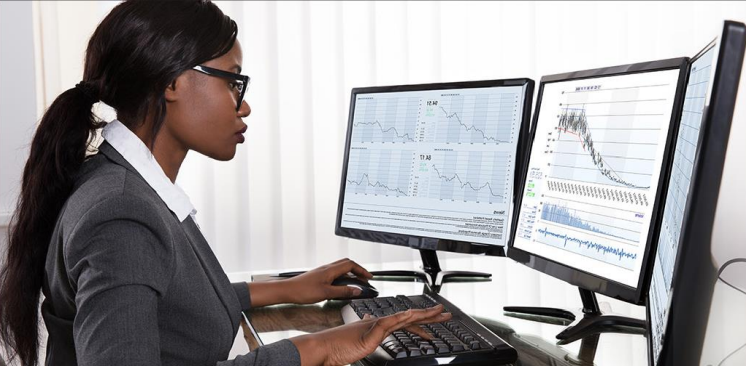


# Botswana Market Watch

## 13 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Potential for CPI release y/y	April		10.0%
0/N	JN	M3 money stock y/y	Apr	3.00%	3.1%
09:00	EZ	Industrial production (wda) y/y	Mar	-1.1%	2.00%
12:30	US	Import price index y/y	Apr		12.5%
14:00	US	Michigan consumer confidence	May P	63,5	65,2
15:00	US	Fed's Kashkari Discusses Energy and Inflation			
16:00	US	Fed's Mester Discusses Monetary Policy			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Fed's Powell</b>	On Thursday, Fed Chairman Powell reiterated the need to get inflation back under control, adding that it was the bedrock of a well-functioning economy	Again he indicated that some pain would be required to ensure that inflation comes back under control	<b>4/5</b> (economy, monetary policy)	The Fed continues to argue that higher rates and tighter monetary policy are needed in order to restore price stability and make decision making within the economy more predictable.
<b>UK economy</b>	The UK's GDP unexpectedly shrank in March by 0.1%, leaving Q1 GDP at 0.8%, which was stronger than the US or the EU	The headwinds will detract from growth through the months ahead	<b>4/5</b> (markets)	The risk of a very sluggish 2022 is growing, with a recession possible later this year. This data only highlights just how vulnerable the UK economy is
<b>Russian sanctions on Europe</b>	Russia has imposed sanctions on European Gazprom subsidiaries, further exacerbating Russia's tight gas and energy supplies. As a result, Dutch gas prices close 12% higher	Russia can still yield enormous influence, and while that may inflict pain on the EU in the s-term, it will hurt Russia I-term	<b>5/5</b> (market, geopolitics)	Pressures on the EU economy are mounting every day that inflation remains high, and gas and oil supplies are disrupted. The risk of a recession is high, and Russia's actions will only exacerbate that
Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Financial market volatility</b>	As central banks continue to signal tighter monetary policy in the months ahead, global financial markets will need to re-price for a weaker growth outlook	As the global economy is heavily leveraged, it will be the de-leveraging process that hurts	<b>4/5</b> (economy, market)	Tighter monetary policy will weed out some of the unsustainable market pricing positions and help global markets to reset to levels deemed more sustainable and justifiable
<b>Brexit</b>	The EU has again warned Britain that it will take action if Britain takes unilateral decisions on N Ireland. Britain, in return, says that the EU needs to be more flexible	The issue of the N Ireland border with the EU is an internal peace matter that Britain will protect	<b>4/5</b> (geopolitics)	The real issue is that the resultant bureaucracy that has followed the Northern Ireland protocol is described as unsustainable and intolerable. This is straining EU-UK relations
<b>Crypto collapse</b>	Cryptocurrency markets are under immense pressure as some of the stablecoins, such as TerraUSD, collapse as they lose their link. Bitcoin briefly dropped below \$30,000	The crypto market has been shaken up and will sift out the vulnerable currencies from the rest to stabilise the market	<b>4/5</b> (markets)	This might be one of the best shake-ups to impact the crypto market, and even though it will be painful for some investors, it will likely lead to greater confidence in the crypto-currencies that remain in that they have survived this

### Highlights news vendors

- CNBC - [Powell says he can't guarantee a 'soft landing' as the Fed looks to control inflation](#)
- ALL AFRICA - [French Foreign Minister Ordered to Appear in Bamako Court](#)
- FT - [Norwegian oil fund denounces 'corporate greed' over executive pay](#)
- SOUTH CHINA POST - [China tightens curbs on overseas travel as part of Covid battle](#)
- REUTERS - [With China in focus, Biden makes \\$150 million commitment to ASEAN leaders](#)

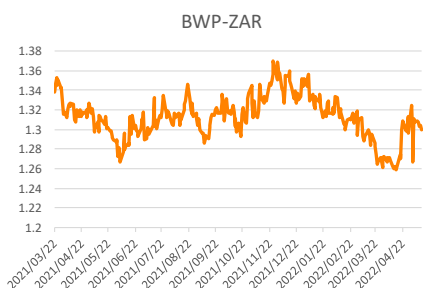
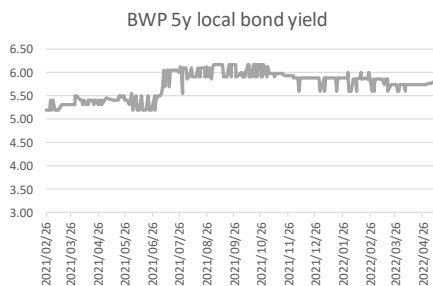
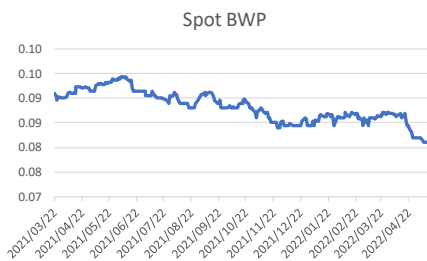
## Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.247136	1.260672	1.2711694	1.352596
BWPUSD	0.07776	0.093496	0.0792585	0.084254
GBPGBP	15.526264	15.68476	15.190359	14.77987
BWPEUR	0.081016	0.081848	0.0765368	0.080274
JPYBWP	10.868	10.972	10.267125	10.734625
USDZAR	15.397152	16.695848	15.758023	16.33463975
EURUSD	0.997344	1.080872	1.0207193	1.05748775
GBPUSD	1.172352	1.270464	1.199829	1.242978

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZA
BWPUSD	0.081	0	1m	-2.2815
BWPGBP	0.0663	-0.0001	3m	-6.8835
BWPEUR	0.0779	0.00	6m	-15.058875
BWPZAR	1.299	-0.0082	12m	-26.10075
				-269.184
Dollar Index	104.702	-0.149		
EURUSD	1.0392	0.0013		
GBPUSD	1.2215	0.0016		
USDJPY	128.97	0.65		
USDNGN	414.83	0		
USDZAR	16.0356	-0.0652		

	Local Fixed income		International Fixed Income	
	Yield curve	Close	Change	Close
6m	1.808	-0.001	SA 10y	9.965
3y	4.75	1.32	US 10y	2.8551
5y	5.71	0	German 10y	0.869
20y	8.5	0.01	Spread SA 5y vs Bots 5y bpts	262.5
22y	8.55	0		-10

	Equities		Commodities	
	Close	Change	Close	Change
VIX	31.77	-0.79	Gold	1821.72
Dow Jones	31730.3	-326.63	Brent Crude	107.45
FTSE	7233.34	104.44	3m Copper	9090
JSE All share	67251.89	1449.68	LME Index	4368.5
Bots DCIBT	7228.34	0	1 carat index	Invalid field(s)
Nigeria Index	52917.76	1033.04		#VALUE

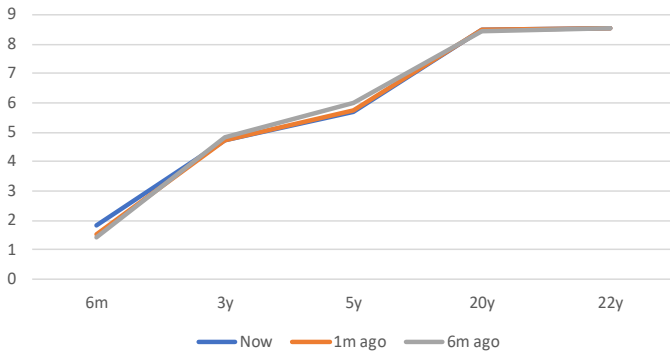


- Going into the weekend the local news flow is on the thin side so we will be pulling back the lens and exploring a relevant topic to the continent as a whole.
  - Trade between China and Africa surged 23% y/y to \$64.8bn in the first three months of 2022, according to China's General Administration of Customs data. The marked rise in trade was underpinned by increased imports of minerals and metals from Africa. Chinese imports from Africa jumped 29.3% to \$29.7bn, while exports to Africa rose by 18.2% to \$35.16bn in Q1.
- While the Q1 trade number between China and Africa is encouraging, the reintroduction of lockdowns in Shanghai and the closure of Chinese ports are likely to weigh on trade in the months ahead.
- The increase in trade came on the back of GDP growth of 4.8% in China, the strongest economic growth rate among major economies in Q1. The strong GDP reading was driven in part by growth in imports and exports of 7.5% and 13.4%, respectively. Looking ahead, growth risks have intensified amid the reintroduction of lockdowns, which will undoubtedly weigh on China's import demand. This will have a notable impact on African exports, given that China is Africa's largest trade partner.

## Financial Market commentary

- Up one day, down the next. 3m LME copper finished 2.71% lower yesterday with the fears of a global economic slowdown favouring the bears once again. The metal is currently trading marginally lower in the Asian session which sets it up for its 6th consecutive weekly decline.
- A strong dollar and weakening Chinese demand as a result of the COVID-19 lockdowns have resulted in the price of base metals returning to pre Russian/Ukraine conflict levels. There is a risk of further weakening in the short term however some stability is expected to return in the second half of 2022.
- The ZAR's unpredictable nature was on full display yesterday and overnight. While the USD had popped higher, load shedding resumed, and oil prices rose to erode SA's terms of trade. Against the backdrop of falling commodity prices, this seemed like a perfect recipe for the ZAR to weaken. Yesterday afternoon it looked set to test levels closer to 16.3000 when it began its reversal, and overnight it has even broken back below the 16.00 handle.
- Furthermore, the gold price dropped and remains on the defensive, other commodity currencies such as the AUD are trading to two-year lows, and cryptocurrencies have come under immense pressure. Equity markets are selling off, and overall levels of risk aversion remain elevated, with the VIX still trading comfortably above 30. There will be a lot of head-scratching taking place this morning to explain this dislocation.
- Confounding the ZAR bears even more, would be the disappointing manufacturing production stats, which, although slightly better than expected, were still down y/y as the effects of load shedding and strikes became more prominent. Worse still was the mining production data for March, which contracted 9.3% y/y vs the 5.8% y/y contraction in Feb. These are not good data, and even though trade with China ramped up in Q1, Q2 will not have been much better given the lockdowns that China has experienced.
- It is difficult to understand the move in the ZAR overnight, and one questions whether it will indeed be sustained when the local market starts trading.
- This sets the local market up for a cautious start, we do not expect the BWP-USD to dislocate from its current 0.0810-0.0820 trading range.

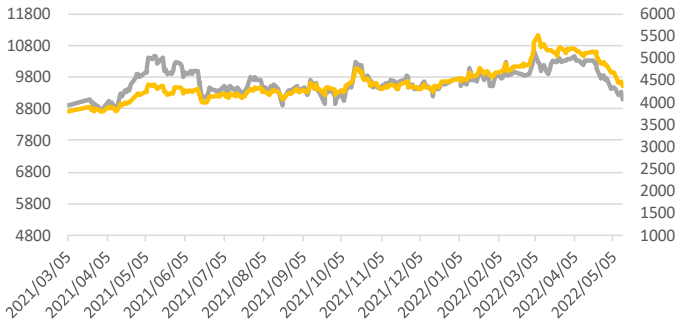
### Botswana Yield Curve



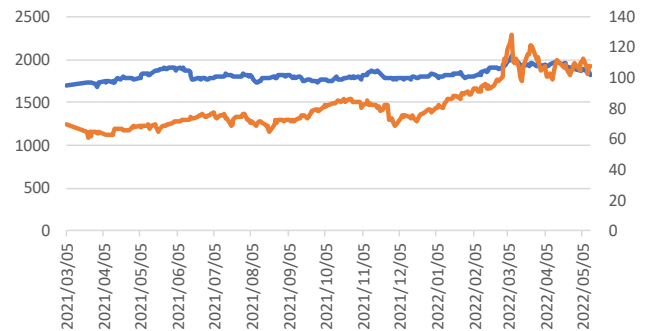
### USD Index



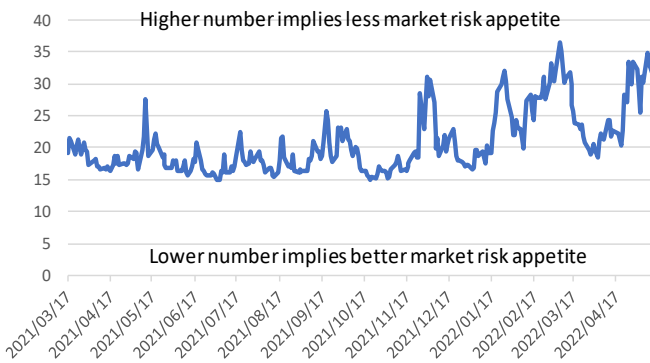
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



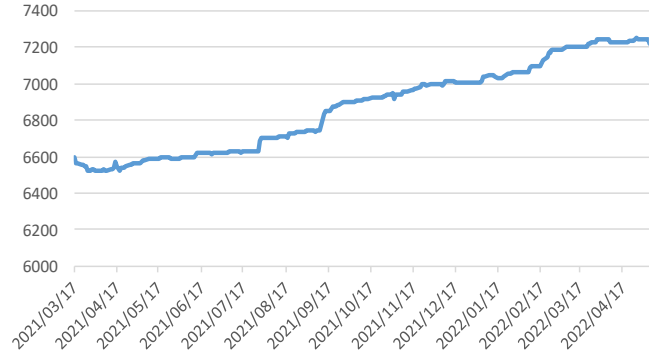
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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