

# Botswana Market Watch

## 18 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>Nothing on the cards</b>			
<b>0/N</b>	<b>US</b>	Fed's Evans Discusses the Economic Outlook			
<b>06:00</b>	<b>GB</b>	CPI y/y	Apr	9.00%	7.00%
<b>09:00</b>	<b>EZ</b>	CPI y/y	Apr F	7,5%	7,4%
<b>11:00</b>	<b>US</b>	MBA mortgage applications	May 13		2.00%
<b>12:30</b>	<b>US</b>	Building permits	Apr	1825k	1873k

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Japan GDP</b>	Japan's GDP shrank 1.0% q/q, vs the forecasted contraction of 1.8%. Covid curbs and surging commodity prices have weighed on overall performance	Given its global linkages, Japan's economy is also a barometer for global demand conditions	<b>4/5</b> (economy)	Japan's authorities have a problem on their hands as they struggle to drive growth against a backdrop of high inflation and tightening monetary policies by the major central banks
<b>Brexit news</b>	Yesterday Britain set out steps to break the deadlock with the EU on trade with Northern Ireland. However, it overrides parts of the Brexit deal and could inflame tensions with the EU	This remains a major source of uncertainty and holds implications for relations between the EU and Britain	<b>3/5</b> (geopolitics)	It remains an unresolved issue that will require compromise from both sides to resolve. Britain will not want to back down much, however, or this could threaten the united kingdom and prompt succession
<b>EZ and UK bond yields</b>	ECB official Klaas Knot indicated that a 50bp increase in rates was not off the cards, while the UK 2yr yields surged on stronger than expected wage growth data	Even central banks with weak growth environments are considering lifting interest rates	<b>4/5</b> (monetary policy)	It speaks to the broader theme of monetary policy tightening and the global adjustment higher in market interest rates. This will add to existing recessionary forces

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>NATO – Nordics</b>	While Sweden and Finland will today lodge their applications to become members of NATO, Turkey has threatened to veto their membership	Turkey argues that the two countries harbour individuals linked to groups it deems terrorists	<b>5/5</b> (geopolitics)	The support for these Nordic countries to join NATO is significant, and many hope that constructive dialogue with Turkey will yield some success and lead to Turkey supporting the move
<b>Fedspeak</b>	Fed Chair Powell pledged on Tuesday to lift interest rates as high as needed to quell inflation that threatens the foundation of the economy	Powell described restoring price stability as an unconditional need to restore stability	<b>3/5</b> (monetary policy)	Powell again made the point that the Fed will not hesitate to act. There was limited response to his comments because he revealed very little that was new. Much had already been priced in
<b>China's Covid</b>	At the moment, Shanghai is Covid free, and if it remains this way, the authorities will open the city on the 1 <sup>st</sup> of June and end the lockdown many have lamented	It is important for global supply chains and economic growth that China re-opens for business as usual	<b>4/5</b> (economy, virus)	China occupies an important part of the global economy, and self-imposed lockdowns of this nature are not helpful to a global economy currently struggling with many headwinds



### Highlights news vendors

**CNBC** - [India isn't the only one banning food exports. These countries are doing the same](#)

**ALL AFRICA** - [IMF Approves U.S.\\$456 Million Credit](#)

**FT** - [China diverts anti-poverty funds to Covid testing as crisis deepens](#)

**SOUTH CHINA POST** - [China faces zero-Covid lockdown brain drain with visa inquiry spike](#)

**REUTERS** - [Fears for Mariupol defenders after surrender to Russia](#)

## Local and regional talking points

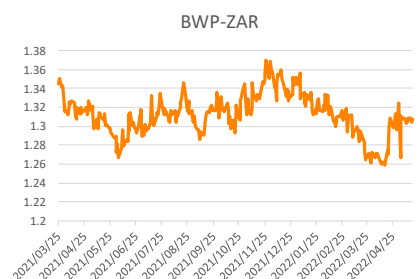
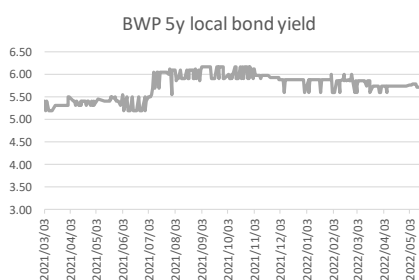
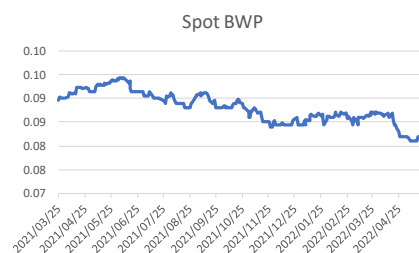
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.254432	1.261248	1.278606	1.353214
BWPUSD	0.07872	0.093496	0.080237	0.084975
GBP/BWP	15.759224	15.821936	15.418279	14.909132
BWPEUR	0.080912	0.081224	0.0764385	0.079662
JPY/BWP	11.0136	11.0552	10.404675	10.816025
USDZAR	15.29808	16.60152	15.656629	16.2423525
EURUSD	1.011072	1.095536	1.034769	1.0718345
GBPUSD	1.197216	1.2974	1.2252758	1.26933125

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.082	0	1m	-2.4765	-25.84068
BWPGBP	0.0657	0.0001	3m	-6.85425	-76.82633
BWPEUR	0.0778	0.00	6m	-12.50925	-137.7837
BWPZAR	1.3073	-0.0011	12m	-26.25675	-271.6196

	Close	Change
Dollar Index	103.425	0.065
EURUSD	1.0534	-0.0013
GBPUSD	1.2474	-0.0016
USDJPY	129.13	-0.26
USDNGN	414.75	0
USDZAR	15.934	0.0294

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.8	-0.002	SA 10y	10	-0.015
3y	4.75	1.325	US 10y	2.9952	0.1094
5y	5.713	0	German 10y	1.056	0.119
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.013		270.2	3

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.1	-1.37	Gold	1814.6685	-9.1219
Dow Jones	32654.59	26.76	Brent Crude	111.93	-2.31
FTSE	7518.35	46.65	3m Copper	9366	127.5
JSE All share	69696.39	561.1	LME Index	4483.9	63.3
Bots DCIBT	7206.04	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52756.62	-155.56			

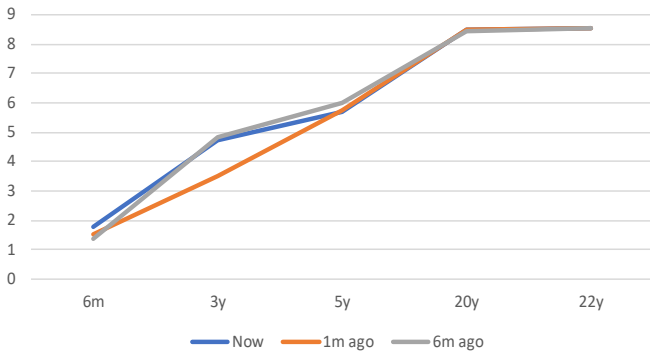


- News on the wires is that the Botswana energy company Botswana Oil is planning to construct a new coal-to-liquids plant in a bid to reduce its reliance on imported fuel. The investment needed for the public-private partnership will be in the region of \$2.5bn and is expected to have a production capacity of 12 000 barrels of diesel and gasoline per day.
- Strategically the project makes perfect sense. Botswana is estimated to have nearly 212 billion tonnes of coal reserves while it imports nearly 7.5 million barrels of fuel per year to meet its needs.
- The main route for the daily requirement of around 21 000 barrels per day is through South Africa and thus the country often faces fuel shortages as a result of logistical issues in South Africa.

## Financial Market commentary

- The USD corrected weaker yesterday in a move many would argue was long overdue. However, so long as the Fed threatened to lift rates and do so aggressively, the USD found the necessary support to power ahead, and a correction looked unlikely. After all, monetary policy disparities will only widen in the next two years, not narrow, or so the Fed would have us believe. The result has been a USD that climbed to its highest level in two decades. A lot has been priced in, and one could argue that the move is justified, especially now, when the UK and Europe are facing one of their toughest periods, dealing with a combination of high inflation, weak growth and major geopolitical risks.
- Whether this is the start of a big correction in the USD remains to be seen. Investors have experienced mini USD corrections in recent weeks, only for the USD to find fresh support and power ahead to fresh multi-decadal highs in the days that followed. But there is a tremendous amount of Fed tightening baked into the price. There cannot be much more left to price in. Any remaining appreciation may be related to the USD's safe-haven status rather than the pricing in of more tightening.
- And the USD's safe-haven status will be important. Stock markets are looking particularly vulnerable, and there are enough headwinds to ensure that earnings will be tougher to come by. The resumption of a stock market slide in the trading sessions ahead could drive the USD stronger. It is, therefore, difficult to turn too excited about the recovery in the ZAR, especially ahead of tomorrow's all-important SARB decision, where it will hike by at least 25bp, but maybe more.
- Given the Fed's aggressive stance and the ZAR's recent vulnerability, a 25bp hike may disappoint, and the ZAR could come under renewed pressure. A 50bp tightening is largely priced-in given the market consensus where 60% of economists are calling for a larger rate hike. The risks are asymmetric and favour a weaker ZAR, although so much will depend on the performance of the USD. Also of interest today will be the release of the latest inflation data for April and the retail sales for March. The former will be the main event, with the market anticipating another 5.9% inflation reading. Anything softer than this may negatively impact the ZAR if it strengthens the argument for a smaller rate hike. For context, core inflation remains comfortably below the SARB's mid-point, and there are no demand-pull inflationary pressures for the SARB to fight.
- Given this backdrop we expect the BWP to remain anchored around current levels.

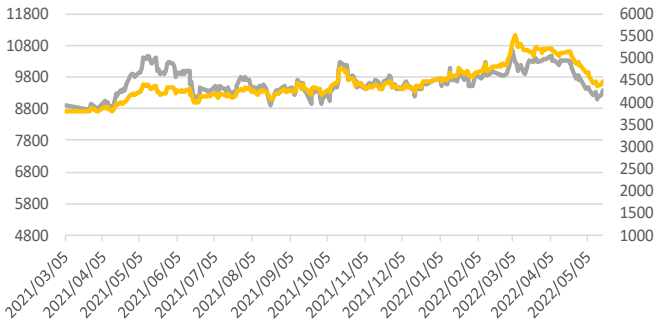
**Botswana Yield Curve**



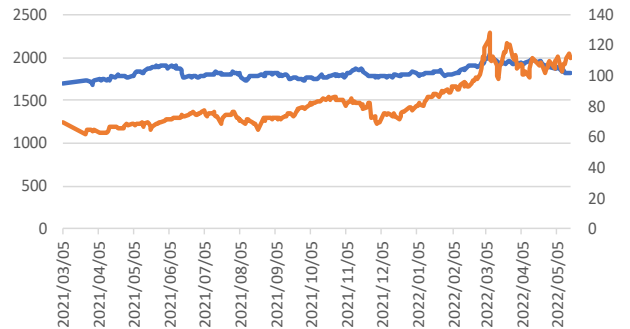
**USD Index**



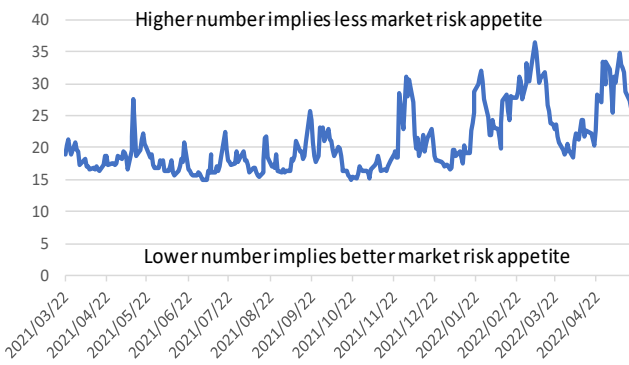
**Base metals - Copper L\_Hand axis LME Index  
R\_Hand axis**



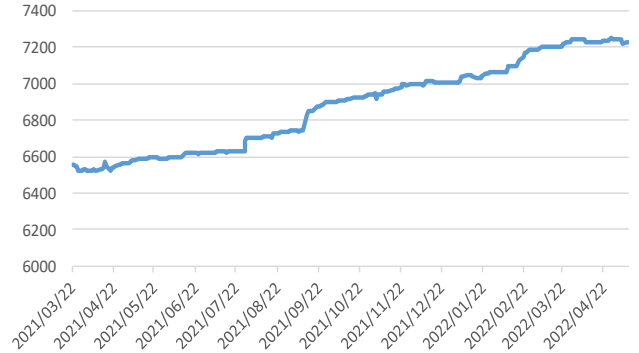
**Oil R\_Hand Axis - Gold L\_Hand Axis**



**VIX Index - Risk appetite measure**



**Local stockmarket performance**



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

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

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