

Botswana Market Watch

4 May 2022



| GMT | Country | Data event or release | Period | Market Exp | Previous |
|-------|-----------|--|--------------|--------------|-------------|
| | BW | Nothing on the cards | | | |
| 08:00 | EZ | Markit composite PMI | Apr F | 55,8 | 55,8 |
| 08:00 | EZ | Markit services PMI | Apr F | 57,7 | 57,7 |
| 08:30 | GB | Net consumer credit | Mar | 1,2bn | 1,9bn |
| 09:00 | EZ | Retail sales y/y | Mar | 2,8% | 5.00% |
| 11:00 | US | MBA mortgage applications | Apr 29 | | -8,3% |
| 12:15 | US | ADP employment change | Apr | 385k | 455k |
| 12:30 | US | Trade balance | Mar | \$-87bn | \$-89,2bn |
| 13:45 | US | Markit composite PMI | Apr F | | |
| 13:45 | US | Markit services PMI | Apr F | | |
| 14:00 | US | ISM non-manufacturing composite PMI | Apr | 58,7 | 58,3 |
| 18:00 | US | FOMC rate decision | May 4 | 1.00% | 0,5% |

| Factors Overnight | What happened? | Relevance | Importance | Analysis |
|-------------------------|--|---|--|---|
| BoC | The BoC has issued a warning about the Canadian housing market, implying that it is unsustainably strong and higher rates are needed to cool demand | The risk is the same for Canada as it is for the US, that hiking too aggressively can induce volatility | 4/5 (monetary policy, economy) | Many central banks are behind the curve. Distortions are extreme, and deflating these bubbles at this stage could prove painful given how much leverage has increased over time |
| US labour market | JOLTS data released yesterday show that job openings in the US rose to record-high levels. When combined with resignations, this will help fuel inflation | Ahead of the jobs report on Friday, this will embolden the Fed to hike and retain a hawkish undertone | 4/5 (markets, economy) | The labour market in the US remains tight and will actively contribute to inflation. The risk to the Fed acting strongly now is that it is behind the curve |
| UK inflation | According to the latest BRC data, retail inflation rose at the fastest pace in more than a decade, and they anticipate more to come. Prices rose 2.7% y/y in Apr | This is the highest reading since Sep 2011, while food prices rose 3.5% y/y, the highest in 9 years | 4/5 (economy) | The BoE today will have a balancing act to reduce inflation yet still be sympathetic to households that have suffered a significant loss in disposable income |

| Factors on the Radar | What happened? | Relevance | Importance | Analysis |
|-------------------------------|---|--|---|--|
| Russia-Ukraine | EU is set to announce an outline further sanctions against Moscow today as Russian forces continue to bomb Eastern Ukraine | This move will hold negative growth consequences for all parties involved | 5/5 (economy, geopolitics) | It remains unclear just how quickly the EU can wean itself off Russian energy sources, but there is talk that it may look towards Africa for assistance |
| China's Covid | China continues to struggle to contain the spread of Covid 19, and Zhengzhou is preparing to enforce strict Covid curbs throughout the week ahead | Beijing has shut 40 metro stations. Restrictions remain high and will detract from the economy | 4/5 (economy, virus) | Still, the authorities are battling against the spread of Covid and will detract from China's economic dynamism and potentially induce further supply chain delays that may exacerbate inflation |
| Central Bank decisions | The BoE and the Fed will decide on interest rates this week, and in both cases, some tightening will be announced | The Fed will likely tighten by 50bp while the BoE will likely tighten by 25bp | 4/5 (monetary policy, markets, economy) | The process of normalising monetary policy is well underway. However, that will hold consequences for the certain sectors and global markets |

Highlights news vendors

CNBC - [The Fed is expected to raise rates by a half point. Investors wonder if it will get more aggressive](#)

ALL AFRICA - [Use of Cryptocurrency Not Allowed - Bank of Uganda](#)

FT - [China's independent refiners start buying Russian oil at steep discounts](#)

SOUTH CHINA POST - [China's independent refiners start buying Russian oil at steep discounts](#)

REUTERS - [EU set to unveil sanctions on Russian oil as fighting rages in Ukraine](#)

Local and regional talking points

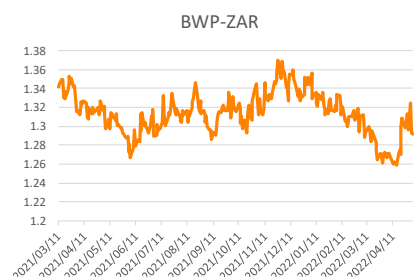
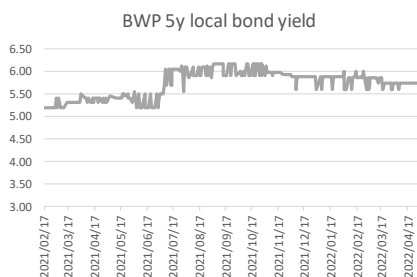
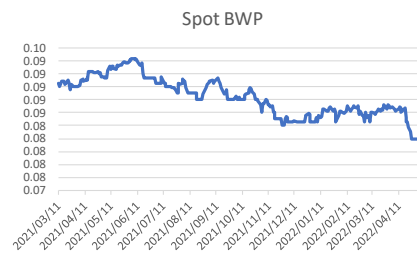
| | Corporate Foreign Exchange | | | |
|--------|----------------------------|---------------|--------------|---------------|
| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
| | CASH | CASH | TT | TT |
| BWPZAR | 1.240032 | 1.25328 | 1.2639285 | 1.344665 |
| BWPUSD | 0.07872 | 0.093496 | 0.080237 | 0.085284 |
| GBPWP | 15.679144 | 15.838472 | 15.339932 | 14.924714 |
| BWPEUR | 0.08112 | 0.081848 | 0.076635 | 0.080274 |
| JPYBWP | 11.0968 | 11.2112 | 10.483275 | 10.96865 |
| USDZAR | 15.121824 | 16.397576 | 15.476242 | 16.04282075 |
| EURUSD | 1.00944 | 1.093976 | 1.0330988 | 1.07030825 |
| GBPUSD | 1.198368 | 1.298752 | 1.2264548 | 1.270654 |

| | Interbank Spot Foreign Exchange | | Forward Foreign Exchange | |
|--------|---------------------------------|---------|--------------------------|-----------|
| | Close | Change | BWPUSD | BWPZAR |
| BWPUSD | 0.082 | 0 | 1m | -2.4375 |
| BWPGBP | 0.0657 | 0.0001 | 3m | -7.14675 |
| BWPEUR | 0.078 | 0.00 | 6m | -12.84075 |
| BWPZAR | 1.2917 | -0.0045 | 12m | -25.88625 |

| | Close | Change |
|--------------|---------|---------|
| Dollar Index | 103.516 | 0.051 |
| EURUSD | 1.0515 | -0.0005 |
| GBPUSD | 1.2481 | -0.0017 |
| USDJPY | 130.12 | 0.02 |
| USDNGN | 414.69 | 0 |
| USDZAR | 15.7534 | -0.0158 |

| Local Fixed Income | | | International Fixed Income | | |
|--------------------|-------|--------|------------------------------|--------|--------|
| Yield curve | Close | Change | Close | Change | |
| 6m | 1.553 | 0.006 | SA 10y | 9.955 | 0 |
| 3y | 3.51 | -1.24 | US 10y | 2.979 | 0.0415 |
| 5y | 5.76 | 0.01 | German 10y | 0.954 | 0.019 |
| 20y | 8.5 | 0 | Spread SA 5y vs Bots 5y bpts | | |
| 22y | 8.54 | -0.01 | | 260.5 | 3 |

| Equities | | | Commodities | | |
|---------------|----------|--------|---------------|------------------|----------|
| | Close | Change | Close | Change | |
| VIX | 29.25 | -3.09 | Gold | 1867.785 | -28.6109 |
| Dow Jones | 33128.79 | 84.29 | Brent Crude | 104.97 | -4.37 |
| FTSE | 7561.33 | 0 | 3m Copper | 9410 | -359.5 |
| JSE All share | 71338.99 | 0 | LME Index | 4661.6 | -169.2 |
| Bots DCIBT | 7245.06 | 0 | 1 carat index | Invalid field(s) | #VALUE! |
| Nigeria Index | 49638.94 | 0 | | | |

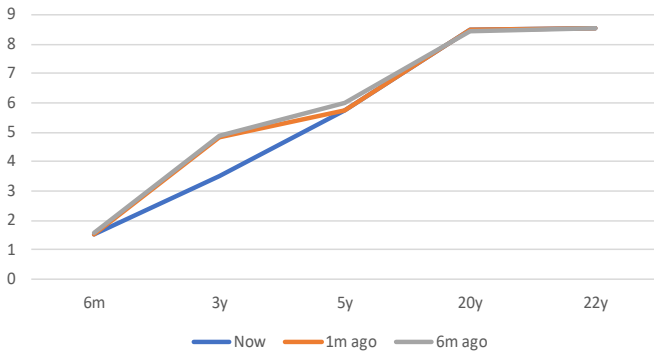


- Local news flow is on the thin side mid-week. However, the focus globally is on the Fed and the outlook for US monetary policy. Traders will be watching closely to see if the Fed follows through on recent communication and front loads its tightening cycle with a 50bps rate hike. It is widely expected that the Fed will use the opportunity to send a clear message that it is committed to reining in inflation even as growth concerns intensify following the miss in the Q1 GDP print. Notwithstanding the renewed growth concerns, we expect the Fed to stick to its guidance and raise rates by 50bps today.
- Moving over to South Africa, the National Prosecuting Authority managed to recover some R1bn of Gupta-linked assets indicating that some progress is finally being made. National Treasury is looking to create a uniform compensation structure for all public sector managers to regain control of the wage bill. It will allow the authorities to better coordinate the government's wage-bill strategy across government structures. Finally, Finance Minister Godongwana has intervened by sending in experts to push through the metro's financial recovery plan. These are all positive developments that may assist sentiment at the margin, although none are not direct market-moving events.

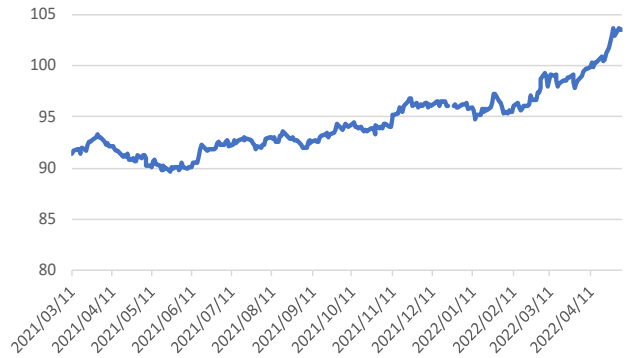
Financial Market commentary

- The slope is a slippery one for bullion at the moment with the market cutting any long positions ahead of the Fed announcement on rates tonight. The macro buzzword at the moment is inflation, as mentioned above the Fed is expected to deliver a 50bp hike this evening which will raise the opportunity cost of holding gold in the short term as it has no yield. Over the longer term, gold provides a hedge against inflation and currency debasement, thus strategic investors will look at any dips in the price as good entry points.
- Getting back to the Fed meeting tonight, the risk is that the markets have overpriced the hawkishness of the Fed, should the statement be even the slightest bit dovish we could see the dollar come under pressure which would see gold rally. We hold the view that much hawkishness has been priced in and thus the risk is towards the dovish side.
- Oil prices are tentatively recovering this morning from yesterday's losses, with the front-month Brent crude contract hovering just below \$106 per barrel. Traders are still weighing up the possible demand implications from China's lockdowns and slowing economy against tightening supplies and a possible ban on Russian crude by European nations. These factors have kept Brent prices within a range of \$100 and \$110 per barrel since mid-April, although the futures market remains bullish when looking at timespreads. The prompt timespread for Brent continues to trade near \$1.34 per barrel, not far off its average for the year.
- For the day ahead, we will have the latest official US inventory figures out before the focus will shift to the FOMC. The inventory figures are expected to show that demand for crude in the US remained robust last week, with a further drawdown anticipated.
- Emerging market currencies performed a little better yesterday and could extend that improved performance through today. Technically speaking, the USD-ZAR is ripe for a retreat, and the catalyst may come from a softening of the Fed's stance this evening in response to the global growth risks that have emerged. Given just how much Fed tightening investors have priced in, a softer stance may simply be for the FOMC to turn less hawkish, for the USD to give up some of its recent appreciation. Therefore, all eyes will turn to the Fed this evening and the BoE tomorrow for further guidance.
- Given the risks embedded in today's trading session we expect a measured start for the local unit. For now we are anchored at 0.0820 in the interbank market when looking at the BWP-USD and this is expected to remain the case, at least in the very near term.

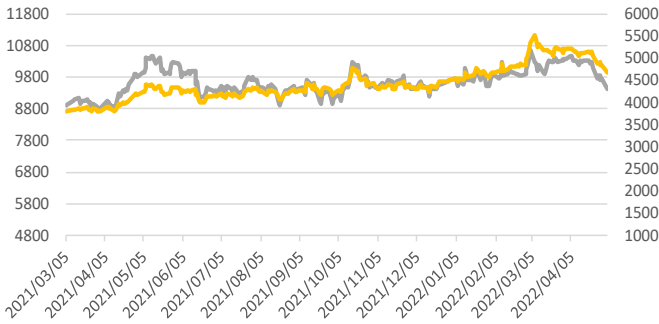
Botswana Yield Curve



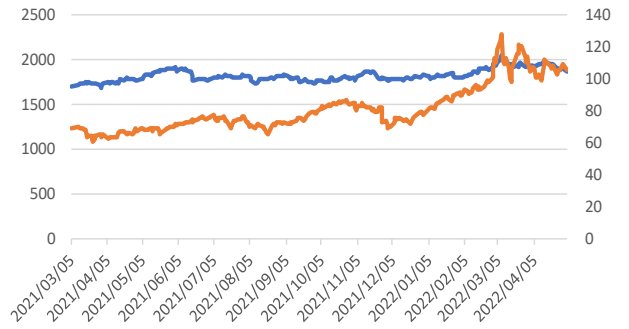
USD Index



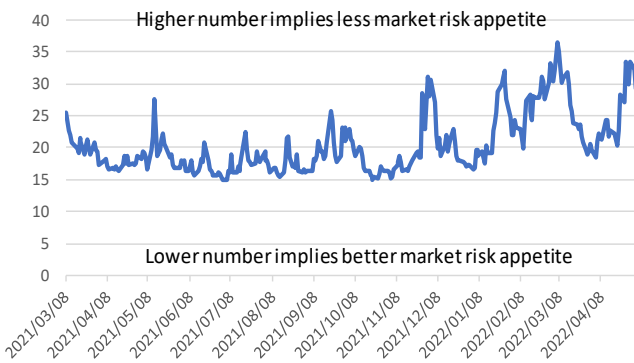
**Base metals - Copper L_Hand axis LME Index
R_Hand axis**



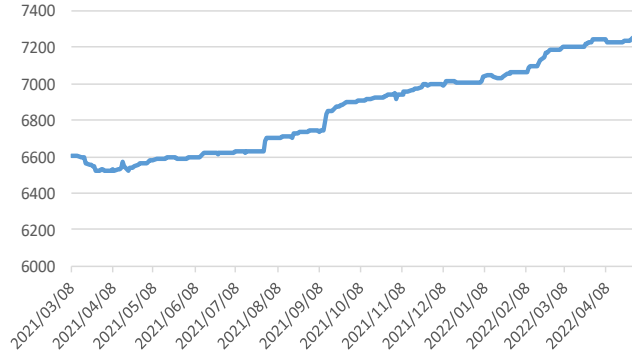
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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