

# Botswana Market Watch 24 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
09:00	BW	7BWP3.7bn of 7-Day certificates on offer			
07:30	GE	Markit/BME manufacturing PMI	May P	54	54,6
08:00	EZ	Markit/BME manufacturing PMI	May P	54,6	55,5
08:30	GB	Markit manufacturing PMI	May P	55,1	55,8
13:45	US	Markit PMI manufacturing	May P	57,9	59,2
14:00	US	New home sales	Apr	750k	763k
14:00	US	Richmond Fed manufacturing index	May	9.00%	14.00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
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<b>Japan PMI</b>	Japan's S&P Global flash manufacturing PMI grew by 53.2, the slowest pace in three months and down from the 53.5 in Apr	Supply chain bottlenecks and parts shortages have hindered production	<b>3/5</b> (economy)	With rate hikes now a global theme, supply chain issues still a concern and China's economy hampered by recent lockdowns, the growth outlook is weak
<b>WEF in Davos</b>	It is a troubled Forum this year which has highlighted four crises that are simultaneously impacting the global economy, in inflation, energy, climate and food	Four major crises need to be resolved before the outlook can improve considerably	<b>3/5</b> (economy, monetary policy)	Most agree that global leaders cannot improve the outlook by focusing on just one at a time. Given the constraints on financial resources, these crises will require some radical reforms
<b>BoE on inflation</b>	Governor Bailey yesterday pushed back against critics who blamed the BoE's aggressive loosening of monetary policy for the spike in inflation	Supply chain disruptions, high commodity prices and a tight labour market are to blame	<b>3/5</b> (economy, monetary policy)	Bailey pointed out that this was not a function of a very strong economy. The UK's GDP is only 0.6% higher than pre-pandemic levels suggesting a surge in demand is not the driver of inflation

Factors on the Radar	What happened?	Relevance	Importance	Analysis
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<b>PMI day</b>	PMI data will be released across the globe today and will hold implications for global growth expectations that have eased	On aggregate, the PMI readings are expected to soften slightly	<b>4/5</b> (economy)	The data is expected to show early signs of all the tightening that is unfolding at the moment and the supply chain headwinds that continue to blow
<b>ECB guidance</b>	ECB Chief Lagarde confirmed that the central bank is likely to raise its key interest rate out of the negative territory by the end of September and could rise further	It would appear that ECB policy normalisation is turning into a formality	<b>3/5</b> (economy, monetary policy)	The outlook for inflation is worrying policymakers, and the ECB cannot simply allow it to go unchecked, even if it needs to be more sensitive to growth concerns
<b>Aramco warning</b>	The world is facing a major oil supply crunch given the lack of investment in the sector given the massive push toward finding alternative sources of energy	The world is running with less than 2% spare capacity, which makes this a very tight market	<b>5/5</b> (economy, market)	If an industry such as international travel through aviation picks up to pre-covid levels and beyond, that spare capacity could easily be eroded, and oil prices will enjoy greater support

## Highlights news vendors

CNBC - [Goldman Sachs expects more China real estate defaults, switches to bear case](#)

ALL AFRICA - [Rwanda Accuses Congo of Shelling Its Territory](#)

FT - [SEC prepares to crack down on misleading ESG investment claims](#)

SOUTH CHINA POST - [China's Wang Yi urges UN rights envoy to 'clarify misinformation'](#)

REUTERS - [Biden says no change to U.S. "strategic ambiguity" on Taiwan](#)

## Local and regional talking points

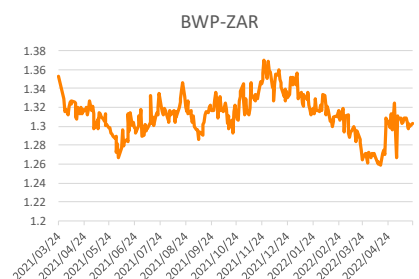
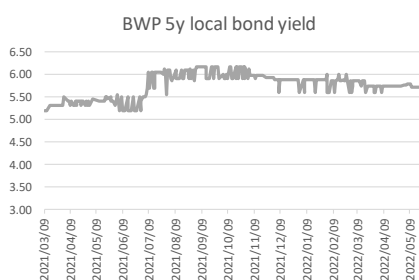
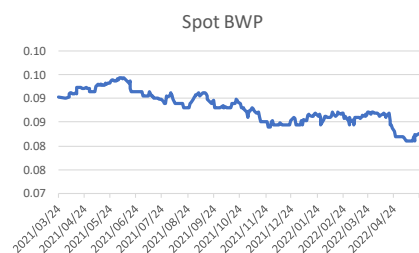
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.255104	1.266336	1.2792909	1.358673
BWPUSD	0.079392	0.093496	0.080922	0.085902
GBP/BWP	15.658656	15.799992	15.319887	14.888454
BWPEUR	0.0806	0.081328	0.0761438	0.079764
JPY/BWP	10.972	11.0656	10.365375	10.8262
USDZAR	15.17712	16.44864	15.532834	16.09278
EURUSD	1.023936	1.10968	1.0479345	1.0856725
GBPUSD	1.205472	1.306656	1.2337253	1.278387

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0827	0.0006	1m	-2.379
BWPGBP	0.0657	0	3m	-6.786
BWPEUR	0.0773	0	6m	-12.3435
BWPZAR	1.3026	0.0051	12m	-25.86675

Dollar Index	
	Change
Dollar Index	0.158
EURUSD	-0.0023
GBPUSD	-0.0029
USDJPY	-0.27
USDNGN	0
USDZAR	0.0587

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.78	-0.005	SA 10y	9.72	-0.04
3y	3.425	-1.325	US 10y	2.8605	0.0722
5y	5.713	0	German 10y	1.02	0.078
20y	8.489	-0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.537	-0.013		250.2	1

Equities			Commodities		
	Close	Change		Close	Change
VIX	28.48	-0.95	Gold	1853.2185	7.5385
Dow Jones	31880.24	8.77	Brent Crude	113.42	0.87
FTSE	7513.44	87.24	3m Copper	9548	126
JSE All share	68367.37	-670.56	LME Index	4597.4	37.9
Bots DCIBT	7230.2	19.16	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52911.51	-295.53			

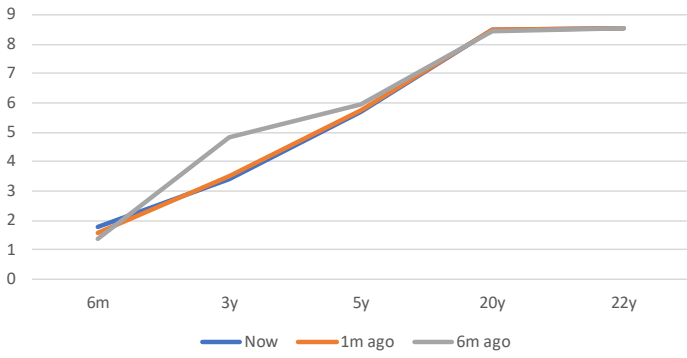


- The political landscape remains charged at present with both the previous President Ian Khama and the administration under the current President Mokgweetsi Masisi blaming each other for tarnishing the image of the country. It has become a game of passing the buck so to speak with both sides attacking the other side's integrity in open forums.
- For now, the fall out from investors has been negligible, however the political backdrop in sub-Saharan Africa has always been fluid and thus investors will be keeping an eye on developments.
- Keeping with local news flow, the proactive investor reported the following - *Tlou Energy Ltd said construction has started on the transmission line to connect the Lesedi Power Project to the Botswana power grid. A 100km, 66kV transmission line, capable of carrying up to 25MW of power, and supporting substations are required to connect Tlou's gas field and proposed generation site to the grid. Work on the transmission line is scheduled for completion in mid-2023, with the sale of electricity starting in the second half of next year.*
- The country remains steadfast in its endeavours to create an energy system which has resilience and is not dependent on neighbouring countries for electricity needs.

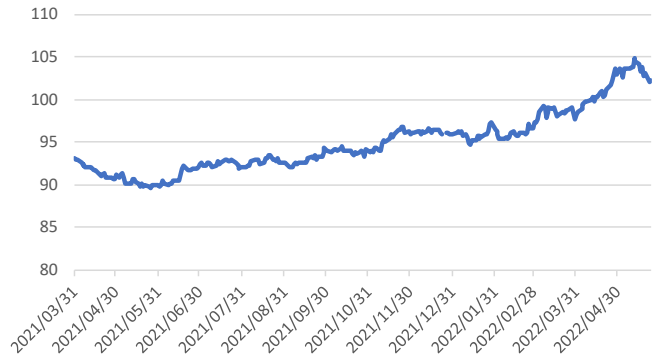
## Financial Market commentary

- Building on yesterday's comment, questions are being asked whether the tide is turning for emerging markets given the value on offer following the \$5trn rout. Emerging market stocks have plunged below their long term average valuations, while bond yields have broken above a range that has been in place since the '08 Great Financial Crisis. Meanwhile, spreads on hard currency emerging market bonds have surged to distressed levels, reflecting the hawkish shift in global monetary policy and deterioration in global risk appetite.
- Following the sustained sell-off in emerging market assets, valuations across emerging markets are becoming increasingly attractive. This has presented a buying opportunity for some fund managers who are willing to take on the added risk. That said, it is important to highlight that the buying has been gradual, with fund managers still trading in a very cautious manner given the risk of a deeper rout in emerging markets should the Fed turn more hawkish or growth concerns in China intensify.
- Bloomberg data shows that the MSCI Emerging Mark Equity Index has lost \$4trn since its peak in early 2021, while Bloomberg emerging market local and hard currency bond indices have lost around \$500bn each since their recent highs. The spread between emerging market sovereign dollar bonds over US Treasuries is hovering just below the 500bps mark, a level that triggered a turnaround in emerging market bonds in 2015.
- In conclusion, while the fundamental backdrop remains gloomy amid tightening global monetary policy, soaring inflation, heightened geopolitical tensions, mounting growth risks and the ongoing war in Ukraine, the attractive valuation on offer, together with the improved technical backdrop, has resulted in improved risk-reward conditions for emerging market investors.
- Although off yesterday's lows, the USD remains on the defensive for now. It could be a function of some profit-taking after a powerful run-up in recent weeks and months. Given its status as a safe-haven currency and the difficulties global financial markets are pricing, how deep the correction runs is debatable. Global equity markets remain vulnerable, and although other central banks are tightening, the Fed is likely to maintain a healthy monetary policy disparity against most majors. It may just be that investors are starting to price in the possibility that the Fed might not be able to tighten as much as it originally planned to. This morning, the EUR has consolidated above 1.0650, while the GBP is trading above 1.2570.
- Locally investors are reminded of the standard 7-day auction taking place today.

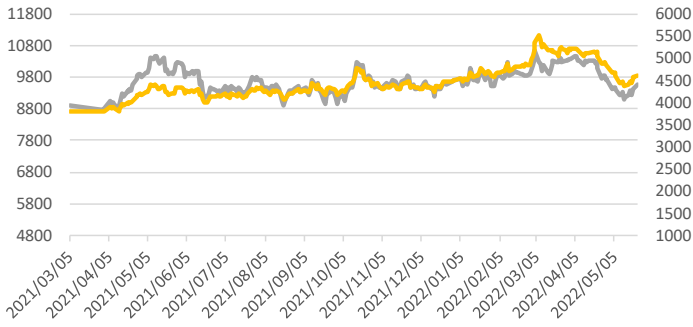
**Botswana Yield Curve**



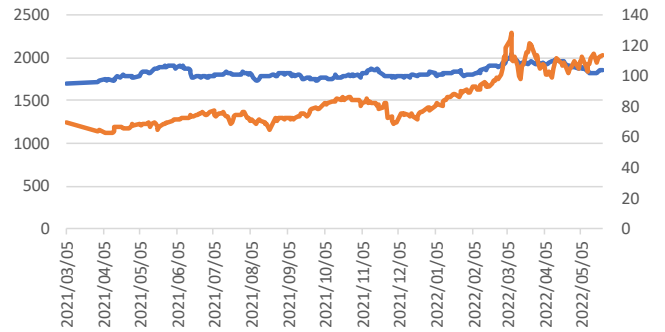
**USD Index**



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

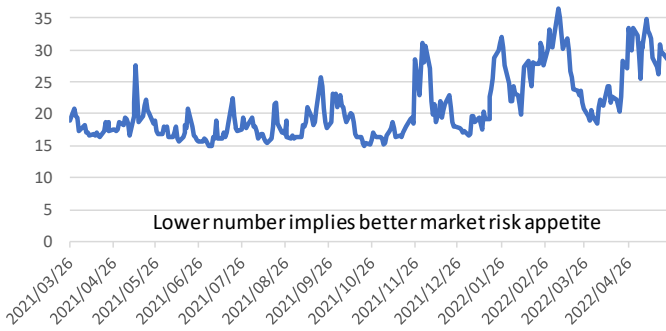


**Oil R\_Hand Axis - Gold L\_Hand Axis**



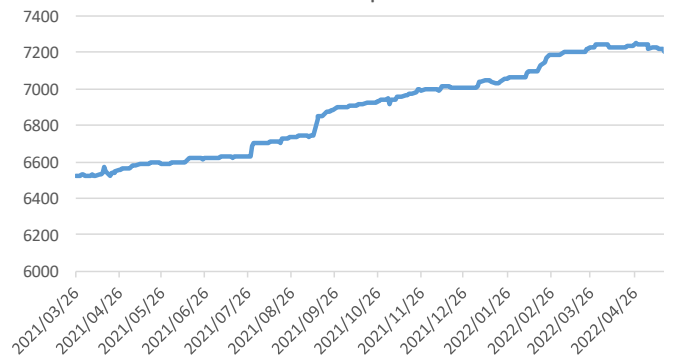
**VIX Index - Risk appetite measure**

Higher number implies less market risk appetite



Lower number implies better market risk appetite

**Local stockmarket performance**



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