

# Botswana Market Watch

## 8 April 2022

GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>GDP may be released</b>	4Q		8.4%
<b>11:30</b>	<b>EC</b>	ECB's Stournaras, Makhoulouf, Herodotou Speak in Delphi			
<b>14:00</b>	<b>US</b>	<b>Wholesale inventories m/m</b>	Feb F		2.10%
<b>14:00</b>	<b>US</b>	<b>Wholesale sales m/m</b>	Feb		4.00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>BoE outlook</b>	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	<b>5/5</b> (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
<b>China lockdown</b>	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	<b>4/5</b> (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
<b>World Bank forecast</b>	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	<b>3/5</b> (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	What happened?	Relevance	Importance	Analysis
<b>Russia - Ukraine war</b>	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	<b>5/5</b> (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.
<b>ECB outlook</b>	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	<b>4/5</b> (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
<b>Global business cycle</b>	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	<b>4/5</b> (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** - [UN votes to remove Russia from Human Rights Council](#)

**ALL AFRICA** - [Total Confirmed Cases of Covid-19 Across Continent Approaches 11.5 Million](#)

**FT** - [Nato states agree to supply heavy weapons to Ukraine](#)

**SOUTH CHINA POST** - [China warns US a Nancy Pelosi visit to Taiwan would cross a red line](#)

**REUTERS** - [Russia laments 'tragedy' of troop deaths as Ukraine braces for major offensive](#)

## Local and regional talking points

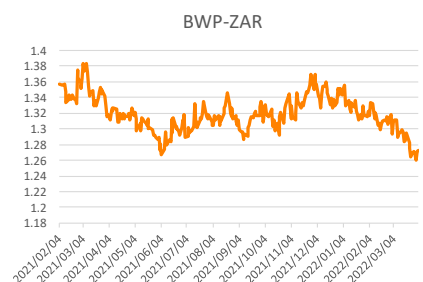
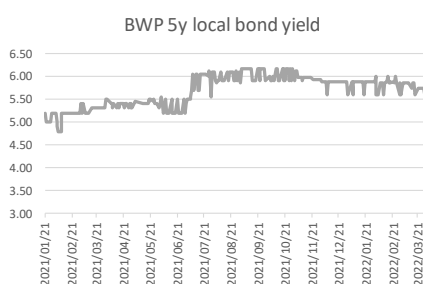
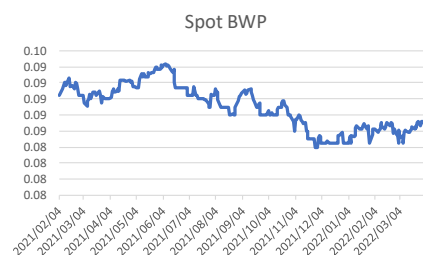
	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	#VALUE!	#VALUE!	#VALUE!	#VALUE!
BWPUSD	#VALUE!	0.093496	#VALUE!	#VALUE!
GBPGBP	#VALUE!	#VALUE!	#VALUE!	#VALUE!
BWPEUR	#VALUE!	#VALUE!	#VALUE!	#VALUE!
JPYBWP	#VALUE!	#VALUE!	#VALUE!	#VALUE!
USDZAR	#VALUE!	#VALUE!	#VALUE!	#VALUE!
EURUSD	#VALUE!	#VALUE!	#VALUE!	#VALUE!
GBPUSD	#VALUE!	#VALUE!	#VALUE!	#VALUE!

	Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0868	-0.0002	1m	#VALUE!	-34.96079
BWPGBP	0.0662	0	3m	#VALUE!	-55.88438
BWPEUR	0.0785	0.00	6m	#VALUE!	-110.4063
BWPZAR	1.2723	0.0055	12m	#VALUE!	-241.2605

	Close	Change
Dollar Index	98.588	-0.044
EURUSD	1.1047	-0.0006
GBPUSD	1.3115	0.0003
USDJPY	122.62	0.13
USDNGN	415.22	0
USDZAR	14.6467	-0.0108

Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.552	0.004	SA 10y	9.6	0
3y	4.83	1.34	US 10y	2.3895	0.0443
5y	5.75	0	German 10y	0.566	0.019
20y	8.49	0	Spread SA 5y vs Bots 5y bpts		
22y	8.53	0		241	1.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	19.63	-0.93	Gold	1924.3	-12.93
Dow Jones	34818.27	-550.46	Brent Crude	104.39	-3.52
FTSE	7537.9	-63.07	3m Copper	10353.5	-21.5
JSE All share	75907.9	71.84	LME Index	5209.6	35.3
Bots DCIBT	7242.61	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	46842.86	61			

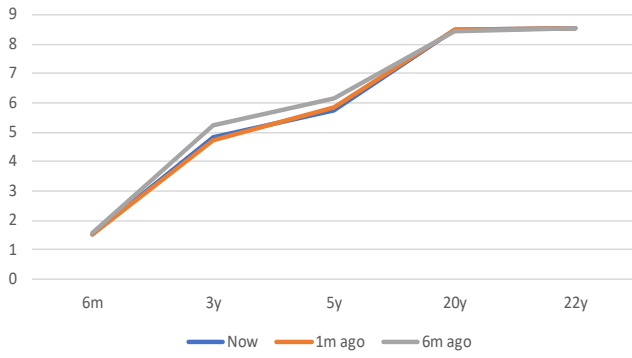


- There is a potential for 4Q 2021 GDP to be released today according to the Bloomberg calendar however Statistics Botswana announced earlier in April that they would be deferring a number of releases to the end of the month.
- Moving over to the macro of regional importance we see that commodities are off their highs. Concerns over Chinese demand given the COVID-19 lockdown's and tighter monetary policy from the United States have placed a damper on base metals this week. News vendors are all reporting that the financial capital of China namely Shanghai has gone silent as the city imposed harsh restrictions on movements. This has so far not been the case in the major manufacturing sectors, but one needs to keep a close eye on developments here as Beijing is not known for compromise on certain topics.
- Given this backdrop, we don't expect runaway gains in base metals into the weekend, if anything there will be a period of consolidation, perhaps some squaring off of short positions to book profits but no fireworks.

## Financial Market commentary

- As we close out the week, the ZAR's correction looks long overdue. While there are strong cogent arguments for the ZAR to remain resilient overall and even appreciate, investors will also recognise that the ZAR appreciated some 80 cents through March and from levels back above 16.00 in Dec. So while the loss of ten cents this week may feel uncharacteristic, it is relatively small. The correction can extend further, and the ZAR's strengthening bias would remain largely intact. In particular, the weekly chart indicates that levels back towards 15.0000 are even possible in the current correction.
- Looking at valuation charts that are cyclically adjusted for a seven-year cycle shows that the ZAR had shifted into slightly overvalued territory by approximately 3% for the first time since October last year. Admittedly those levels were more overvalued, and the ZAR was trading far stronger against the USD in nominal terms, although the Fed had not signalled its far more aggressive stance on monetary policy, and equity markets had not yet begun to correct in a sign of vulnerability.
- Furthermore, commodity prices are off their recent highs, and investors are concerned about some of the market signals from the bond market, suggesting a slowdown is underway. Investors could, therefore, easily price in more risk than they have and rotate towards the safety of the USD, although that has not reflected the case so far this year. Buoyant commodity prices and SA's strong terms of trade will mask many of these risks and disguise an underlying vulnerability that will become more evident should commodity prices retreat again.
- In the short term, investors should treat this as a healthy correction. There is not yet enough evidence that the ZAR's appreciation is overdone and that we have reached an inflexion point. On one level, it has even been a blessing in that it has prevented inflation from spiralling out of control as it has done in many developed economies abroad.
- All of these factors need to be understood before making a call on the direction of the BWP. We expect that a correction in the ZAR will put the BWP on the back foot which will place the 0.0860 level in the crosshairs of those looking to short the local unit. For now expect a measured start to the session.

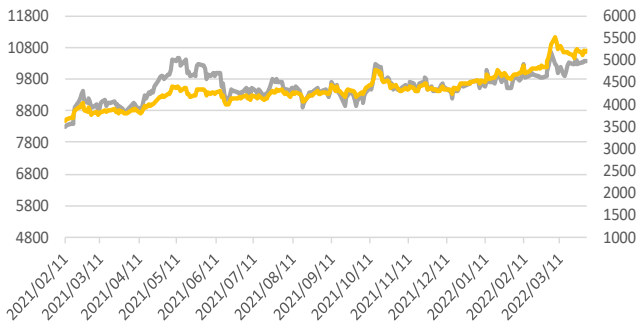
### Botswana Yield Curve



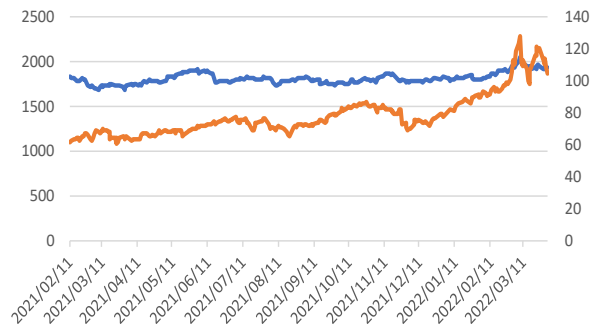
### USD Index



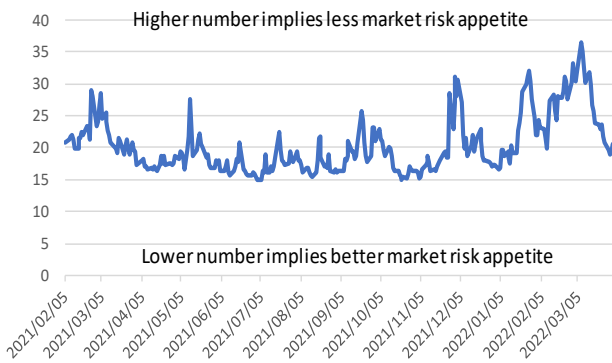
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



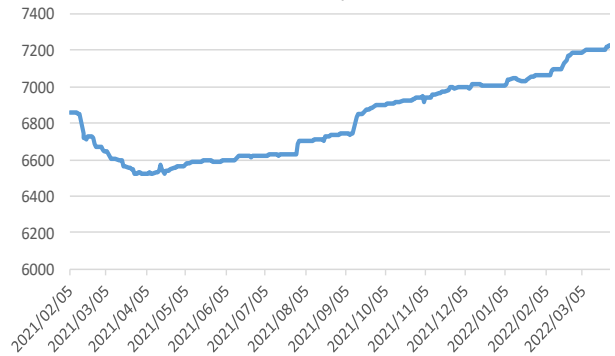
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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