

Botswana Market Watch 6 April 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards	4Q		8.4%
06:00	GE	Factory orders y/y	Feb	5.50%	7.30%
08:30	GB	PMI construction	Mar		59,10
09:00	EZ	PPI y/y	Feb		30.60%
11:00	US	MBA mortgage applications	Apr 1		-6.80%
18:00	US	Fed FOMC Meeting Minutes	Mar 16		

Factors Overnight

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoE outlook	BoE Governor Cunliffe indicated on Monday, that the BoE might not need to hike rates repeatedly to stop expectations of persistent inflation	With a world more indebted, a sharp and persistent rise in rates could prove very damaging	5/5 (monetary policy)	Central banks may well be talking tough so as not to have to act tough. Yield curves are flattening or inverting in some countries, and the overall cycle looks set to soften
China lockdown	An intensive day of testing yesterday uncovered a further 13,000 asymptomatic cases, which led to China extending its restrictions on transportation	China's zero covid policy means lockdowns could still extend further and hurt GDP growth	4/5 (economy, pandemic)	The risk is that investors under-estimated the impact of restrictions and that the economy could be severely affected. With each additional restriction, risks to growth grow
World Bank forecast	The World Bank cut its East Asia Pacific 2022 growth forecast to 5.0%, from its forecast of 5.4% in October last year	The war in Ukraine and the resultant impact is seen as the biggest threat	3/5 (economy)	It is unclear what sort of a Covid episode this accounts for in China, but that would be another factor that could lower this forecast even more

Factors on the Radar

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia - Ukraine war	Ukrainian President Zelenskyy will address the UNSC today and will ask the UN to impose heavier sanctions on Russia following the atrocities in Bucha	Ukraine will welcome all pressure placed on Moscow as it continues to offer tough resistance	5/5 (geopolitics)	Russia, for its part, has denied the atrocities in Bucha and indicated that it would provide empirical proof that Russian forces did not commit the atrocities.
ECB outlook	ECB's Knot offered his guidance by indicating the ECB should continue reducing stimulus to limit the inflation pass-through	Knot is not saying policy should turn restrictive, just less accommodative	4/5 (economy, monetary policy)	Inflation is the consequence of a very aggressive phase of QE. The effects of that need to be unwound to prevent inflation becoming more entrenched
Global business cycle	Central banks are walking a tightrope. On the one hand, they would like to contain inflation. On the other, they risk engineering a recession	Yield curves across most jurisdictions are flattening, with some having inverted to signal growth risks	4/5 (economy)	Policymakers are downplaying the inversion of yield curves as an adequate signal of an impending recession. So far, equity markets are holding up, but risks still grow

Highlights news vendors

CNBC - [Key people from the Fed just spooked the markets — here's what they said](#)

ALL AFRICA - [Covid-19 Infection, Vaccination Rates Steady Across Continent](#)

FT - [EU prepares ban on Russian coal imports after atrocities in Ukraine](#)

SOUTH CHINA POST - [Reports of alleged Russian war crimes in Bucha 'very disturbing', China says](#)

REUTERS - [U.S., allies ready new Russian sanctions after Bucha killings](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.222656	1.231008	1.2462176	1.320769
BWPUSD	0.083232	0.093496	0.084836	0.089816
GBPWP	15.582112	15.681536	15.244999	14.776832
BWPEUR	0.08268	0.0832	0.0781088	0.0816
JPYBWP	11.1696	11.232	10.55205	10.989
USDZAR	14.102688	15.293512	14.43322	14.96264275
EURUSD	1.046016	1.1336	1.070532	1.109075
GBPUSD	1.25424	1.359592	1.2836363	1.33017775

Interbank Spot Foreign Exchange

	Close	Change	Forward Foreign Exchange	
			BWPUSD	BWPZAR
BWPUSD	0.0867	-0.0002	1m	-2.8275
BWPGBP	0.0663	0.0001	3m	-8.2095
BWPEUR	0.0795	0.00	6m	-15.37575
BWPZAR	1.2718	0.0008	12m	-31.54125

Dollar Index

	Close	Change
EURUSD	1.0896	-0.0007
GBPUSD	1.3066	-0.0002
USDJPY	123.86	0.26
USDNGN	415.22	0
USDZAR	14.6909	0.0215

Local Fixed Income

Yield curve	Close	Change	International Fixed Income	
			Close	Change
6m	1.548	0.001	SA 10y	9.58
3y	4.83	1.3	US 10y	2.5543
5y	5.75	0	German 10y	0.61
20y	8.49	0	Spread SA 5y vs Bots 5y bpts	
22y	8.53	0		247.5

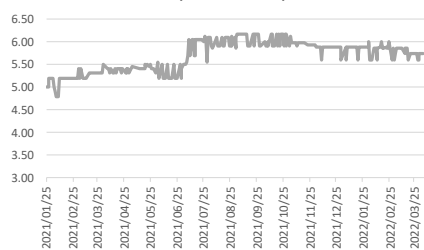
Equities

	Close	Change	Commodities	
			Close	Change
VIX	21.03	2.46	Gold	1923.7574
Dow Jones	34641.18	103.61	Brent Crude	106.64
FTSE	7613.72	21.02	3m Copper	10455
JSE All share	75286.61	-72.83	LME Index	5222.6
Bots DCIBT	7243.14	0	1 carat index	invalid field(s)
Nigeria Index	46777.37	-155.01		#VALUE!

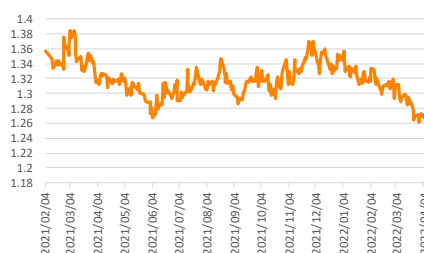
Spot BWP



BWP 5y local bond yield



BWP-ZAR



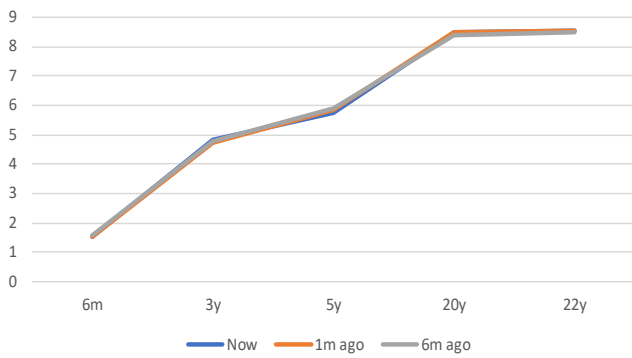
- News on the wires namely the African Review is that *A senior leadership team from the African Development Bank Group (AfDB) has arrived in the southern African capital Gaborone, on the first leg of an official visit to Botswana and Zimbabwe. The delegation is led by acting vice president, regional development, Integration and Business Delivery Yacine D. Fal. It includes Prof. Kevin Chika Urama, acting chief economist and vice president for the economic governance and knowledge management complex; director general for the Southern Africa region, Leila Mokaddem; deputy director general Kennedy Mbekeani, Martha Phiri, director of the bank's human capital, youth and skills department, and Jean-Guy Afrika, AfDB's acting director for the Regional Integration Coordination Office. The visit underscores the AfDB's firm commitment to the southern African region's growth prospects and to deepen engagement with SADC at the strategic and technical levels, Fal said.*
- In Botswana from 4-5 April, the team will meet with several government and industry leaders, including the deputy minister of Finance Olesitse H. Masimega. Their discussions will centre on the bank's support to Botswana's economic transformation agenda and a post-COVID-19 economic recovery. The bank has provided US\$137mn in loans to support Botswana's economic recovery from the pandemic. The delegation will also hold talks with the Southern African Development Community's deputy executive secretary for regional integration, Dr. Thembinkosi Mhlongo.*

Financial Market commentary

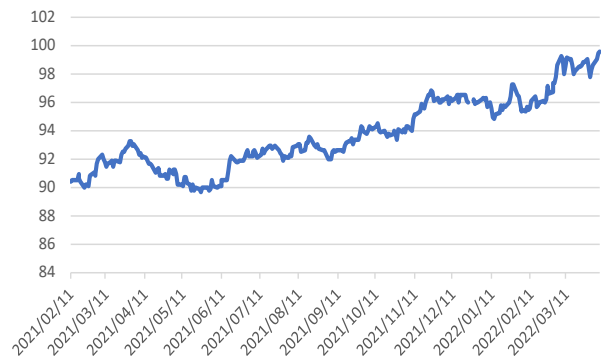
- All was unfolding fairly predictably yesterday before Fed Governor Brainard addressed a Senate Banking, Housing, and Urban Affairs Committee and emphasised the steps that would be taken to reduce inflation. Brainard specifically emphasised the rapid shrinking of the Fed's balance sheet, adding that it did not have to take place as slowly as it did the previous time. She added that the FOMC *"will continue tightening monetary policy methodically through a series of interest rate increases and by starting to reduce the balance sheet at a rapid pace as soon as our May meeting."*
- Clearly, that took the market by surprise, especially as the rapid rate of tightening currently being priced into the market has already resulted in the US yield curve inverting and raising fears of a material slowdown in the quarters ahead. Then later in the session, San Francisco Fed President Daly passed comments that inflation running at a 40yr high was as *"harmful as not having a job,"* referring to the impact that high inflation has on the disposable income of households. She emphasised that the Fed would not allow this phase of high inflation to persist and that the Fed was committed to reducing inflation to pre-covid levels.
- This is hawkish talk by the Fed, but it is the kind of guidance central banks deploy to prompt the market to do some of the heavy lifting in tightening monetary conditions in the hope that they won't have to drive benchmark interest rates as high as they otherwise might've done. It is a case of talking tough to avoid having to act quite as tough. Financial markets have chosen to take the guidance seriously, and stock markets have sold off, and that has spilt over into risk markets and, to some extent, into commodity prices.
- Although oil prices have remained buoyant despite the increased lockdown in China, the release of reserves and tough talk from the Fed, other commodity prices have fared less well, with the industrial metals index (CRBIX) slipping from its recent high. The gold price has also retreated slightly, as has the platinum price, contributing to some erosion in SA's terms of trade. The combination has placed the ZAR on the defensive. While a test of 14.5000 looked plausible yesterday, today, a break above 14.7000 is on the cards, and a larger move could follow.
- That being said, the Fed's resolve will be tested. Persistent hawkish talk of this nature will negatively affect the market. It is questionable whether the Fed will continue to talk so tough in the face of market fragility and a fragile economic recovery that may splutter. For now, investors should treat the USD-ZAR bounce as a necessary and healthy recovery rather than a longer-term inflexion point. This

suggests that the BWP could come under further pressure at the open gravitating towards the 0.0860 mark in the interbank market.

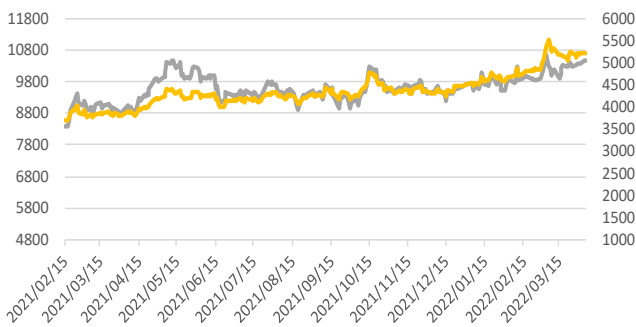
Botswana Yield Curve



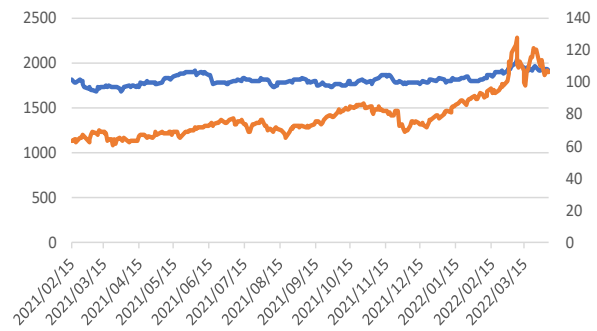
USD Index



Base metals - Copper L_Hand axis LME Index
R_Hand axis

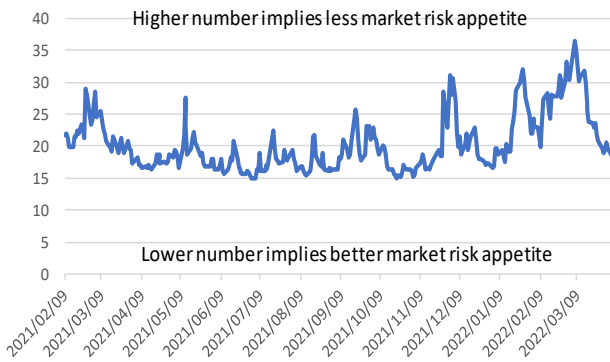


Oil R_Hand Axis - Gold L_Hand Axis



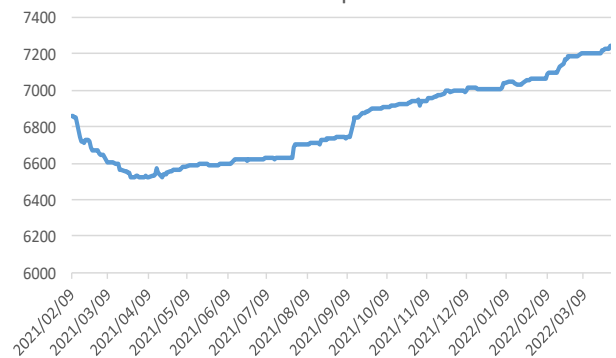
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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