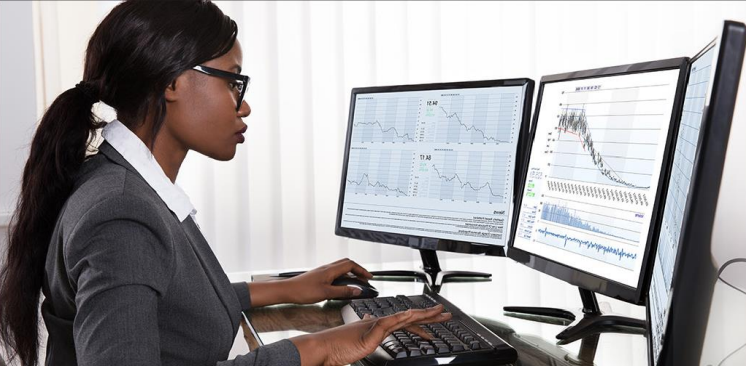


Botswana Market Watch

11 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Potential for CPI release y/y	April		10.0%
06:00	GE	CPI y/y	Apr F	7.4%	7.4%
11:00	US	MBA mortgage applications	May 6		2.5%
12:20	EC	ECB's Schnabel Speaks			
12:30	US	CPI y/y	Apr	8.1%	8.5%
12:30	US	Real ave weekly earnings y/y	Apr		-3.6%
18:00	US	Monthly budget statement	Apr		\$-192.7bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
China factory inflation	China's PPI has eased to a one year low in the Apr data of 8.0% y/y. Expectations are that price pressures will continue to moderate	High base factors and cooling commodity prices will tame inflation and give the PBoC room to support	3/5 (economy)	This might appear as though it defies the global trend in inflation, but that too shall pass. As high base factors come into play and the effects of rate hikes stall economies, inflation will reverse
Russia-Ukraine war	Ukraine has halted some Russian gas flows and redirected other gas to Europe. Ukraine is mounting a counter-offensive as it targets Russian supply lines	This war is far from over and could drag on for many more months to support commodity prices	4/5 (geopolitics)	Russia has done damage to itself and to Europe. The effects will last for a while as the world pivots away from Russian gas and energy, for very little in the way of material geopolitical gains
Bond yields	Bond yields are falling once more. It is unclear whether this will be a long-standing trend, but fears of recessions have resulted in bond yields moderating	Central banks will likely become more sensitive to growth concerns and ease the pace of tightening	4/5 (market, monetary policy)	Central banks are unlikely to be able to carry out the full extent of the tightening that they have planned, and bond markets are starting to reflect that through lower bond yields

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK recession	Britain is on track to record a technical recession in H2 2022 according to the National Institute of Economic and Social Research (NIESR)	Soaring inflation and rate hikes amid supply chain challenges are all weighing on growth	5/5 (economy, markets, Monetary policy)	The BoE was forecasting that the economy would shrink by up to 1% in the final quarter of the year, implying that the NIESR forecast is not an unrealistic scenario
Oil prices	As the EU looks to implement an oil ban on Russia, oil prices are on the march higher as OPEC+ warns of tight supply conditions	The ban will, of course, hurt Russia, but it will also hurt the broader EU	4/5 (markets, geopolitics)	Modern economies survive on energy. Stall the supply of energy, and the economy stalls. This is an important decision with major consequences
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

CNBC - [China's consumer prices hit a six-month high as Covid prompts locals to stock up on food](#)

ALL AFRICA - [Museveni's Plan to Jail Rivals for Even Longer and How It Might Backfire](#)

FT - [Musk says he would reverse Trump's Twitter ban, calling it 'morally wrong'](#)

SOUTH CHINA POST - [Chinese media unveils details of US-inspired military logistics system](#)

REUTERS - [Ukraine to halt some Russian gas flows, claims battlefield gains](#)

Local and regional talking points

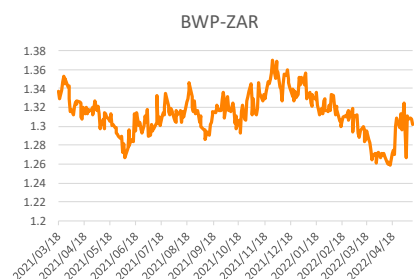
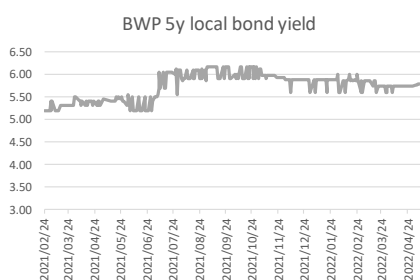
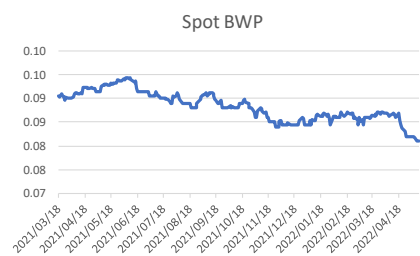
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.250112	1.269696	1.2742027	1.362278
BWPUSD	0.07776	0.093496	0.0792585	0.084666
GBP/BWP	15.592408	15.833688	15.255072	14.920206
BWPEUR	0.079976	0.08112	0.0755543	0.07956
JPY/BWP	10.9824	11.1488	10.3752	10.9076
USDZAR	15.434016	16.73308	15.795751	16.37106625
EURUSD	1.01136	1.096056	1.0350638	1.07234325
GBPUSD	1.183104	1.282528	1.210833	1.254781

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.379
BWPGBP	0.0657	0	3m	-6.93225
BWPEUR	0.0769	0.00	6m	-14.274
BWPZAR	1.3023	-0.0056	12m	-26.481

	Close	Change
Dollar Index	103.878	-0.042
EURUSD	1.0535	0.0008
GBPUSD	1.2326	0.0004
USDJPY	130.41	-0.02
USDNGN	413.83	0
USDZAR	16.0768	-0.0611

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change	Close	Change	
6m	1.792	0.248	SA 10y	10.25	0.045
3y	4.75	1.29	US 10y	2.9889	-0.0449
5y	5.78	0	German 10y	1.003	-0.085
20y	8.5	0.02	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.01		287.5	3

Equities			Commodities		
	Close	Change	Close	Change	
VIX	32.99	-1.76	Gold	1838.1431	-15.7776
Dow Jones	32160.74	-653.67	Brent Crude	102.46	-3.48
FTSE	7243.22	-171.36	3m Copper	9228.5	-9
JSE All share	66966.73	-1209.02	LME Index	4436.5	-15.1
Bots DCIBT	7226.52	1.98	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51805.41	966.43			

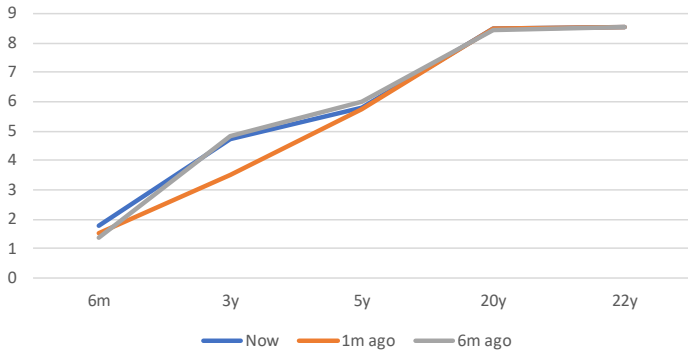


- The Ukrainian/Russian conflict is providing Botswana with an unexpected windfall. President Mokgweetsi Masisi said yesterday that his government had been inundated with inquiries for the country to supply coal to Europe, with estimates of demand out of the region topping a million tonnes per year.
- "We have received inquiries from Europe and so we want to (export)," Masisi said in an interview with Reuters in Cape Town, where he was a key speaker at the Mining Indaba conference. Lefoko Moagi, Minister of Mineral Resources, Green Technology and Energy Security, said in the same interview that Botswana could meet that demand, while Masisi said it wanted to do so "as soon as possible." "Typically what we've been getting is 50,000 tonnes a month is what they want to get, but we've also had others (inquiring about) long-term contracts, (we are) looking at a million tonnes a year from individual countries (combined)," Moagi said.
- The fact of the matter is that Africa is going to become more strategically significant to the world as Russian supplies are removed from the market. Challenges as always will be the logistical part with much of Africa needing additional infrastructure to allow for the extraction of these minerals.

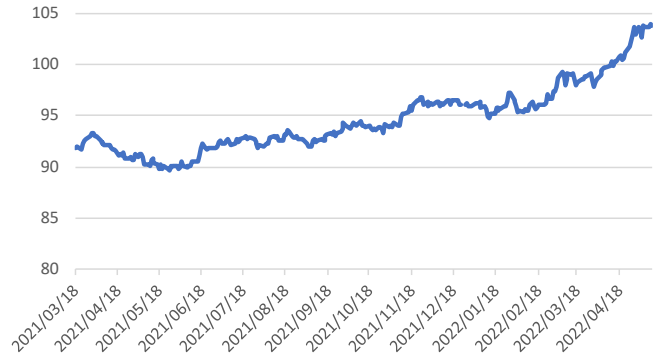
Financial Market commentary

- While African bonds have been more resilient to the deterioration in global risk appetite than emerging market bonds, given that investors often buy and hold African bonds through to maturity due to thin liquidity in the secondary market, African bonds are still vulnerable to the global risk-off conditions. This is reflected by the year-to-date performance of the AFMI Bloomberg African Bond Index, which has lost just over 5% in 2022. This compares to losses of more than 16% in emerging market bonds.
- The vulnerabilities of African fixed income markets to the worsening global conditions were highlighted in a report published by S&P on Tuesday. The global rating agency said that declining global growth on the back of the Russia-Ukraine conflict and a slowdown in China is weighing on the domestic debt-carrying capacity of frontier markets in Africa. S&P added that sizable non-resident positions in some local bond markets such as Egypt, Ghana, and South Africa, boost liquidity, but often at the expense of increased sensitivity to current shifts in global monetary policy.
- S&P noted in its report that many African sovereigns enter this challenging post-pandemic period with high existing domestic debt stocks and large refinancing requirements. Country's with more fragile debt and macroeconomic fundamentals are the most exposed to the deterioration in lending conditions amid the persistent risk-off conditions and hawkish pivot from central banks across the world.
- Moving over to metals, Base metals continued to struggle yesterday as the world priced for lower demand amid the COVID-19 induced lockdowns in China and a more aggressive Fed which has the potential to curtail economic dynamism in the US.
- This morning we have the price of copper and aluminium up in the Asian session as short term specs bet on a softer inflation number which would filter through to rate hike expectations. Analysts are expecting a sharp pull back in the April reading of inflation, the expectation is that inflation cools to 0.2% in April from 1.2% in March month on month.
- Ahead of the inflation data later today, the USD remains consolidative. The inflation figures will be key as they will offer insight into the conviction with which the Fed will need to act to regain control of inflation. The global economy is slowing, with some important jurisdictions forecasting recessions. The U.K. and the E.U. will both experience tough conditions through H2, and it is against this backdrop and the effects of rapidly tightening monetary policy that investors would do well to reconsider their expectations for Fed tightening. The Fed may indeed struggle to tighten monetary policy to the extent that they have indicated. Consolidative behaviour remains the order of the day against the majors this morning, with no material change to week-long ranges.

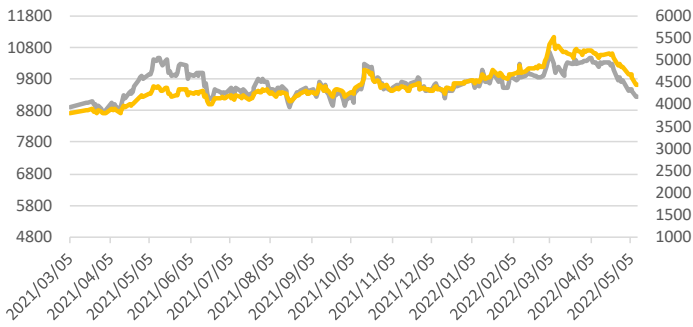
Botswana Yield Curve



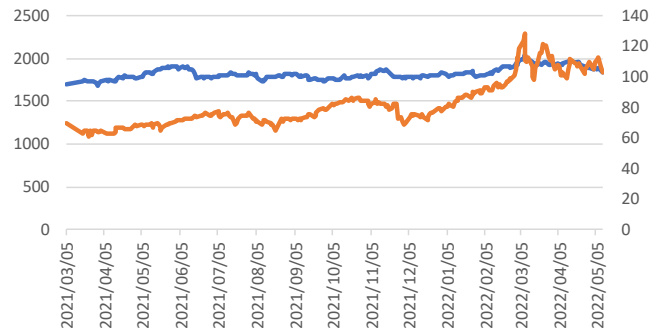
USD Index



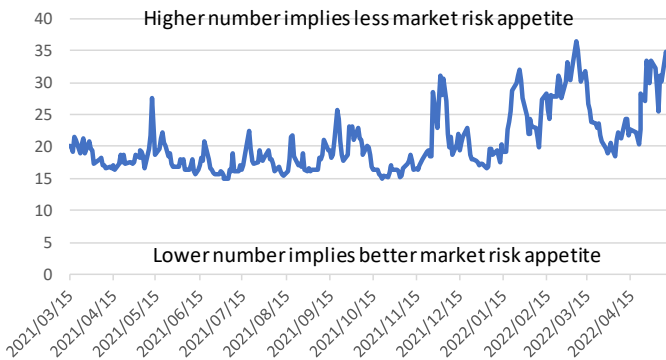
Base metals - Copper L_Hand axis LME Index R_Hand axis



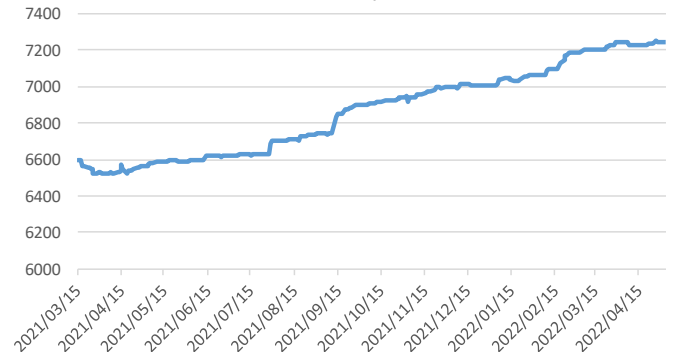
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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