

# Botswana Market Watch

## 9 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Potential for CPI release y/y	April		10.0%
00:30	JN	Markit composite PMI	Apr F		50,9
00:30	JN	Nikkei PMI services	Apr F		50,5
08:30	EZ	Sentix investor confidence index	May	-21,1	-18
14:00	US	Wholesale inventories m/m	Mar F	2,3%	2,3%
14:00	US	Wholesale sales m/m	Mar	1,8%	1,7%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Chinese trade data</b>	Growth in exports slowed to 3.9% in USD terms y/y vs the 14.7% in March, with Covid curbs severely denting China's productivity base and ability to export	China's curbs, alongside inflation and supply chain issues, are raising recession fears	<b>4/5</b> (economy, Covid)	China's trade data is considered a barometer for global demand, and any indications of slowing demand will translate into further stress across financial markets
<b>Fedspeak</b>	Fed Governor Waller and St Louis Fed President Bullard pushed back on talk that the Fed has fallen behind the curve and is now playing catch up	Both have indicated that forward guidance has resulted in much of their view being priced in	<b>5/5</b> (markets, Economy, monetary policy)	Their counter-argument is that market rates started to rise in Sep last year already, which signalled the start of the Fed's aggressive use of forward guidance to bring inflation under control
<b>Bond yields</b>	US Treasury yields continued to rise on Friday after some robust non-farm payrolls figures showed that the economy would still prove resilient	Bond yields worldwide are experiencing a similar rise as central banks fight inflation	<b>5/5</b> (market)	Even the ECB, which is facing the prospect of a possible recession, has acknowledged that a few hikes in interest rates may be justified to help control inflationary pressures

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Oil - EU Ban</b>	All eyes will be on the EU talks for an oil embargo ahead of an EU vote, although the date of the vote is unclear as a unanimous outcome is needed	Bulgaria has requested derogation alongside other countries to give it time to comply	<b>5/5</b> (economy, markets, geopolitics)	The EU is making a decisive move to shift away from Russian dependence, and while it comes too late for Ukraine, it will hold severe consequences for the Russian economy over the long-term
<b>Russia - 09 May</b>	Today marks the anniversary of Russia's victory over Nazi Germany, and speculation has intensified that it could hold implications for the war	The sooner the war ends, the better for investors worldwide that have a multitude of risks to price in	<b>4/5</b> (geopolitics)	Should Russia declare victory and cease further military action beyond the Donbas, Ukraine will have some hard decisions to make. But, it could allow for some normalisation of economic activity
<b>US inflation</b>	This week much focus will turn to the latest inflation data scheduled for release on Wed. It will hold major implications for central banks and markets	A high reading will only build the argument for a strong response by the FOMC	<b>4/5</b> (monetary policy, markets, economy)	Any data that points to the Fed hiking rates more aggressively will likely translate into more market volatility and a deeper sell-off in risk markets. This is a big red flag to emerging market FX

### Highlights news vendors

CNBC - [Stock futures slip as Wall Street attempts to stabilize after rollercoaster week](#)

ALL AFRICA - [Antibiotic Use in Uganda Is High - Action Is Needed](#)

FT - [EU should seize Russian reserves to rebuild Ukraine, top diplomat says](#)

SOUTH CHINA POST - [How Chinese loans help fuel African military spending](#)

REUTERS - [Putin to mark Soviet WW2 victory as Ukraine decries school bombing](#)

## Local and regional talking points

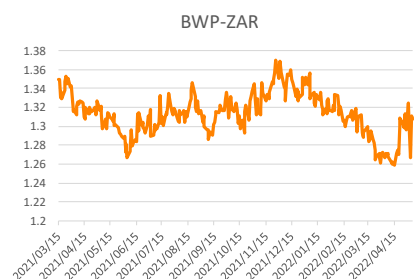
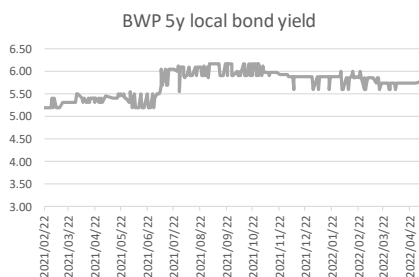
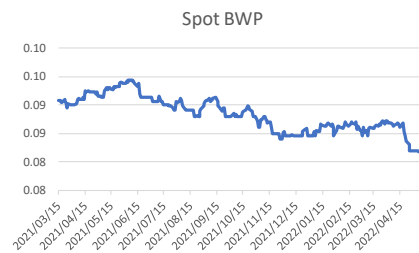
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.264032	1.27776	1.288391	1.37093
BWPUSD	0.078432	0.093496	0.0799435	0.084872
GBPWP	15.486536	15.643264	15.151491	14.740768
BWPEUR	0.080808	0.08164	0.0763403	0.08007
JPYBWP	11.128	11.232	10.51275	10.989
USDZAR	15.47136	16.778632	15.83397	16.41563275
EURUSD	1.00896	1.093456	1.0326075	1.0697995
GBPUSD	1.17936	1.278056	1.2070013	1.25040575

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0817	-0.0003	1m	-2.3205	-20.50066
BWPGBP	0.0662	-0.0001	3m	-7.0395	-71.32685
BWPEUR	0.0774	0.00	6m	-12.6555	-130.3186
BWPZAR	1.3079	0.0148	12m	-25.779	-264.3344

	Close	Change
Dollar Index	104.03	0.37
EURUSD	1.051	-0.0041
GBPUSD	1.2286	-0.0051
USDJPY	130.92	0.36
USDNGN	414.69	0
USDZAR	16.1191	0.1106

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.557	0.011	SA 10y	10.09	0.105
3y	4.75	1.29	US 10y	3.1424	0.1078
5y	5.78	0.02	German 10y	1.137	0.089
20y	8.48	-0.02	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.01		272.5	11

Equities			Commodities		
	Close	Change		Close	Change
VIX	30.19	-1.01	Gold	1882.9565	6.1157
Dow Jones	32899.37	-1063.09	Brent Crude	112.39	1.49
FTSE	7387.94	9.82	3m Copper	9414.5	-75
JSE All share	67978.14	-674.93	LME Index	4594.3	-74.6
Bots DCIBT	7223.4	-0.14	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50937.01	709.54			

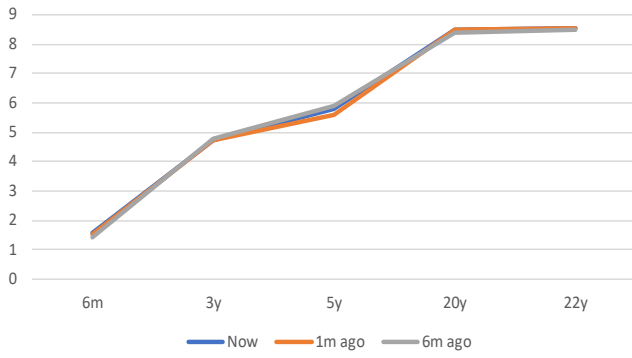


- Politics remains front and centre as the tensions between the current administration and the previous President Ian Khama rise further. Khama is currently residing in South Africa stating he fears persecution or assassination should he return to Botswana. Khama has given many interviews to South African newspapers saying that he is not a fugitive and believes South Africa should have done more to quell the tensions between him and his hand-picked successor President Mokgweetsi Masisi. In response, the government has dismissed as "outrageous" claims by former president Ian Khama that his family is under siege and there's a plot to assassinate him.
- Media and investors are keeping an eye on the developments surrounding the Khama fall out. At present it is not market moving, but it does have the ability to fracture regional relations should not be managed correctly.
- The start of the week sees the potential release of the April inflation reading. Globally inflation pressures are entrenched, (see comments below), we do not believe that this will be any different for Botswana.

## Financial Market commentary

- As we start a new week, the ZAR and the BWP remains on the defensive with an investor base worrying about global trends and themes and the consequences of the Fed's tightening. While equity markets remain under considerable pressure, the prospects for a near-term recovery in the ZAR or BWP look slim as overall risk appetite levels remain especially subdued.
- Inflation is not yet under control. Many central banks worldwide have revised their inflation forecasts up for the next 6-8 months, and expectations are intensifying that rates will need to follow suit to cap the rise. An assessment of pre and post-Covid markets shows that the unprecedented amount of monetary stimulation applied during the pandemic has imposed a high degree of asset price distortion across different markets. That is now susceptible to a correction. How deep the correction will depend on how aggressively the central banks continue to tighten monetary policy. They have barely begun to do so, and financial markets are already correcting.
- The real question is how much pain the central banks are prepared to inflict on household and business balance sheets. Shrinking balance sheets which accompany sinking asset prices will materially affect the credit cycle. In turn, economic dynamism will turn more subdued and economic growth will reflect this. This will continue until the central banks believe they have done enough to crimp inflation or when investors believe that asset prices are now so low that they offer plenty of future value. Between now and then, high degrees of volatility, uncertainty and negative returns may become commonplace.
- Finally, speculation has intensified that Putin will announce either a victory or a stronger commitment to the war today, the anniversary of Russia's victory over Nazi Germany. If true, it could influence the general path the war could take. The sooner this war stops, the better it is for everyone if it helps to stabilise markets. Ukraine can start rebuilding, including the reestablishment of agricultural and mining production.
- Taking a look at oil, G7 leaders have committed to phasing out Russian oil, matching a plan laid out by the European Union last week. However, the EU still needs to iron out its plans as not every member is on board. Talks between the 27 members will likely continue through this week, and will be a key driver of the oil markets. If the talks drag out, we may see oil dip lower, although the downside will be limited given that the global market remains undersupplied.

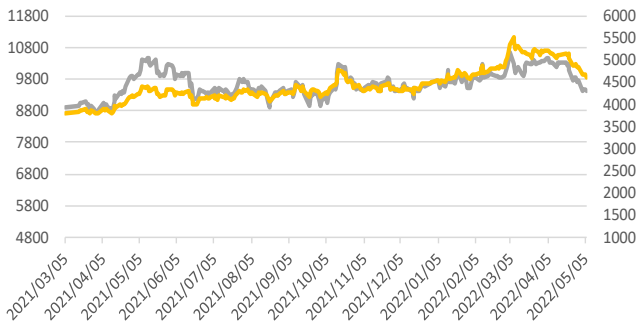
### Botswana Yield Curve



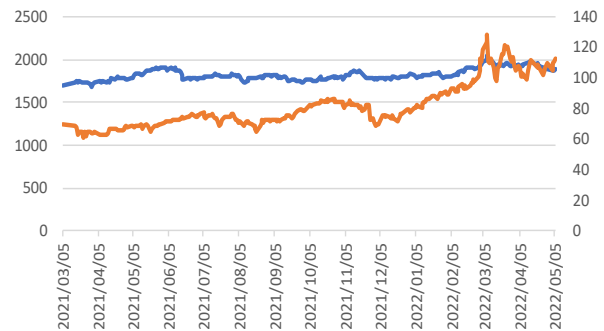
### USD Index



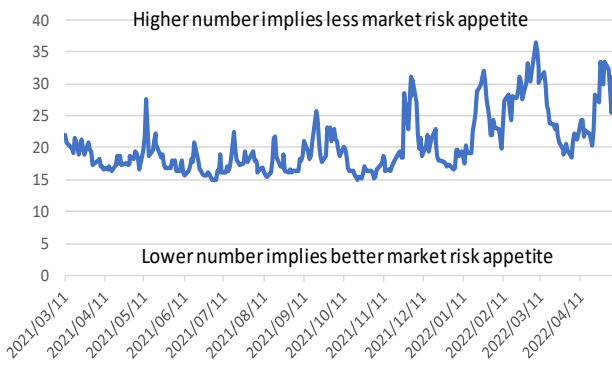
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



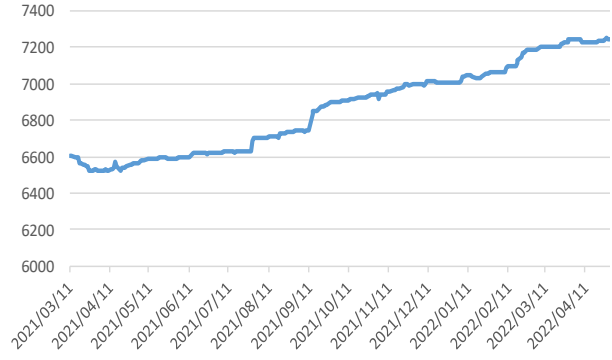
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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