

Botswana Market Watch

17 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	BWP4bn of 7-Day certificates on offer			
12:30	US	Advance retail sales m/m	Apr	1.00%	0,5%
12:30	US	Retail sales ex. auto and gas	Apr	0,7%	0,2%
13:15	US	Industrial production m/m	Apr	0,4%	0,9%
13:15	US	Manufacturing production m/m	Apr	0,3%	0,9%
14:00	US	Business inventories m/m	Mar	1,9%	1,5%
14:00	US	NAHB Housing market index	May	75	77
18:00	US	Powell Interviewed During Wall Street Journal Live Event			

Factors Overnight	What happened?	Relevance	Importance	Analysis
China industrial output	China's industrial output contracted 2.9% in April vs a forecasted expansion of 0.4%. April retail sales also contracted 11.1% y/y vs expectations of a drop of 0.6% y/y.	With the jobless rate rising to the highest level since Feb 2020, the PBoC will likely turn increasingly supportive of growth	4/5 (economy, monetary policy)	The contraction and slowdown highlight very clearly the impact of the Covid-induced lockdowns and the damage done to the Chinese economy but also to its trading partners that will experience slowing demand
Japan wholesale prices	April's wholesale prices rose 10.0% y/y vs the forecast of 9.4% y/y. A combination of energy prices and the JPY's drop has elevated factory gate prices	Japan is a barometer for pressures across the rest of the world. Inflation remains a major concern	4/5 (economy, monetary policy)	Although investors will be looking through the current peak in inflation, it is clear that pressures will remain elevated through the next few months keeping central bank policy hawkish
US consumer sentiment	US's Michigan consumer confidence data released last week Friday fell to its lowest levels in nearly 11 years as worries about inflation persisted	Household savings and a strong labour market lend resilience, but the data was very weak	4/5 (economy)	The data was more synonymous with recession territory and will have raised some eyebrows, especially with stocks on the defensive, inflation squeezing disposable income and rate hikes

Factors on the Radar	What happened?	Relevance	Importance	Analysis
NATO – Nordics	Finland and Sweden are actively seeking NATO membership following the Russian invasion of Ukraine despite Russia's threats.	Turkey has expressed some reservations, but those will likely be overcome	5/5 (geopolitics)	Following Russia's unprovoked invasion of Ukraine, the Nordics felt it was the only option available for them and to drop their neutral stance
Brexit finance plans	A group of 50 economists have warned policymakers that making competitiveness, an objective risked rewarding banks for unsustainable behaviour	Along with these Brexit "freedoms" to allow the banks to operate with less regulation comes risk	3/5 (economy)	The danger is allowing unfettered risk to be accumulated in a bid to enable London to reclaim its position as the banking and finance capital of the world is that it can turn destabilising
ECB speak	ECB Policymaker Pablo Hernández de Cos indicated that the ECB would likely end its stimulus programme in July and raise rates very soon after that	Spain's central bank governor called on colleagues to make the first move in a bid to control inflation	4/5 (monetary policy)	The ECB has lagged global peers because of the war in Ukraine that has induced recessionary conditions into an already weak economic backdrop that will require some sensitivity

Highlights news vendors

- CNBC - [Some factories might leave China, but in the grand scheme of things it doesn't matter much](#)
- ALL AFRICA - [Food Inflation Hits 18.8 Percent Amid Increase in Bread, Energy Prices](#)
- FT - [Tiger Global slashes bets on tech groups after stock market sell-off](#)
- SOUTH CHINA POST - [China's top political advisory body looks to help digital economy](#)
- REUTERS - [Ukrainian troops evacuate from Mariupol, ceding control to Russia](#)

Local and regional talking points

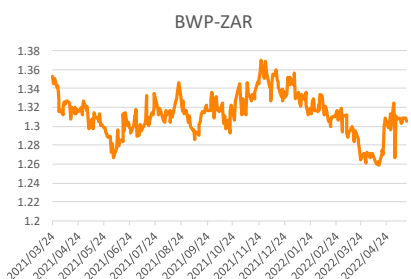
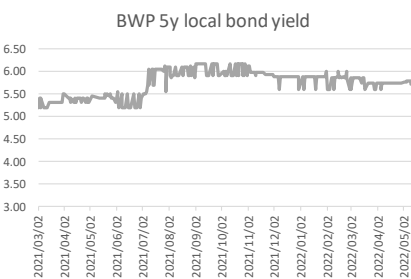
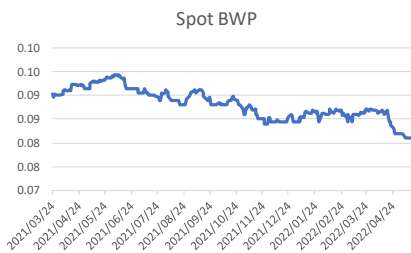
	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.253376	1.26096	1.2775296	1.352905
BWPUSD	0.07776	0.093496	0.0792585	0.083842
GBPWP	15.766088	15.84908	15.424995	14.93471
BWPEUR	0.0806	0.08112	0.0761438	0.07956
JPYBWP	10.8888	10.9512	10.286775	10.714275
USDZAR	15.47328	16.782376	15.835935	16.41929575
EURUSD	1.002432	1.086384	1.0259265	1.0628805
GBPUSD	1.18464	1.283776	1.212405	1.256002

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.44725
BWPGBP	0.0656	-1E-04	3m	-6.79575
BWPEUR	0.0775	0.00	6m	-15.146625
BWPZAR	1.3055	0.0013	12m	-26.02275

	Dollar Index	
	Close	Change
Dollar Index	104.203	0.016
EURUSD	1.0441	0.001
GBPUSD	1.2341	0.0024
USDJPY	129.33	0.17
USDNGN	414.75	0
USDZAR	16.1077	-0.0474

Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	1.802	-0.002	SA 10y	10.015
3y	3.425	-1.325	US 10y	2.8858
5y	5.713	0.003	German 10y	0.937
20y	8.489	-0.011	Spread SA 5y vs Bots 5y bpts	
22y	8.537	-0.013		264.7

	Equities		Commodities	
	Close	Change	Close	Change
VIX	27.47	-1.4	Gold	1823.7904
Dow Jones	32223.42	466.36	Brent Crude	114.24
FTSE	7464.8	184.81	3m Copper	9238.5
JSE All share	69211.76	1398.77	LME Index	4420.6
Bots DCIBT	7223.22	-5.12	1 carat index	Invalid field(s)
Nigeria Index	52944.65	182.45		#VALUE!



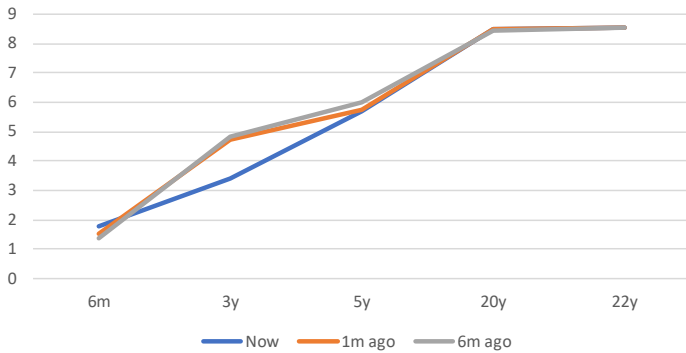
- Given Africa's dependence on food imports from around the world, the continent is highly sensitive to the global food supply crisis. A new study conducted by Oxford Economics found that soaring international food prices will hit Africa the hardest. In addition to the continent's dependence on food imports, African countries have heavier weightings of foodstuffs in their respective consumer price index baskets.
- The impact of higher international food prices and mounting supply chain pressures will result in more than just higher inflation as calls for food subsidies, such as those in Egypt, will be heeded, putting pressure on the fiscus, or disregarded, resulting in social unrest. History shows that during periods of elevated food prices, social unrest/fatalities of terrorism have spiked.
- Higher fuel prices and shipping costs, soaring fertilizer prices, and other supply chain bottlenecks like a shortage of truck drivers and shipping containers on the back of extreme weather conditions are pushing food prices to record highs. According to the UN's Food and Agriculture World Food Price Index, international food prices were buoyed at the second-highest level on record in April.
- On a year-on-year basis, the FAO World Food Index was up almost 30% in April, driven in part by supply issues related to the ongoing war in Ukraine. The expected loss of exports from the Black Sea region has exacerbated the already tight global availability of staple foods such as wheat. Oxford said in its report that Kenya and Egypt are providing support despite concerning fiscal trends. Tunisia and Ghana are unable to provide significant fiscal support, running the risk of social unrest.
- The report noted that there has been an increase in social unrest in South Africa, Morocco, Tunisia, and Ghana, while the fear of unrest has guided policy in Nigeria and Egypt. Oxford Economics highlighted that governments are taking extraordinary measures to cushion the economic blow, adding that fiscal consolidation has taken a backseat. Egypt and Nigeria have delayed plans to scrap food and fuel subsidies. Kenya has extended fuel subsidies, while South Africa has temporarily cut fuel levies and has extended social grants. These measures will undoubtedly have a negative impact on fiscal dynamics in these respective countries.
- Given this backdrop we would suggest an element of vigilance in terms of the local market. The agricultural sector is not yet able to provide for all of the country's needs and thus there is an element of vulnerability which cannot be ignored.

Financial Market commentary

- Oil has steadied this morning following another rally yesterday, which took the price back towards the \$115 per barrel level when looking at the front-month Brent contract. WTI is not far behind and has eroded a lot of the discount we normally have seen compared to Brent. Driving the gains for crude is the fact that key product markets are still running hot, especially in the US, with the likes of gasoline and diesel prices reaching new record highs at the pumps. The US is entering its traditional driving season now, and with refining capacity across the country still limited, prices for fuel are surging in anticipation of the higher demand.
- Demand in China may also start to pick up again as Shanghai has reported no new COVID cases over the last three days, a milestone that many believe will allow the authorities to ease some of the stringent restrictions. It will, however, take some time for this situation to normalise, given that many restrictions remain and general mobility will still not be free in the municipality. Therefore, we still see oil prices as being capped at the moment given how elevated they are, unless another major supply shock hits.
- The overnight retreat in the USD has played a material role in bolstering currency markets, especially EMs. As the USD retreats from a near twenty-year high, one needs to debate whether this is the end of the USD rally or whether there is more to come. There is certainly a lot priced into the USD as it stands, and it is currently considered heavily overbought against most of the majors with an overvaluation of some 20% or more. The risk in the future is that the Fed cannot match its monetary policy tightening guidance and that investors need to reassess their positioning. The more the USD rallies, the more asymmetric the risks. Both the

EUR and the GBP have made modest recoveries in the past two days with the EUR back above 1.0450 and the GBP back above 1.2350.

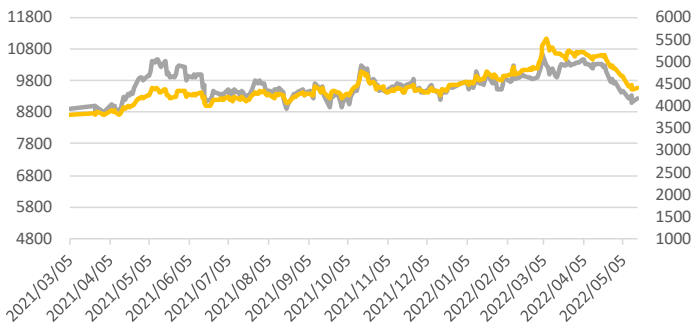
Botswana Yield Curve



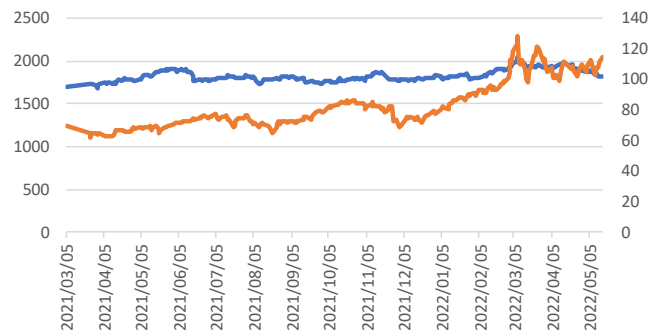
USD Index



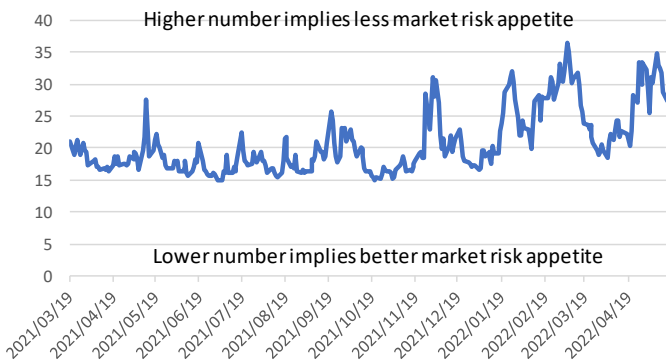
Base metals - Copper L_Hand axis LME Index
R_Hand axis



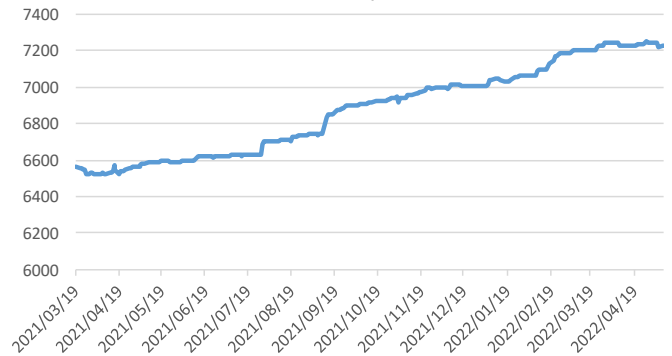
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

Mogamisi Nkate
Phillip Masalila
Kefentse Kebaetse
Mompoloki Keseabetswe
Amogelang Themba
Tshwanelo Bogale
Pearl David

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.