

# Botswana Market Watch

## 27 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
11:00	BW	2031, 2040, 2027 Bonds on offer			
11:00	BW	Bills on offer 91 and 182 Day			
08:00	EZ	M3 money supply sa y/y	Apr	6,3%	6,3%
12:30	US	Wholesale inventories m/m	Apr P		2,3%
12:30	US	PCE core y/y	Apr	4,9%	5,2%
12:30	US	Advance Goods Trade Balance	Apr	-\$115bn	-\$125,3bn
14:00	US	Michigan consumer confidence	May F	59,1	59,1

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>China industrial profits</b>	Profits at China's industrial firms have fallen at the fastest pace in two years in Apr as high raw materials prices and supply chain chaos disrupted activity	Chinese firms battling to keep profitability, especially due to the lockdowns that have been implemented	<b>4/5</b> (economy)	Covid-hit provinces have suffered even sharper declines, reflecting the impact of the lockdown curbs on manufacturing activity. That will ease now that some curbs have been lifted
<b>UK windfall tax</b>	The UK's answer to the cost-of-living crisis is to impose a once-off 25% energy windfall tax to assist households by subsidising energy expenses	Funds from the tax will help offset some of the £15bn to be spent on the support plan	<b>4/5</b> (market)	The plan aims to discount energy bills by several hundred pounds to ease the pressure and help households meet their monthly budgets. The alternative is a recession
<b>Oil prices</b>	Oil prices drifted higher once more to consolidate a 50% gain so far this year. OPEC+ will only raise production modestly, and the EU wants to ban Russian oil	Supply concerns remain the most concerning development for investors	<b>5/5</b> (economy, markets)	The cost-of-living crisis that is unfolding as a result of energy prices has many governments perplexed as they watch their economies sliding towards recession as monetary policy tightens

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Russian -Ukraine war</b>	Ukrainian President Zelensky has again urged the West to "stop playing" with Russia and end this senseless war, as Ukraine calls for more weapons	Zelensky was referring to the oil embargo and the length of time taken to implement it	<b>5/5</b> (geopolitics)	Ukraine struggles against the Russian onslaught in the Donbas region and faces new threats to key cities. It wants the West to dial up the pressure on Russia significantly
<b>Stock market rebound</b>	It has come as some relief to note the jump in stock markets. As investors price out the risk of aggressive hikes, stock markets can rebound	Investors are gradually accepting that the Fed may not be able to hike as aggressively	<b>3/5</b> (market)	Growth headwinds are blowing hard. Household disposable income is under huge pressure from inflation and rate hikes. The low unemployment levels may not last at the current levels
<b>USD status</b>	Fed Vice Chair Brainard yesterday made the point that the US should not take the USD's status as a global store of value for granted	Many alternatives are threatening the status of the USD as a global currency in which to trade	<b>3/5</b> (market)	Aside from some countries choosing to conduct international trade in their own currencies, the proliferation of digital currencies is facilitating frictionless transactions across borders

### Highlights news vendors

CNBC - [India wants to be the 'pharmacy of the world.' But first, it must wean itself from China](#)

ALL AFRICA - [Gambia Validates Truth Commission's Work and Promises Justice](#)

FT - [Europe plans for risk that Russia cuts gas supply this year](#)

SOUTH CHINA POST - [Premier Li's speech signals 'clear urgency' on stabilising China's economy](#)

REUTERS - [Hong Kong seeks to revive global banking status with major summit](#)

## Local and regional talking points

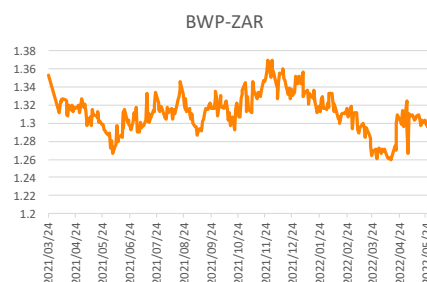
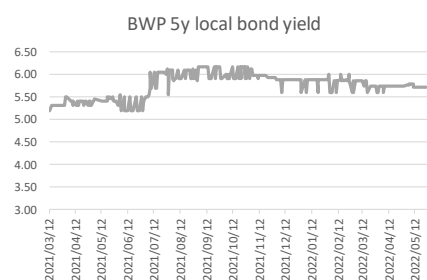
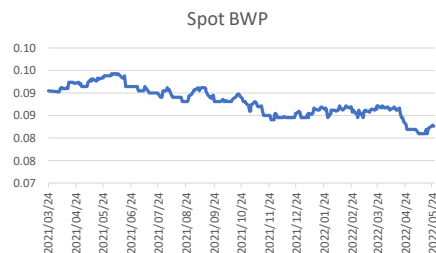
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.241184	1.25088	1.2651027	1.34209
BWPUSD	0.079296	0.093496	0.0808241	0.08549
GBPWP	15.816216	15.936128	15.474038	15.016736
BWPEUR	0.079872	0.080496	0.075456	0.078948
JPYWP	10.8992	10.9824	10.2966	10.7448
USDZAR	15.02688	16.287752	15.379073	15.93537275
EURUSD	1.032576	1.11904	1.056777	1.09483
GBPUSD	1.214688	1.316328	1.2431573	1.28784975

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0826	-1E-04	1m	-2.11575
BWPGBP	0.0656	-0.0002	3m	-6.669
BWPEUR	0.077	0.00	6m	-16.29225
BWPZAR	1.2956	-0.007	12m	-26.43225

	Close	Change
Dollar Index	101.493	-0.336
EURUSD	1.0756	0.0032
GBPUSD	1.2652	0.0058
USDJPY	126.86	-0.28
USDNGN	414.72	0
USDZAR	15.6482	-0.0366

Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	1.826	0	SA 10y	9.775
3y	4.75	1.325	US 10y	2.7416
5y	5.713	0	German 10y	0.999
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts	255.7
22y	8.55	0.013		1

	Close	Change		Close	Change
VIX	27.5	-0.87	Gold	1850.0236	-2.8071
Dow Jones	32637.19	191.66	Brent Crude	117.4	3.37
FTSE	7564.92	38.4	3m Copper	9353	-20
JSE All share	69483.76	-105.47	LME Index	4488.9	-5.8
Bots DCIBT	7232.59	2.39	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	53151.32	641.77			



- On the local front, MiningWeekly reported the following- *In a ground-breaking development for the Botswana oil and gas industry, leading diamond producer Debswana and national oil body Botswana Oil have entered a strategic partnership that is aimed at capacitating citizen-owned companies in the fuel supply value chain. Through the agreement, Botswana Oil will play the facilitatory role of assisting emerging citizen-owned fuel supply and fuel transportation companies to supply Debswana's Jwaneng, Orapa, Letlhakane, and Damtshaa mines with diesel and petrol for their operations. This agreement forms part of Debswana's Citizen Economic Empowerment Programme (CEEP), which seeks to accelerate citizen participation in its supply chain.*

- In terms of the telecommunications sector, Paratus, the pan-Africa network provider has started deployment of the first independent fibre infrastructure in the central business district of the capital. *"By investing in fibre in Gaborone, Paratus Botswana is connecting critical areas in the city. The current deployment is the second phase, distributing fibre in all the major business and industrial areas in Gaborone and malls in the area," the company said in a statement.*

## Financial Market commentary

- The price of copper has slipped further yesterday closing 0.21% lower on the day at \$9353.00/tonne. The drivers have not changed, demand worries with the on-going lockdowns in China driving the narrative. There are also concerns about US monetary tightening and what this means for the world's largest economy in terms of economic dynamism. Does the Fed go too far and choke the economy?

- This morning we have bargain hunters evident in the Asian session pushing the benchmark 3m LME contract up by around a 1% to \$9446.00/tonne as we enter the EU open. The move has been underpinned by a weaker dollar which has sank to a 1 month low against its peers.

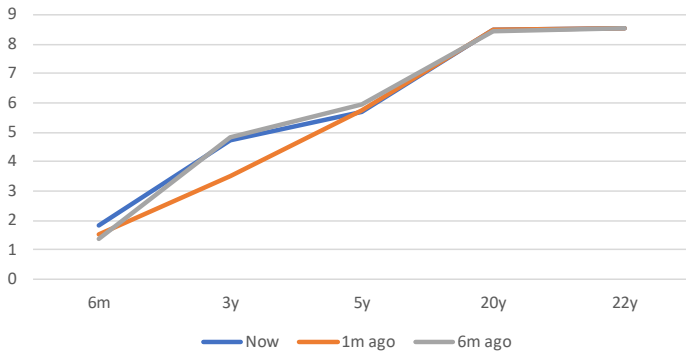
- Oil prices rallied quite a bit yesterday, with the front-month Brent contract finally breaking above the \$115 per barrel resistance level. The European benchmark oil price is currently trading at around \$117 per barrel, heading for its fifth straight weekly gain as global fuel markets continue to tighten. This has reportedly prompted the Biden administration to begin reaching out to oil companies, requesting them to restart some of their refineries in order to boost the supply of key products such as gasoline and diesel. In the US, around 1mn barrels per day of refinery capacity has been shut since the start of the pandemic, while globally, that number amounts to around 2.13mn barrels per day.

- Refiners are currently reaping massive profits, owing to surging crack spreads or refining margins on products such as diesel. However, capacity growth has remained stagnant. As highlighted recently by key members of OPEC, this lack of refining capacity is actually what is driving up oil and fuel prices at the moment. Unfortunately, restarting a refinery is not an overnight process and getting back to pre-COVID levels will take some time, especially as oil companies are no longer looking to invest, but rather return profits to shareholders following years of deferring this.

- As we close out the week, investors will be turning their attention to the jump in Wall St yesterday, which spilt over into the USD and eroded its performance. Although US Treasury yields did not slide any further, it appears as though investors reduced their bets on Fed rate hikes and risk appetite improved. With so much tightening already priced into the USD, it follows that any reduction in rate hike expectations would translate into a weaker USD. The performance of the USD remains a key driver of broader currency direction, and the ZAR is no exception. This morning, it recovered to 15.65/dlr and showed signs of retesting the recent lows towards 15.5500.

- Local investors are reminded of the bond auction today where Gaborone 2027, 2031 and 2040 bonds will be on offer. Investors traditionally favour the short end of the curve in times of uncertainty and it remains to be seen what the uptake will be given the fact that the yields on offer are lower than the current inflation rate, thus generating a negative real return.

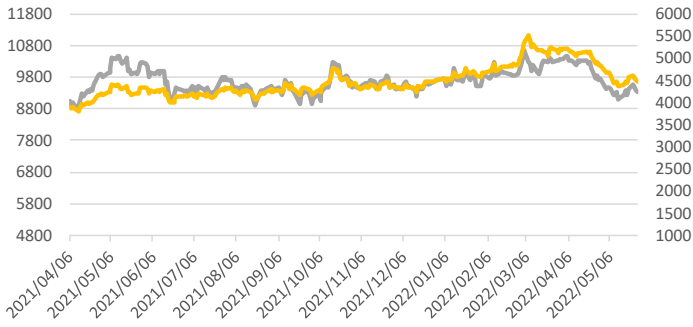
### Botswana Yield Curve



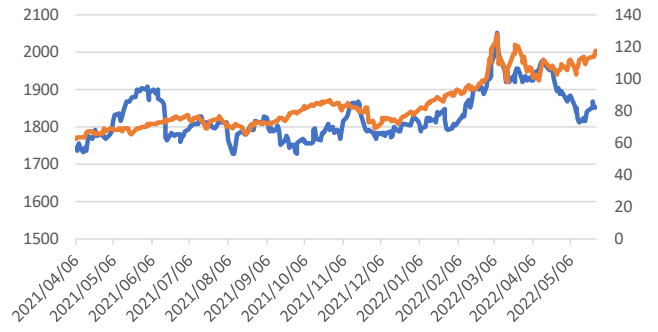
### USD Index



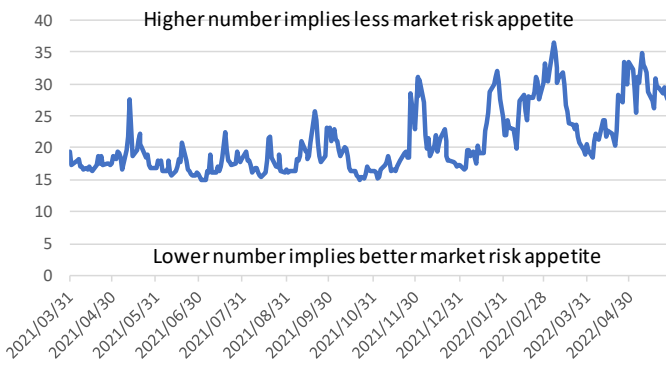
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



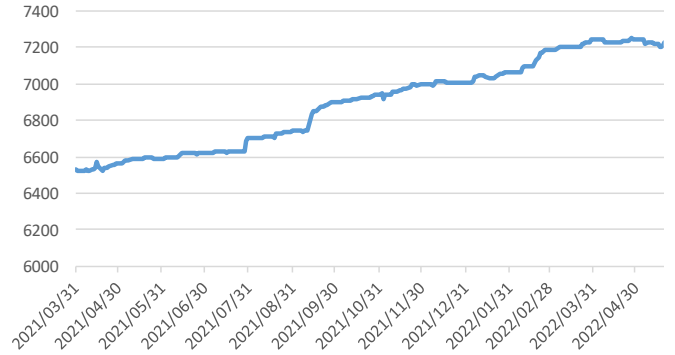
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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