in the region for some time to come. Stronger Ukrainian defences can help accomplish that |
| <b>Brexit impasse</b>           | Many months into Brexit and neither the EU nor Britain have a solution on how to treat Northern Ireland that does not threaten the peace agreement      | Northern Ireland is, at this point, behaving more like a country still in the EU than out of it   | <b>4/5</b><br>(economy, politics)    | In one way, the Brexit deal threatens Northern Ireland's status as being part of the UK. On the other, it threatens to derail the EU's strict laws governing access to the single market    |
| <b>RBA</b>                      | Next week the RBA will decide on interest rates, and according to the latest polls, the central bank will lift rates by 15bp from a record low of 10bp. | This will start a chain reaction of reducing the risk of an overheating property sector           | <b>4/5</b><br>(markets, economy)     | The central bank felt inclined to respond to the surge in inflation, just as others have, by removing monetary accommodation that has distorted many asset prices                           |

### Highlights news vendors

CNBC - [Elon Musk sold around \\$4 billion worth of Tesla shares as he moved to buy Twitter](#)

ALL AFRICA - [Families of Kidnap Victims Reject Nigerian Bill Punishing Ransom Payments](#)

FT - [Apple forecasts up to \\$8bn hit from supply headwinds](#)

SOUTH CHINA POST - [Covid controls set to hit China's May Day holiday traffic](#)

REUTERS - [Expats flee as Shanghai's COVID lockdown drags](#)

## Local and regional talking points

|        | Corporate Foreign Exchange |               |              |               |
|--------|----------------------------|---------------|--------------|---------------|
|        | CUSTOMER BUY               | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|        | CASH                       | CASH          | TT           | TT            |
| BWPZAR | 1.258656                   | 1.267104      | 1.2829114    | 1.359497      |
| BWPUSD | 0.07872                    | 0.093496      | 0.080237     | 0.084975      |
| GBPWP  | 15.736136                  | 15.83712      | 15.395691    | 14.92344      |
| BWPEUR | 0.08112                    | 0.08164       | 0.076635     | 0.08007       |
| JPYBWP | 11.1384                    | 11.2112       | 10.522575    | 10.96865      |
| USDZAR | 15.346176                  | 16.640624     | 15.705852    | 16.2806105    |
| EURUSD | 1.009152                   | 1.093664      | 1.032804     | 1.070003      |
| GBPUSD | 1.198272                   | 1.298544      | 1.2263565    | 1.2704505     |

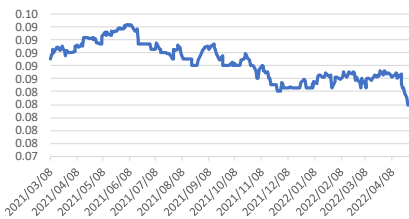
|        | Interbank Spot Foreign Exchange |        | Forward Foreign Exchange |           |
|--------|---------------------------------|--------|--------------------------|-----------|
|        | Close                           | Change | BWPUSD                   | BWPZAR    |
| BWPUSD | 0.082                           | 0      | 1m                       | -2.5545   |
| BWPGBP | 0.0657                          | -1E-04 | 3m                       | -7.26375  |
| BWPEUR | 0.078                           | 0.00   | 6m                       | -13.15275 |
| BWPZAR | 1.3107                          | 0.0124 | 12m                      | -27.1635  |

|              | Close   | Change  |
|--------------|---------|---------|
| Dollar Index | 103.526 | -0.097  |
| EURUSD       | 1.0514  | 0.002   |
| GBPUSD       | 1.2481  | 0.0025  |
| USDJPY       | 130.64  | -0.21   |
| USDNGN       | 414.83  | 0       |
| USDZAR       | 15.9875 | -0.0347 |

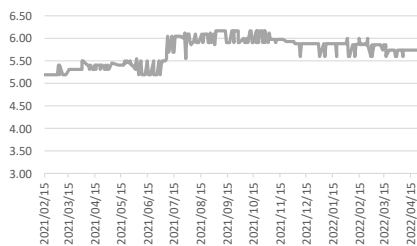
| Local Fixed income |       |        | International Fixed Income   |           |  |
|--------------------|-------|--------|------------------------------|-----------|--|
| Yield curve        | Close | Change | Close                        | Change    |  |
| 6m                 | 1.551 | 0.003  | SA 10y                       | 10.015    |  |
| 3y                 | 3.53  | 0      | US 10y                       | 2.8321    |  |
| 5y                 | 5.75  | 0      | German 10y                   | 0.895     |  |
| 20y                | 8.49  | 0      | Spread SA 5y vs Bots 5y bpts | -13.15275 |  |
| 22y                | 8.53  | 0      |                              | 256.5     |  |

| Equities      |          |        | Commodities   |                  |  |
|---------------|----------|--------|---------------|------------------|--|
|               | Close    | Change | Close         | Change           |  |
| VIX           | 29.99    | -1.61  | Gold          | 1894.3423        |  |
| Dow Jones     | 33916.39 | 61.75  | Brent Crude   | 107.59           |  |
| FTSE          | 7509.19  | 39.42  | 3m Copper     | 9697             |  |
| JSE All share | 71534.57 | 0      | LME Index     | 4827.2           |  |
| Bots DCIBT    | 7245.06  | 5.62   | 1 carat index | Invalid field(s) |  |
| Nigeria Index | 48837.76 | 3.18   |               | #VALUE!          |  |

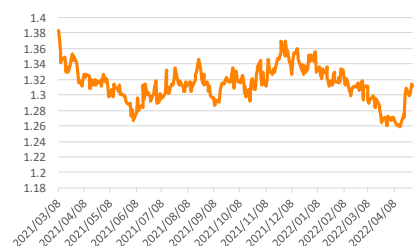
Spot BWP



BWP 5y local bond yield



BWP-ZAR



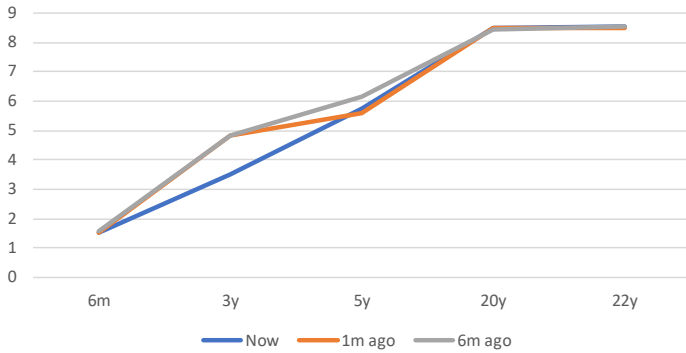
- Botswana was back in focus yesterday after the Bank of Botswana's Monetary Policy Committee voted in favour of hiking its revamped monetary policy rate to counter mounting external price pressures. The Bank of Botswana has overhauled its monetary policy measures and how it manages interest rates. The bank announced in February that it would shift to using the yield on the seven-day Bank of Botswana certificate, known as the monetary policy rate, over the official Bank Rate to affect liquidity management decisions of banks, therefore providing a direct link to policy changes.
- The Monetary Policy Committee raised the yield on the seven-day central bank certificate, the bank's main monetary operations instrument, by 51 bps to 1.65% to help anchor inflation expectations within the economy. The central bank said that the latest Business Expectations Survey shows that businesses feel that inflation is rising higher and higher. Governor Moses Pelaelo said on Thursday that the central bank sees the new rate as a better mechanism for influencing monetary policy in the economy and bringing inflation expectations back under control.
- Headline inflation in Botswana has breached the central bank's target of 3%-6% since May last year, averaging 10.4% in the first quarter of 2022. Soaring external price pressures stemming from elevated commodity prices and ongoing supply chain pressures are underpinning the strong episode of inflation we have seen in recent months. The war in Ukraine is compounding external price pressures with Ukraine and Russia significant exporters of food and energy commodities.
- The central bank noted that upside risks to the inflation outlook remain high and include increases in international commodity prices beyond current forecasts, global supply bottlenecks, Russia's invasion of Ukraine and second-round effects of increases in local administered prices. In addition to reining in inflation expectations, the bank said that higher rates should also stem the depreciation in the Pula, which is among the worst-performing African currencies this year.

## Financial Market commentary

- Finally, the USD-ZAR cracked through the 16.00 handle yesterday, although again, it happened in thinned out holiday trading conditions that will extend through today. Significantly, the move was not sustained through overnight trade, and the pair has settled back below the handle this morning. Technically it could retest that level again today, but equally, it could reverse after another bad week for the ZAR, but when where it lost some of its momentum.
- Through the course of the past two weeks, the ZAR has moved from a mildly overvalued currency on a trade-weighted basis back into undervalued territory. Its sell-off was exacerbated initially by news that Barclays had sold out of ABSA and was repatriating funds, and then thinner liquidity conditions which ensured that volatility was amplified. Emerging markets more broadly sold off, so this sell-off was not SA specific but a function of a strong rally in the USD.
- The USD, for its part, has moved deep into overbought territory on just about every measure and calculation. Hawkish talk by Fed speakers has translated into monetary policy disparity between the US and its major trading partners. The yield curve is pricing in an extremely aggressive Fed, and now that this adjustment has taken place, it will leave the USD more vulnerable to bouts of selling should the Fed moderate its view in the months ahead. What might do that? Indications that corporate America is not doing quite as well as needed to sustain the valuations on Wall St and that inflation has turned the corner.
- Although global inflation will naturally moderate due to high base factors already being absorbed, tightening monetary policy in such a heavily indebted economy could see inflation reverse faster through H2 2022.. US Treasury yields have stalled their slide this week, and yields appear to have stabilised, while the overall curve is again looking to invert. The main message is that this phase of USD appreciation will also pass, and while it is difficult to predict exactly when one should not expect it to continue indefinitely.
- We remind local investors of the bond auction today. There are tenors across the curve on offer and it will be interesting to see whether or not the shorter dated

paper is favoured given the fiscal risks still embedded in the broader macro backdrop

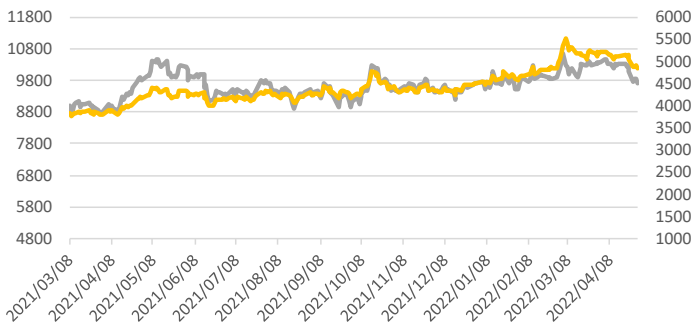
Botswana Yield Curve



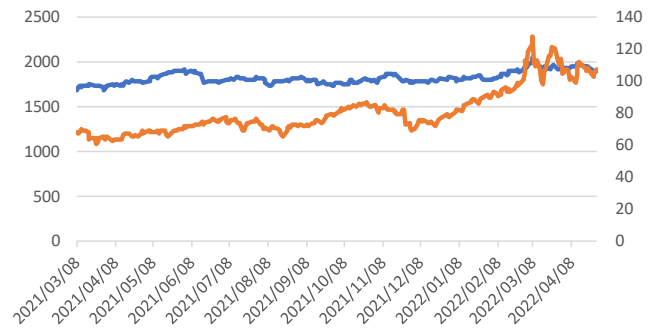
USD Index



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

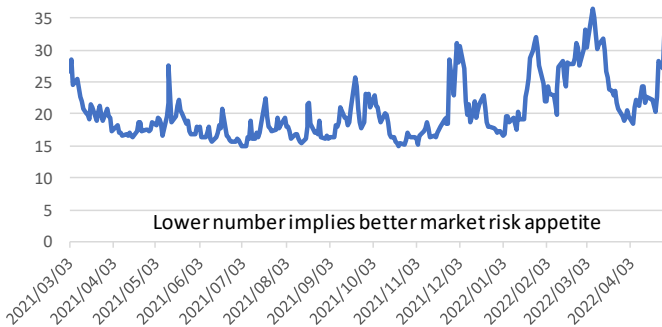


Oil R\_Hand Axis - Gold L\_Hand Axis



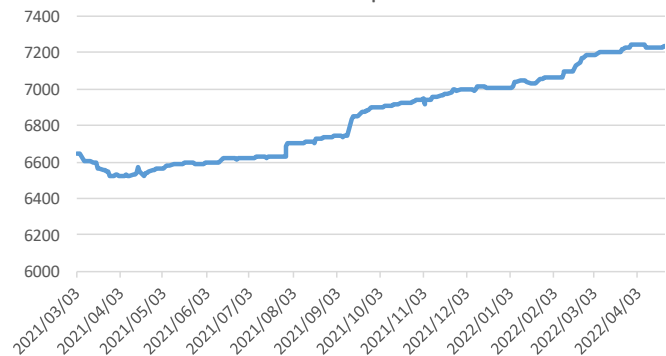
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance





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