

Botswana Market Watch

23 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
08:00	BW	Bloomberg May Botswana Economic Survey	May	91,4	91,8
12:30	GE	IFO business climate	Apr		0,44
	US	Chicago Fed activity index			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine latest	Ukraine refuses to cede any territorial advantage to Russia and will not agree to any loss of territory gained by Russia	Poland's President Duda has warned against trying to appease Putin	4/5 (economy)	Poland has warned that ceding sovereignty to Russia would be a huge blow to the West and demanded that Ukraine's territory be restored in full
RBA guidance	The RBA confirmed that the central bank's balance sheet will remain large for some years to come, with the bonds maturing between 2024 and 2031	RBA will be in no hurry to unwind the looser monetary policy and reverse some of the support	4/5 (economy, monetary policy)	Bond maturities through that time will range between \$35-47bn per annum, which would signal a robust tightening if the RBA does not roll over the debt to normalise monetary policy
UK house prices	Asking prices for homes in May surged higher on a lack of supply, although it is unlikely to be sustained amid an intensifying cost-of-living crisis	As interest rates rise and overall demand conditions deteriorate, prices will moderate	4/5 (economy)	There is likely to be an impact of the higher rates and the cost-of-living crisis later this year. The property sector is unlikely to escape the slower growth and demand environment

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fedspeak	Fed's Bullard again reiterated the need for the Fed to regain control of inflation and still expects the economy to grow between 2.5-3.0% and no stagflation	Bullard expects rates to continue rising in 50bp clips, but for cuts to be considered in 2023/24	4/5 (markets, monetary policy)	Bullard painted a picture of a Fed that is responding to inflation now, but an economy that could withstand the tightening, opening the door for a reduction in rates after that
ECB guidance	ECB policymaker Visco confirmed that the ECB should take its policy rate out of negative territory, with the first move coming in July	Investors anticipated approximately 105bp worth of rate hikes by year-end as the ECB responds to inflation	3/5 (economy, monetary policy)	Several policymakers have argued for increasing the deposit rate from -0.5% back into positive territory for this year which would be the first step in the normalisation process
Bond yields slide	As global growth concerns take hold, so bond yields in some of the major jurisdictions will continue to slide lower as investors look through the cycle	Fed's Bullard even highlighted the prospect of a rate cut in 2023 or 2024 once inflation eases	4/5 (economy, market)	Investors the world over are positioning for a slower growth environment, and that will be reflected in lower yields, although it is too soon to be targeting steeper yield curves

Highlights news vendors

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- ALL AFRICA - [Khartoum and Juba Hold Talks On Cooperation in Petroleum Field](#)
- FT - [Capital Group's €8bn European bank sell-off was driven by single fund manage](#)
- SOUTH CHINA POST - [Beijing mulls relaxing quarantine policy amid investor anger, sources say](#)
- REUTERS - [Australia's new PM Albanese sworn in, off to Tokyo for Quad summit](#)

Local and regional talking points

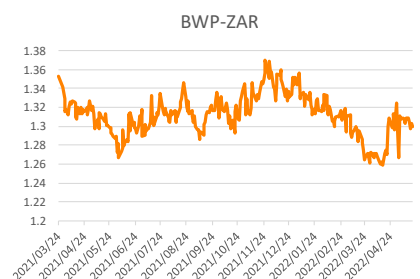
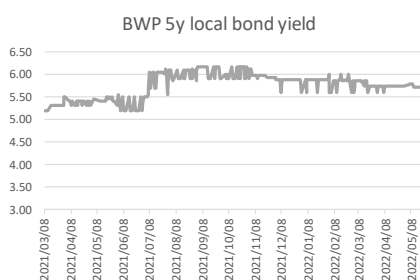
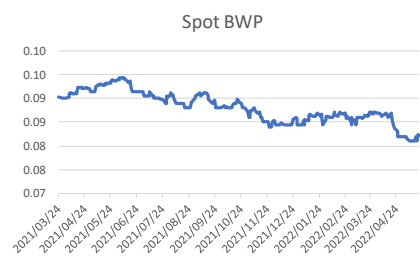
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.24464	1.254432	1.2686253	1.345901
BWPUSD	0.078816	0.093496	0.0803349	0.084975
GBPWP	15.774824	15.899	15.433542	14.98175
BWPEUR	0.0806	0.081224	0.0761438	0.079662
JPYBWP	10.868	10.9512	10.267125	10.714275
USDZAR	15.159936	16.432104	15.515247	16.07660175
EURUSD	1.016832	1.101984	1.040664	1.078143
GBPUSD	1.204224	1.305304	1.232448	1.27706425

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0821	-0.0002	1m	-2.25225
BWPGBP	0.0657	-0.0003	3m	-6.79575
BWPEUR	0.0777	0.00	6m	-12.35325
BWPZAR	1.2991	-0.0051	12m	-25.88625

	Close	Change
Dollar Index	102.689	-0.461
EURUSD	1.0589	0.0029
GBPUSD	1.2542	0.0055
USDJPY	127.34	-0.51
USDNGN	414.62	0
USDZAR	15.782	-0.0512

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.785	-0.011	SA 10y	9.76	-0.12
3y	4.75	0	US 10y	2.7883	-0.0487
5y	5.713	0	German 10y	0.942	0.002
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0		249.2	0

Equities			Commodities		
	Close	Change		Close	Change
VIX	29.43	0.08	Gold	1845.68	3.9612
Dow Jones	31261.9	-236.94	Brent Crude	112.55	0.51
FTSE	7389.98	-135.35	3m Copper	9422	6.5
JSE All share	67575.28	-837.6	LME Index	4559.5	20.3
Bots DCIBT	7230.2	4.79	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52979.96	554.15			

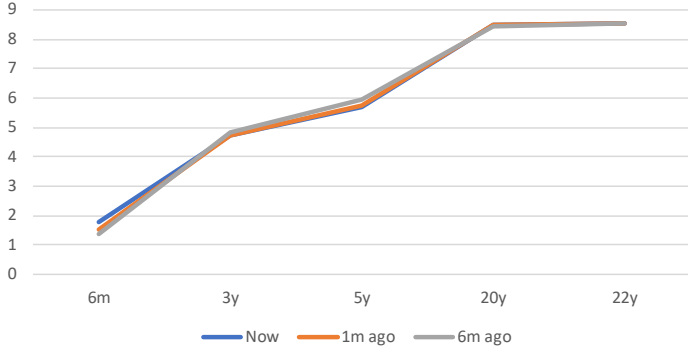


- There was an underground accident killing two miners at the Khoemacau Zone 5 copper and silver mine on Friday resulting in the suspension of operations at the mine. Khoemacau mine is the only operational copper mine in the Kalahari copper belt following the liquidation of two others in the region. "Investigations into the cause of the accident are ongoing. It appears that the two, both blasting crew members, had proceeded underground to perform tasks at the Tshukudu section 140 metres below surface," said Khoemacau Chief Executive Officer Johan Ferreira.
- The local economy is bracing for addition financial pressure as the threat of higher fuel prices remains a reality. The costs that local oil companies are incurring in order to provide fuel is still below what they need to break even despite the P1.92 increase in petrol and diesel two weeks ago. The under-recovery remains in place (where pump prices are below cost) and is widening which is unsustainable.
- Longer term this adds to the inflation pressures and will be watched closely as inflation expectations rise.

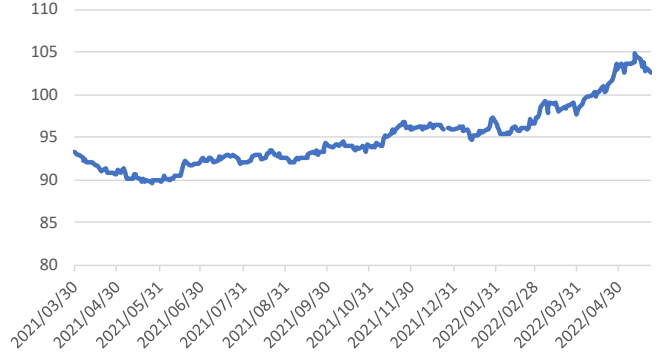
Financial Market commentary

- It has been a turbulent few months for financial markets as a wave of headwinds, including monetary policy tightening, mounting global recession risks, the war in Ukraine and heightened geopolitical tensions, amongst others, hit. Risk appetite has taken a blow, and as such, there has been a broad-based rotation from riskier assets to haven assets, with money managers are the world turning highly cautious.
- The May Bank of America Global Fund Manager Survey revealed that the most significant tail risk for fund managers is now hawkish central banks, with 31% of fund managers seeing it as the biggest threat to markets. Note that Covid-19, which was assessed to be the largest risk for money managers in 2020 and 2021, has slipped down the ranks, with only 1% of respondents seeing it as a threat.
- Note that the hawkish shift in global monetary policy will result in fewer dollars in the global financial system, making investors increasingly cautious over what risks they are willing to take on and where they are willing to deploy funds. That said, the tightening comes on the back of unprecedented QE during the covid pandemic. Therefore, while global dollar liquidity is expected to dry up, there is still a surplus of liquidity across markets at the moment.
- A looming global recession, soaring inflation and Russia's invasion of Ukraine were also amongst the top risks identified by money managers in the Bank of America's May GFM survey. The Bank of America noted that the dominant concerns of investors since 2011 have been Eurozone debt and potential breakdown, Chinese growth, populism, quantitative tightening and trade wars, global coronavirus, now inflation/bond tantrums and central bank rate hikes.
- While we expect volatility across financial markets to remain elevated in the months ahead, as central banks continue to tighten monetary policy aggressively to rein in soaring inflation and inflation expectations, we expect the aggressive policy tightening to come to a halt in 2023. This should help ease the headwinds for fixed income markets in particular. Therefore, we advise investors to use the remaining months of 2022 to take advantage of the attractive valuations on offer across fixed income markets around the world.
- Equity market sentiment at the moment is a little mixed. Overall levels of risk appetite are unclear, but the USD appears to be on the defensive this morning. Although very little has changed, the shift in focus toward growth risks is impacting bond markets. As U.S. bond yields dip, so the USD appears to be coming under pressure. That St Louis Fed President Bullard even mentioned the possibility that the Fed could consider cutting rates once inflation came under control only enhanced some of the support for bonds. As the USD corrects lower, the EUR and the GBP have taken advantage of the former, trading back towards 1.0600 and the latter recovering to 1.2550.

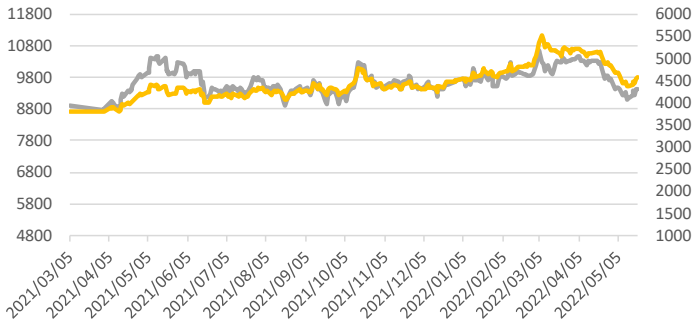
Botswana Yield Curve



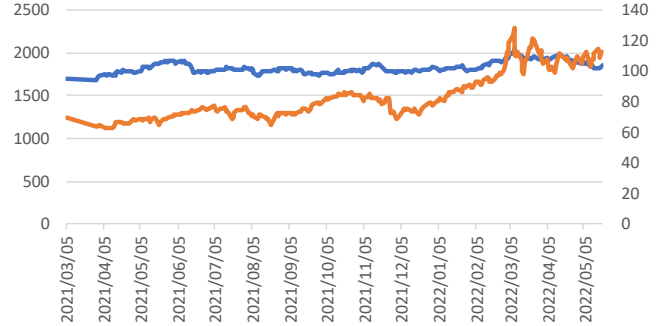
USD Index



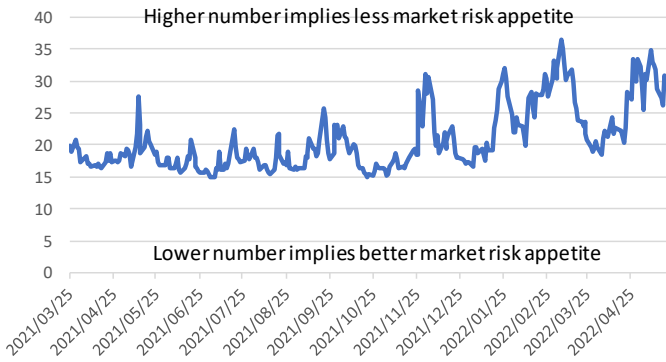
Base metals - Copper L_Hand axis LME Index R_Hand axis



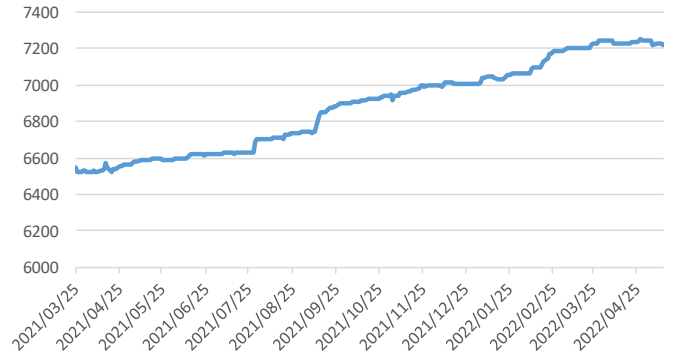
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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