

Botswana Market Watch

6 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Potential for CPI release y/y	April		10.0%
12:30	US	Change in nonfarm payrolls	Apr	390k	431k
12:30	US	Unemployment rate	Apr	3,6%	3,6%
13:15	US	Fed's Williams Gives Opening Remarks			
15:00	UK	BOE's Tenreyo speaks.			
19:00	US	Fed's Bostic Gives Commencement Address at Georgia Tech			

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoE decision	The BoE raised interest rates by 25bp to 1.00% from 0.75% but flagged the risk of recession for 2023 as inflation ravages the economy	Rate setters are now uncertain of the next move and whether it should be a bigger 50bp or not	4/5 (monetary policy, economy)	As global financial markets tumble, central banks will be faced with a much more difficult decision to hike rates in the face of collapsing balance sheets and looming recession
Equity markets	Global equity markets are tumbling again, with the Dow down over 1000 points as investors fret over the Fed's aggressive policy stance	The War in Ukraine, Covid lockdowns in China, high inflation and rates will detract from growth	5/5 (markets, economy)	Markets are positioning for a Fed playing catch-up. However, doing so will hold a range of negative consequences for global financial markets that will need to adjust to a new paradigm
USD	USD is set to extend its winning streak to the fifth consecutive week as the USD capitalises on the rise in risk aversion and the Fed's aggressive policy stance	Given the risks that exist, the USD could still surge further before it is deemed too expensive	5/5 (market)	Most currencies are on the defensive vs the USD. The US Fed is risking a major calamity through its very aggressive stance, which holds the potential to induce a US recession if left unchecked

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Oil prices	Oil prices are on the rise once more as investors remain concerned about the EU's embargo on Russian oil and what it means for supply availability	Rising oil prices further stoke inflation concerns in a double whammy for economies	5/5 (economy, markets, geopolitics)	Not even fears of a global slowdown were enough to reverse the oil price, which remains well bid as supply constraints are unlikely to dissipate until well into 2023
RBA forecasts	Australia's central bank has drastically raised its inflation forecast, warning that further rate hikes are needed to reign in inflation	The RBA now sees core inflation above the 2-3% range until 2024 and headline at 5.9% by Dec 2022	4/5 (monetary policy)	The RBA deems it appropriate to normalise monetary policy. It also remains concerned about supply chain bottlenecks and strong demand, which will keep inflation elevated.
US payrolls	As we end the week, investors will closely monitor the latest round of US payrolls for guidance. The market anticipates a solid rise of 391K, hinting at a strong market	A strong payrolls number will embolden the Fed to persist with its current stance	4/5 (monetary policy, markets, economy)	The problem with labour data is that it is a lagging, not a leading indicator of economic activity. A tight labour market now does not guarantee it will remain that way through 2023



Highlights news vendors

CNBC - [China's Covid lockdowns are hitting more than just Shanghai and Beijing](#)

ALL AFRICA - [How Covid Controls Hit Smallholder Farmers in African Countries](#)

FT - [ECB doves put to flight as interest rates set to rise in July](#)

SOUTH CHINA POST - [Xi says China's Covid policies will 'stand the test of time in Shanghai'](#)

REUTERS - [Russian fighting destroys, damages nearly 400 hospitals, medical centres, Zelenskiy says](#)

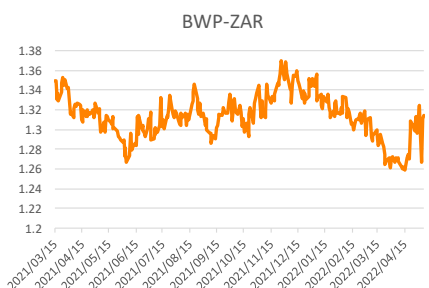
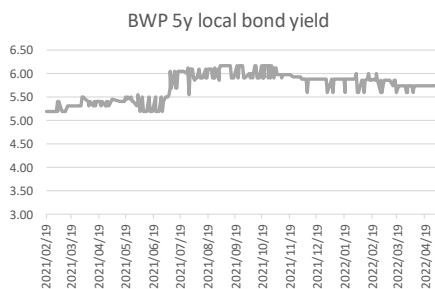
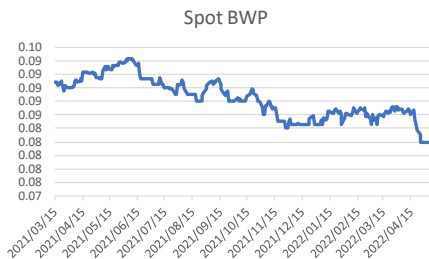
Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.261536	1.273344	1.2858469	1.366192
BWPUSD	0.07872	0.093496	0.080237	0.085181
GBPGBP	15.549664	15.691312	15.213253	14.786044
BWPEUR	0.081016	0.081744	0.0765368	0.080172
JPYBWP	11.1384	11.232	10.522575	10.989
USDZAR	15.385056	16.680664	15.745643	16.31978425
EURUSD	1.010592	1.095224	1.0342778	1.07152925
GBPUSD	1.18704	1.286688	1.2148613	1.258851

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZA
BWPUSD	0.082	0	1m	-2.3205
BWPGBP	0.0663	0	3m	-7.02975
BWPEUR	0.0779	0.00	6m	-14.181375
BWPZAR	1.3144	0.0213	12m	-26.013
				-263.52
Dollar Index	103.636	-0.116		
EURUSD	1.0527	-0.0013		
GBPUSD	1.2365	1E-04		
USDJPY	130.61	0.48		
USDNGN	414.62	0		
USDZAR	16.0287	0.0432		

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change	Close	Change	
6m	1.546	-0.01	SA 10y	9.985	0.09
3y	3.46	-1.29	US 10y	3.0346	0.0885
5y	5.76	0	German 10y	1.048	0.07
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.54	-0.01		261.5	5

Equities			Commodities		
	Close	Change	Close	Change	
VIX	31.2	5.78	Gold	1876.8408	-4.082
Dow Jones	32997.97	932.27	Brent Crude	110.9	0.76
FTSE	7503.27	-67.88	3m Copper	9489.5	16
JSE All share	69682.65	-981.41	LME Index	4668.9	-21.4
Bots DCIBT	7244.92	0	1 carat index		#VALUE
Nigeria Index	50835.95	487.47			

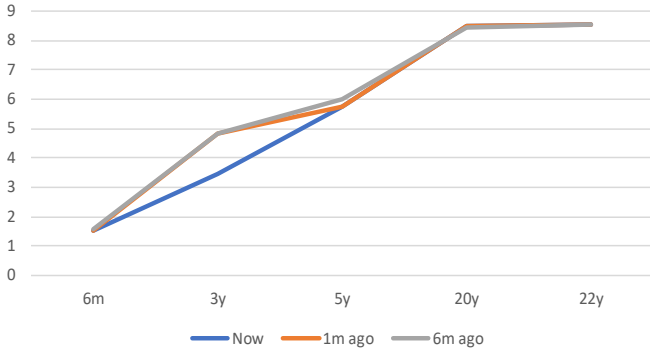


- The mining sector in Botswana remains a focal point for investors. MarketWatch reported yesterday that *African Pioneer PLC* said Thursday that it has made a positive start to 2022 and that it has entered into option agreements for licenses in Zambia and Botswana. The copper-gold exploration-and-development company said it has entered an agreement with First Quantum Minerals Ltd. in relation to four of five 80%-owned Zambian exploration licenses and another agreement with Sandfire Resources Ltd. in relation to four of eight 100%-owned Botswana prospecting licenses. African Pioneer added that it has increased its interest--from 70% to 85%--in its Namibian projects. At the Ongombo Project, measured & indicated mineral resources have increased by 3.76 million metric tons, for which the company said it has submitted a mining license application.
- As mentioned yesterday, we have the potential for the release of the April CPI reading. We expect inflationary pressures to remain embedded for now but we are now at the top or nearing the top of the inflationary cycle created by higher energy and commodity prices coupled with supply chain strains.

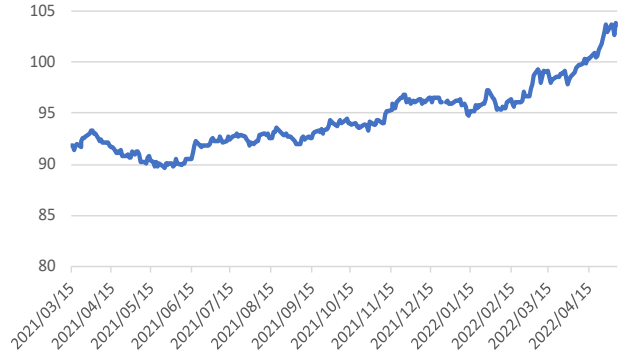
Financial Market commentary

- Oil is heading for its second straight weekly gain, its first back-to-back increase since early March, as the market tightens and concerns grow over the EU's ban on Russian crude. Brent is trading near \$111.60 per barrel when looking at the front-month contract, as a result, while WTI's benchmark is nearing \$109 per barrel. Beyond the EU ban, market supply remains tight, with OPEC+ yesterday doing very little to alleviate these pressures. The cartel and its allies stuck to their guns and announced another 432k barrel per day increase for June. Even with such a minor increase, it is still being questioned whether or not the group can meet its output targets. In March, the cartel increased its output by less than 10% of what it planned, and there have been no signs to suggest that this materially increased in April or will do so in May.
- As dramatic as the ZAR's recovery was earlier this week, yesterday's reversal back in favour of ZAR weakness was even more dramatic. The move was reminiscent of the volatility experienced in April 2020 when the authorities first implemented lockdowns. Financial markets once again turned their focus to the effects of the Fed's stance and how aggressive it is. The Dow tumbled over 1,000 points to more than offset the prior gains, and overall risk appetite has collapsed.
- Central banks have spooked the markets, and investors are now responding. This holds the potential to turn ugly if central banks do not soften their stance or inject some sensitivity into their policy positions. We are seeing a glimpse of what might unfold if the Fed follows through with its policy position, and its warnings that the adjustment could prove painful may prove to be an understatement. Although this is another reason why one could argue that the central banks will not be able to deliver on their guidance, the market has little to go on right now other than what the central banks have released.
- Heading into the weekend, traders across several financial markets will likely prefer to be neutral. Between the war in Ukraine that holds more inflation and growth consequences for Europe, the Covid response in China and the aggressive central bank positions, any further bad news could spark a material selloff. It is clear that this has become a more risk-off trading environment, and the ZAR, along with other EMs has turned vulnerable.
- The last piece of important news heading into the weekend will be the US payroll data. As it stands, the USD is headed for its fifth consecutive winning week. Market participants are anticipating a solid rise in payrolls of 391k. Anything as strong as that, if not stronger, only builds the case for tighter US monetary policy, and the USD could surge. Therefore, all eyes and focus will shift towards the US this afternoon for further direction.
- Given this backdrop we expect a very cautious start to today's local trading session. With the ZAR back above R16.00 it is unlikely that the BWP will make any headway against the USD at the open.

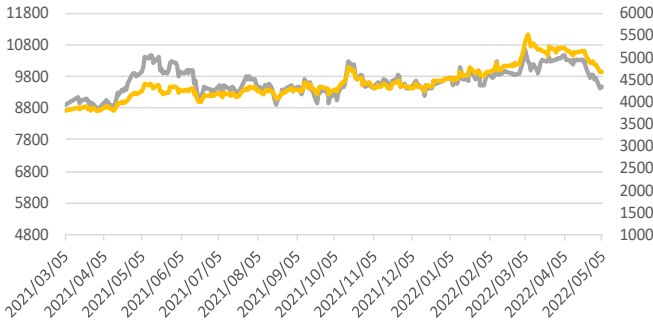
Botswana Yield Curve



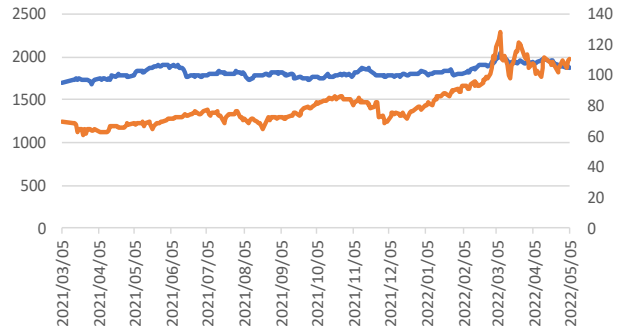
USD Index



Base metals - Copper L_Hand axis LME Index
R_Hand axis

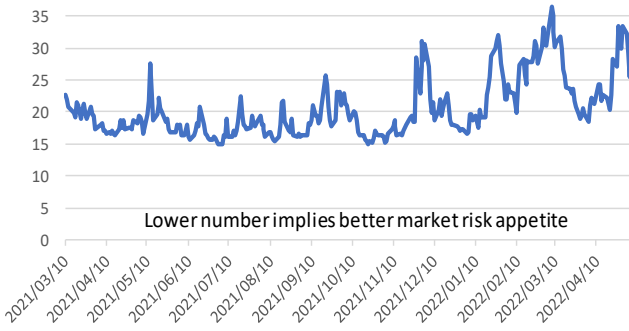


Oil R_Hand Axis - Gold L_Hand Axis



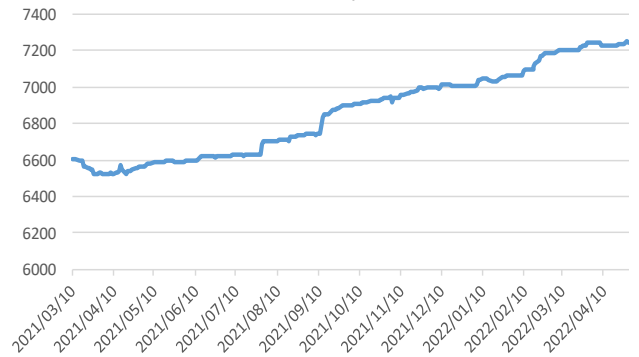
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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