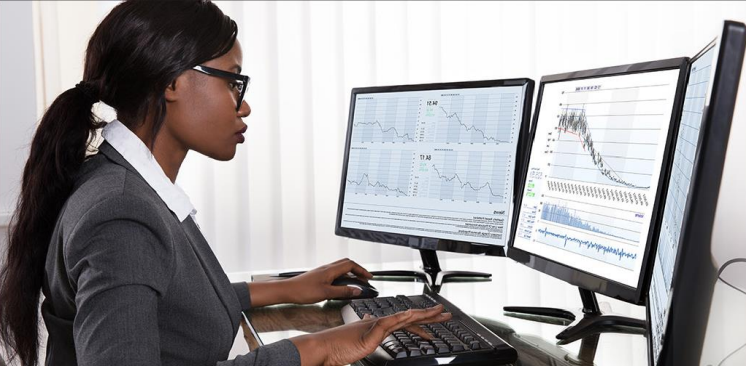


# Botswana Market Watch

## 12 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Potential for CPI release y/y	April		10.0%
06:00	<b>GB</b>	GDP y/y	1Q P	8,9%	6,6%
06:00	<b>GB</b>	Industrial production y/y	Mar	0,5%	1,6%
06:00	<b>GB</b>	Manufacturing production y/y	Mar	2,3%	3,6%
06:00	<b>GB</b>	Visible trade balance (GBP)	Mar	-18500mn	-20594mn
06:00	<b>GB</b>	Total trade balance (GBP)	Mar	-7900mn	-9261mn
12:30	<b>US</b>	PPI final demand y/y	Apr	10,7%	11,2%
12:30	<b>US</b>	Initial jobless claims	May 7	190k	200k
20:00	<b>US</b>	Fed's Daly Takes Part in Moderated Discussion			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US inflation</b>	Although it decelerated from 8.5% in March to 8.3% in April, it was still higher than expectations of 8.1% and more than four times the Fed's target	Investors will need to decide what this means for monetary policy and the strength of the USD	<b>3/5</b> (economy, monetary policy)	Inflation in the US has likely peaked and will moderate from here. The Fed will want to be careful not to engineer a stock market crash due to over-zealous communication to the market
<b>Russia-Ukraine war</b>	ON Wednesday, Ukraine cut off Russian gas supplies held by Russian separatists, disrupting shipments into Europe. Gas flows from Gazprom fell by 25%	This will keep energy prices well elevated but also highlights the military advances by Ukraine	<b>4/5</b> (geopolitics)	Russia's efforts are under pressure, and Ukrainian forces are now looking to retake Kharkiv and inflict more damage on Russian military supplies and installations in Russia
<b>UK household finances</b>	Brits' sentiment and personal finances sank to a new low as they faced a cost-of-living crisis. The YouGov/Cebr's consumer sentiment fell to 102.9 in April	The BoE will only be adding to the pressure should it continue to hike interest rates to combat inflation	<b>4/5</b> (market, monetary policy)	Other central banks will face similar prospects and will need to balance sinking their economies and regaining control of inflation. For statistical reasons, inflation will moderate regardless
Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Chinese property sector</b>	Another developer Sunac China has missed the deadline for a coupon payment on a \$742mn offshore bond.	This again highlights China's debt problems and the difficulty of reflating	<b>4/5</b> (economy, market)	The PBoC has a problem on their hand as they try to reflate without the moral hazard of encouraging too much unsustainable debt
<b>Brexit</b>	The standoff between Britain and the EU rolls on as the attorney-general for England and Wales approved the scrapping of large parts of the Northern Ireland Brexit deal	Overriding the Northern Ireland protocol would be legal due to the EU's is disproportionate and unreasonable	<b>4/5</b> (geopolitics)	This would set negotiations back again and raise serious questions about the viability of Northern Ireland's separation from Ireland. Britain would face the consequences if it chose to undermine the N Ireland protocol
<b>BoE expectations</b>	Former policymakers have warned that the BoE will need to hike more in the months ahead to regain control of inflation	Some see rates rising as far as 3.5%-4.0%, well above what is priced in	<b>4/5</b> (monetary policy, markets, economy)	It is unclear whether the markets could absorb such a shock on top of the existing pressures households and businesses are facing

### Highlights news vendors

**CNBC** - [Bitcoin slips below \\$29,000 as crypto sell-off continues](#)

**ALL AFRICA** - [The War in Ukraine - Continent Risks Paying a Heavy Price for Neutrality](#)

**FT** - [Turkey dials up the pressure on banks as lira slides](#)

**SOUTH CHINA POST** - [Tibet Airlines plane in flames, passengers evacuated before take-off](#)

**REUTERS** - [NATO to welcome Nordic members as Ukraine pushes back Russian force](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.254144	1.274112	1.2783124	1.367016
BWPUSD	0.07776	0.093496	0.0792585	0.084666
GBPWP	15.469688	15.700152	15.135007	14.794374
BWPEUR	0.08008	0.081224	0.0756525	0.079662
JPYBWP	10.9304	11.0968	10.326075	10.856725
USDZAR	15.483264	16.791944	15.846153	16.42865675
EURUSD	1.00992	1.094496	1.03359	1.070817
GBPUSD	1.173792	1.271712	1.2013028	1.244199

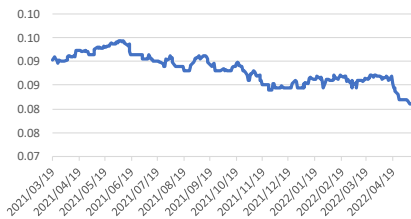
Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.301
BWPGBP	0.0662	0.0001	3m	-7.0395
BWPEUR	0.077	0.00	6m	-12.60675
BWPZAR	1.3064	-0.0022	12m	-26.0715

Dollar Index		Change	
	Close	Change	
EURUSD	1.052	0.0009	
GBPUSD	1.2226	-0.0024	
USDJPY	129.8	-0.16	
USDNGN	413.83	0	
USDZAR	16.1327	0.047	

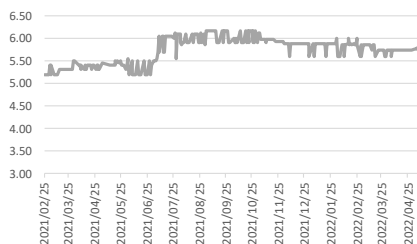
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.809	0.017	SA 10y	10.04	-0.21
3y	3.43	-1.32	US 10y	2.9246	-0.0643
5y	5.71	-0.07	German 10y	1.004	0.001
20y	8.49	-0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0		272.5	-15

Equities			Commodities		
	Close	Change		Close	Change
VIX	32.56	-0.43	Gold	1852.1202	13.9771
Dow Jones	31834.11	-84.96	Brent Crude	107.51	5.05
FTSE	7347.66	26.64	3m Copper	9340	111.5
JSE All share	68416.41	197.61	LME Index	4474.5	38
Bots DCIBT	7226.52	1.14	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52838.45	-98.03			

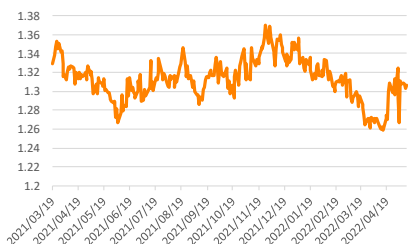
Spot BWP



BWP 5y local bond yield



BWP-ZAR



Statistics Botswana released the results of the census conducted in April earlier in the week and it makes for interesting reading. The numbers show that the population is expected to grow by an estimated 1.4% annually which means that it will take 58 years to double the current population of 2 346 179. "The annual population growth rate between 2011 and 2022 is estimated at 1.4 percent, indicating a decline from the 1.9 percent estimated in 2011. The current growth rate follows the previous trend showing a decline starting from 4.6 percent in 1981, 3.5 percent in 1991, 2.4 percent in 2001 to 1.9 percent in 2011. At the current rate of growth, Botswana's population will take approximately 58 years to reach double the current figure," the organisation said in its provisional results.

In other news, Farmers weekly reported the following - In a recent update on citrus farming in Botswana, agricultural extension officer Oarabile Letsatsi said that in 2020 and 2021, an increased number of farmers imported citrus seedlings to start production. "We expect an increase in supply of citrus fruit by 2024, as the fruit trees grow well in many parts of the country," she said. According to the country's assistant minister of agriculture, Molebatsi Molebatsi, among the projects expected to start production shortly was a multimillion-rand project, which was targeting both local and export markets, including the US and UK.

## Financial Market commentary

This week's main event turned out to be less of a "main event" when inflation in the US decelerated to 8.3% y/y vs expectations of 8.1% y/y. It represents a slight moderation from the 8.5% in March, which will satisfy some policymakers that have immediately characterised March as the peak which is now behind us. However, it is still more than four times the Fed's 2% target. Depending on how the Fed would like to frame this outcome, the markets could gain some support or be punished further.

Having experienced the devastating effects of a stock market collapse, Fed speakers may choose to turn a little more sensitive in their communication to avoid a full-blown correction and the destruction of the wealth effect that comes with it. A correction of the current magnitude is manageable without too much economic damage. Allowing a repeat of a 2009 correction would be less constructive.

It now becomes a little trickier for investors. With US inflation past its peak, investors now need to choose whether to focus on inflation moderating back towards the target, albeit over two years, or on tightening monetary policy further to accelerate this trend. The correction in the stock market has raised the stakes for the Federal Reserve and holds profound implications for the USD. For context, the USD could not capitalise fully on the slightly stronger than expected inflation reading and continues to trade towards the upper end of the recent two-week range. Adding to the Fed's pressure is that the US yield curve is moderating once more, alluding to an economic slowdown in the US.

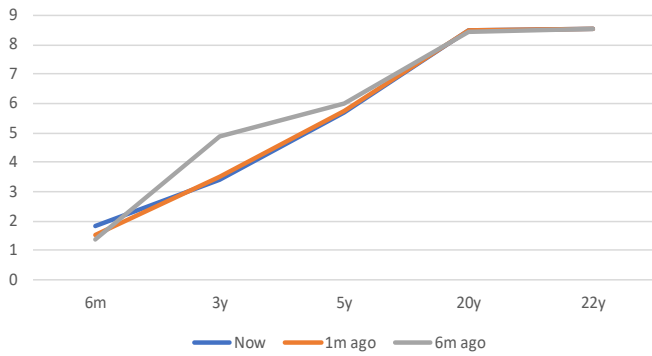
EM currencies, including the ZAR and the BWP, are taking direction from the USD. Should it extend its rally, they will succumb. However, if it continues to struggle to make back any more ground, it might also generate an inflection point.

In terms of energy, Oil prices rebounded yesterday, keeping volatility entrenched in the market. The front-month Brent contract climbed almost 5% on the session as China's COVID situation seemed to be improving, while traders also continued to assess the possibility of an EU ban on Russian crude. The benchmark European oil contract is marginally offered this morning, but still trading near \$106.30 per barrel as tight global supplies dictate the market. This tight market suggests that we are unlikely to see oil back below \$100 per barrel for a significant period of time unless supplies are ramped up, or we start to see signs of demand destruction owing to elevated prices.

We are also nearing the start of the US driving season, which typically kicks off around the start of next month. This brings with it a surge in demand. Couple this with the fact that US stockpiles are still so low suggests that any downside for US oil is also capped. Demand in the US remains robust, while it is also seeing record exports as many nations look to US crude as a replacement for that from Russia. Therefore, crude stockpiles will struggle to recover. Distillate and gasoline

stockpiles, meanwhile, also decreased last week and may continue to do so over the coming weeks, propping up retail fuel prices.

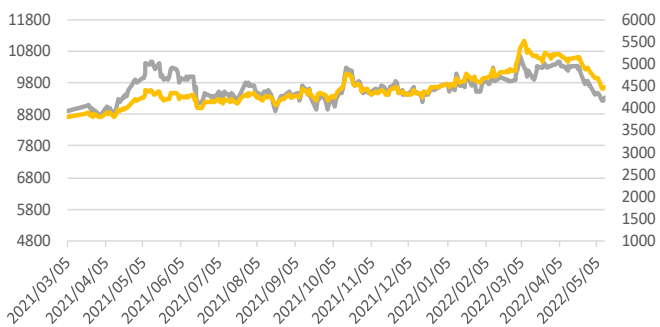
Botswana Yield Curve



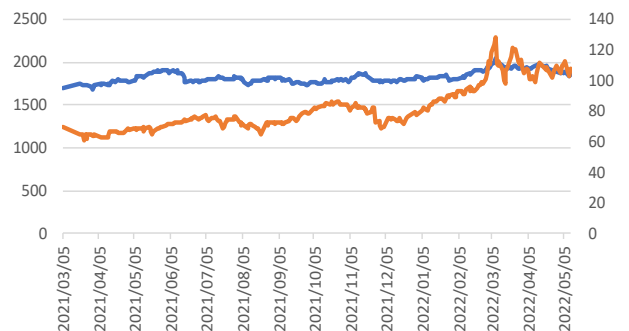
USD Index



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

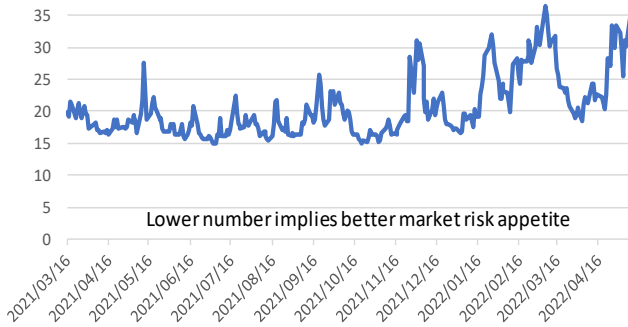


Oil R\_Hand Axis - Gold L\_Hand Axis

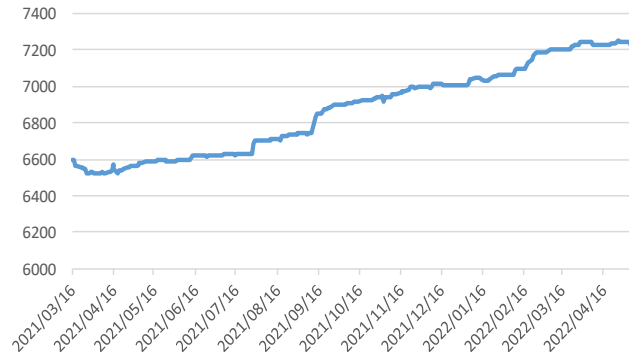


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Local stockmarket performance



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