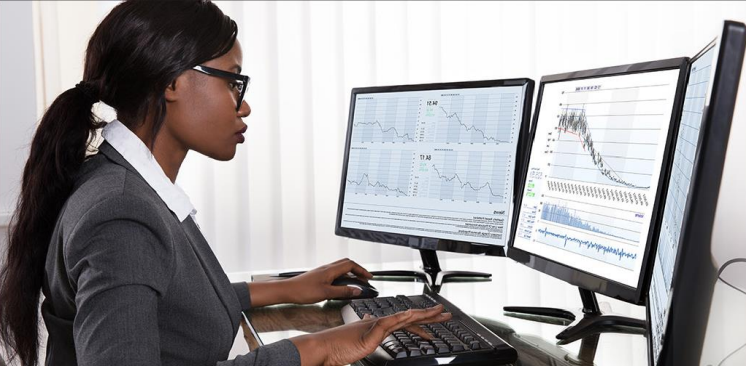


Botswana Market Watch 10 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	Potential for CPI release y/y	April		10.0%
09:00	BW	Bots to place BWP4bn of 7-Day certificates			
09:00	EZ	ZEW economic sentiment	May		-43
09:00	GE	ZEW economic sentiment	May	-42	-41

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Aid to Ukraine	US congressional Democrats agreed to a further \$39.8bn in aid for Ukraine, easing fears that a delayed vote would stall the supply of weapons to Ukraine	This exceeds Biden's request for \$33bn and places further pressure on the US fiscus	5/5 (geopolitics)	This represents a dramatic escalation of the war funding by the US and raises the geopolitical stakes between Russia and NATO. The US will be looking to the benefits of weakening Russia's military
UK retail	According to the BRC, British shoppers have cut spending in response to the rise in inflation and the drop in household disposable income	This is the first reduction in spending since early 2021, when the country was under lockdown	4/5 (markets, Economy, monetary policy)	This is likely a sign of things to come as the effects of inflation become more pronounced. Like for like sales were down 1.7% y/y in April vs the 0.4% contraction experienced in March
Fed report	Predictably, the Fed has indicated that uncertainty has increased since its previous financial stability report in Nov	The Russian invasion of Ukraine and persistent inflation have raised risks	4/5 (market)	Hardly anything surprising in this, but it paints the backdrop against which most central bank decision making will take place in the coming months

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia - Ukraine War	While Russia was celebrating its WWII victory over Nazi Germany, Russian troops were bombing the southern port of Odesa in a bid to cut Ukraine off from its ports	The move is strategic and likely the final piece of the strategic puzzle for the Putin administration	5/5 (economy, markets, geopolitics)	The concern is that Odesa is also the main port through which Ukraine's agricultural products are exported. It is important to the economy and to the agricultural markets
BoJ policy	The BoJ has no plans to change the target tolerance band and allow interest rates to move further from the 0% target, not even to stop the JPY's slide	That means that the JPY may have further to slide and leave Japan with an inflation headache	4/5 (markets, monetary policy)	Japan's economy is so leveraged that allowing yields to rise much further to counter the weakness in the economy would threaten the economy itself with a significant credit cycle contraction
US inflation	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	4/5 (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

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ALL AFRICA - [Three Things That Can Go Wrong At an Illegal Oil Refinery in Nigeria](#)

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SOUTH CHINA POST - [Fish farming floated as an answer to the Earth's food issues](#)

REUTERS - [EXCLUSIVE Tesla halts most production at Shanghai plant on Tuesday - memo](#)

Local and regional talking points

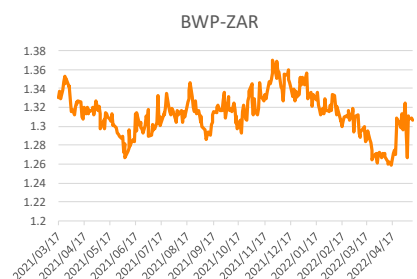
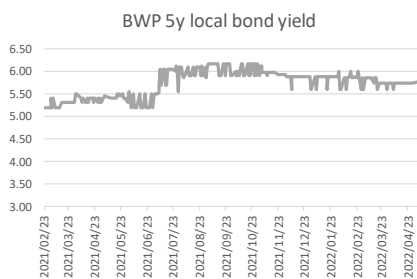
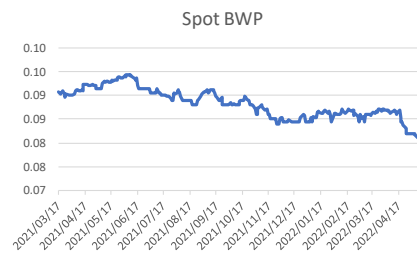
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.25328	1.263264	1.2774318	1.355377
BWPUSD	0.07776	0.093496	0.0792585	0.084048
GBPWP	15.759328	15.881216	15.418381	14.964992
BWPEUR	0.07956	0.080184	0.0751613	0.078642
JPYBWP	10.972	11.0552	10.365375	10.816025
USDZAR	15.47232	16.770936	15.834953	16.40810325
EURUSD	1.015488	1.100528	1.0392885	1.0767185
GBPUSD	1.18704	1.286376	1.2148613	1.25854575

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.457
BWPGBP	0.0655	-0.0002	3m	-6.93225
BWPEUR	0.0765	0.00	6m	-14.47875
BWPZAR	1.3058	-0.005	12m	-26.15925

	Close	Change
Dollar Index	103.539	-0.112
EURUSD	1.0578	0.0023
GBPUSD	1.2367	0.0036
USDJPY	130.22	-0.03
USDNGN	414.8	0
USDZAR	16.1198	-0.0352

Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.544	-0.013	SA 10y	10.205	0.115
3y	3.46	-1.29	US 10y	3.0338	-0.1086
5y	5.78	0	German 10y	1.088	-0.049
20y	8.48	0	Spread SA 5y vs Bots 5y bpts		
22y	8.54	-0.01		284.5	12

Equities			Commodities		
	Close	Change		Close	Change
VIX	34.75	4.56	Gold	1853.9207	-29.0358
Dow Jones	32245.7	-98.6	Brent Crude	105.94	-6.45
FTSE	7216.58	-115.33	3m Copper	9237.5	-177
JSE All share	66769.12	-1704.51	LME Index	4451.6	-142.7
Bots DCIBT	7225.38	-21.52	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51903.44	101.06			

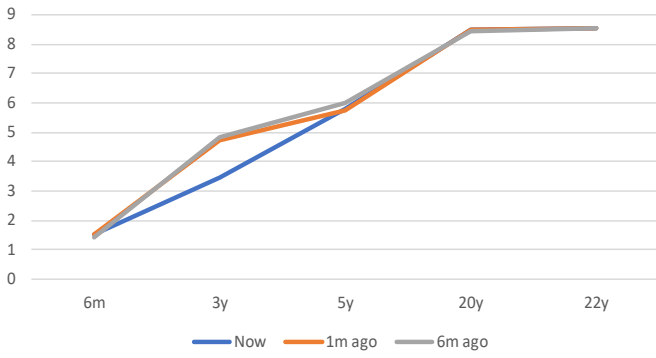


- The macro backdrop regionally is fragile at present with most of the countries in Southern Africa reliant on developed markets to purchase commodities to keep the coffers full and hard currency rolling in. There are however fears that the commodity boom, at least in the short term will stall as the Fed tightens to stem inflation, the EU heads into recession as a result of the Ukrainian/Russian conflict and China locks down as a result of COVID-19.
- Copper took it on the chin yesterday registering losses of 1.9% on the day while aluminium fell even further recording losses of 3.11% to close the day at \$2755.00/tonne. Nickel performed the worst shedding 6.5% to close at \$28185.00/tonne.
- Gaborone will be keeping a close eye out on developments given the strategic investment the country is making in the like of copper.
- We view the risks in the short term being to the downside, however longer term there are structural headwinds that continue to reinforce the need for the likes of copper. The green energy movement will require vast quantities of copper as the decarbonisation of the world moves ahead

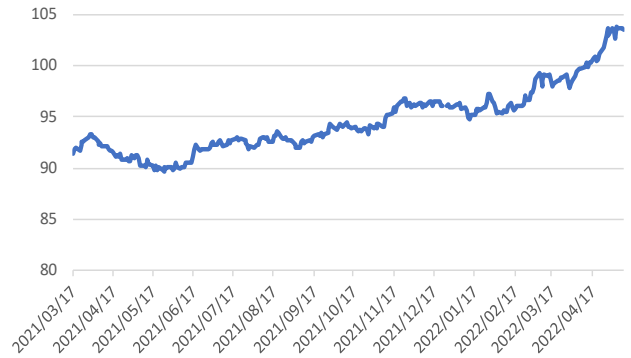
Financial Market commentary

- Given the volatility seen in the regional FX leader namely the ZAR we will be taking a more in depth look at developments driving the ZAR today.
- It's difficult to make head or tail of the market at the moment. One would be justified in anticipating further ZAR depreciation due to the drop in stock markets and the rise in risk aversion while load shedding has resumed. Furthermore, the USD has remained strong, and commodity prices have slipped. Global investors are shifting towards a defensive positioning, and there are very few places to hide. Gold may be up on the trading session but is well off its highs. SA's terms of trade have slipped, and the VIX's rise is disturbing as it rises back towards distressed levels.
- And yet, the ZAR made a recovery off yesterday's intra-day lows. While it looked to test levels towards 16.30 yesterday afternoon, it is trading back below 16.1200 this morning. The week's main event will be the US inflation data scheduled for tomorrow and it might have the final say in how markets unfold. A stronger than expected reading could bolster the USD further, but investors have a lot priced in already, given how markets are currently performing.
- US Treasury yields are also off their highs, and with the 10yr positioned at over 3.0%, there is a lot of tightening priced into the market. The fact that the US yield curve is steepening again is interesting and suggests that the more the stock market corrects, the lower the probability that the Fed will be able to carry out the full extent of the tightening. This suggests that the USD is quite fully priced and no longer obvious rotation play.
- It is, therefore, a tricky time. While the face-value strategy would be to rotate further into the USD, there are many other factors to consider, and it is a relative game. Relative to how much has already been priced in, not just for the USD but also for other currencies. For the ZAR that means that the ZAR's valuation relative to commodity prices should also be considered. For now, SA will still be producing trade and current account surpluses and the terms of trade, although off their highs, are still supportive of ZAR at the margin. Balance that off against domestic bond yields that have risen sharply, and the carry trade becomes a feature again. For all the concerns investors will have around the volatility in global equity markets, the ZAR may still have some resilience left in it yet.

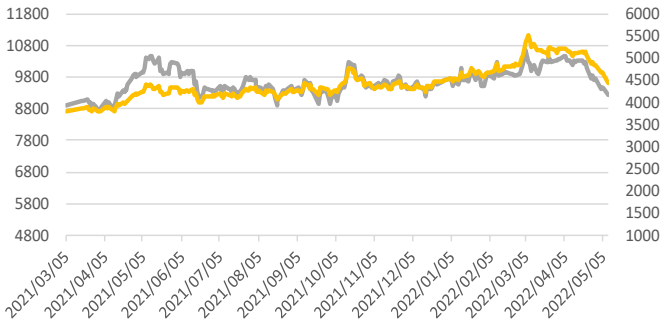
Botswana Yield Curve



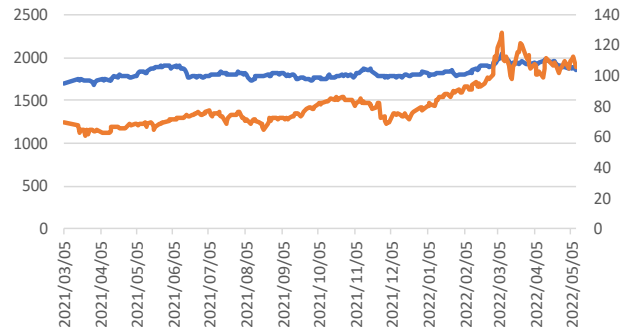
USD Index



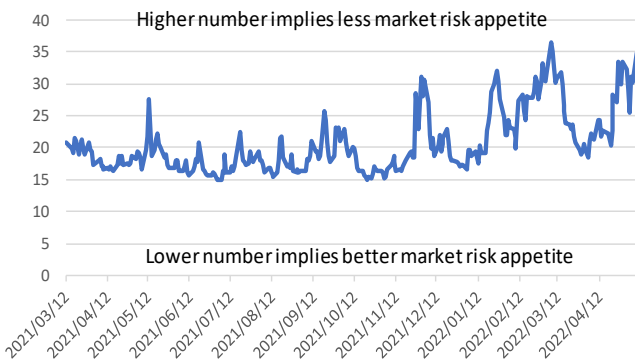
**Base metals - Copper L_Hand axis LME Index
R_Hand axis**



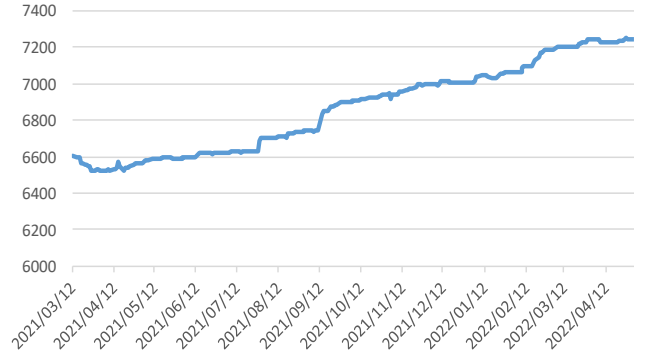
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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