

Botswana Market Watch

31 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	Botswana to Sell BWP700m of 7-Day Certificates			
09:00	EZ	CPI estimate y/y	May	7,7%	7,5%
13:00	US	House price index m/m	Mar	2,00%	2,1%
13:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Mar	19,7%	20,2%
13:45	US	Chicago PMI	May	54,5	56,4
14:00	US	Consumer confidence	May	103,9	107,3

Factors Overnight	What happened?	Relevance	Importance	Analysis
China Manu PMI	China's official manufacturing PMI was a little higher than forecast, although it remains in contractionary territory for the 3 rd straight month with a reading of 49.6 in May	Would suggest that the easing of Covid curbs is slowly starting to see activity return to more normalised levels	4/5 (economy)	China remains an important global and regional player whose performance matters. One would expect the PMI data to turn back above the 50.0 index level once all the curbs are removed, and the economy can normalise
UK business confidence	Sentiment among British businesses, excluding those exposed to the cost-of-living crisis, improved in May, according to the Lloyds Bank Business Barometer	The barometer rose to 38% in May from 33% in Apr, its first rise since Feb, a sign of improvement	4/5 (economy)	The data, however, remains weak. So while it is encouraging that it has improved, it is improving off a low base. With interest rates rising alongside inflation, any gains will be gradual
Oil prices	Oil prices surged again on Monday after the EU agreed to slash oil imports from Russia, fuelling worries of much tighter oil supplies	Building supply tensions will almost certainly lead to higher oil prices and inflation	5/5 (economy, markets)	The concern with this approach is that in adopting this ban, the prospect of a recession increased considerably, not only because of oil prices and inflation but also due to the damage to trade

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russian -Ukraine war	Ukrainian President Zelenskiy described the situation in the Donbas region as extremely difficult, but that Ukraine was still offering stiff resistance	Increasing reports of Russia's difficulty in making the kind of headwind that it hoped to	5/5 (geopolitics)	There is still no end in sight to this war that has now dragged on far longer than anticipated. It is clear that Russia is now fighting to avoid a global embarrassment and loss of legitimacy
NATO expansion	Turkey has made its demands clear to the US that it would only countenance Finland and Sweden's inclusion in NATO if they took concrete steps to appease Turkey's concerns	Turkey is adamant that the two countries assisted terrorist organisations that are at odds with NATO principles	4/5 (geopolitics)	All is not lost. Turkey is prepared to continue talks with Sweden and Finland and resolve any differences. It is clear that the Erdogan administration plans on using this opportunity to further its own political agenda
Fedspeak	Fed Governor Waller signalled that the Fed should be prepared to raise rates by 50bp at each meeting until inflation is decisively curbed	Waller's comments come ahead of a meeting between Fed Chair Powell and President Biden	4/5 (economy, monetary policy)	Waller's comments are broadly in line with the thinking of the Fed and will not come as much of a surprise. The risk for the economy is that the Fed's catch-up comes late and is too aggressive



Highlights news vendors

CNBC - [China faces a nearly \\$1 trillion funding gap. It will need more debt to fill it.](#)

ALL AFRICA - [U.S., Ghana to Partner in Fight Against Violent Extremism, Conflicts](#)

FT - [EU leaders agree to ban majority of Russian oil imports](#)

SOUTH CHINA POST - [China's third aircraft carrier 'to be launched on Dragon Boat Festival'](#)

REUTERS - [EU bans most Russian oil; Zelenskiy calls Donbas situation 'extremely difficult'](#)

Local and regional talking points

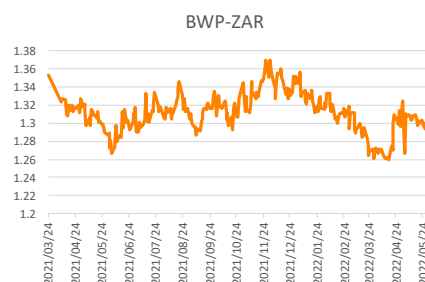
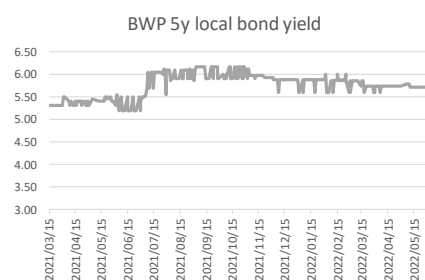
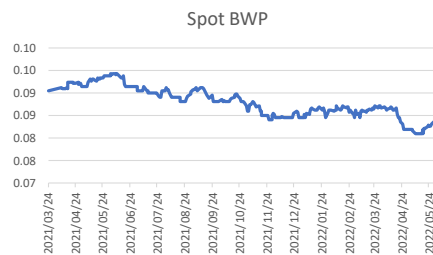
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.24416	1.249344	1.268136	1.340442
BWPUSD	0.08016	0.093496	0.0817048	0.086314
GBP/BWP	15.642224	15.699632	15.303811	14.793884
BWPEUR	0.080808	0.08112	0.0763403	0.07956
JPY/BWP	11.128	11.1696	10.51275	10.92795
USDZAR	14.899968	16.151512	15.249186	15.80208025
EURUSD	1.031424	1.117792	1.055598	1.093609
GBPUSD	1.209984	1.31092	1.238343	1.28255875

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0835	0.0004	1m	-2.1255
BWPGBP	0.066	0.0002	3m	-6.6885
BWPEUR	0.0775	0.00	6m	-16.11675
BWPZAR	1.2929	-0.008	12m	-26.52975

	Close	Change
Dollar Index	101.643	-0.025
EURUSD	1.0744	-0.0033
GBPUSD	1.2605	-0.0045
USDJPY	128.09	0.54
USDNGN	414.72	0
USDZAR	15.5222	0.0379

Local Fixed income			International Fixed Income		
Yield curve	Close	Change	Close	Change	
6m	1.825	0	SA 10y	9.72	-0.055
3y	3.425	-1.325	US 10y	2.7432	0.0016
5y	5.713	0	German 10y	0.963	-0.036
20y	8.489	-0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.538	-0.012		241.7	-10.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.54	0.82	Gold	1856.2129	3.4829
Dow Jones	33212.96	575.77	Brent Crude	121.67	2.24
FTSE	7600.06	20.54	3m Copper	9543	84
JSE All share	71958.15	1001.7	LME Index	4605.3	52.2
Bots DCIBT	7234.57	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	53772.35	933.98			

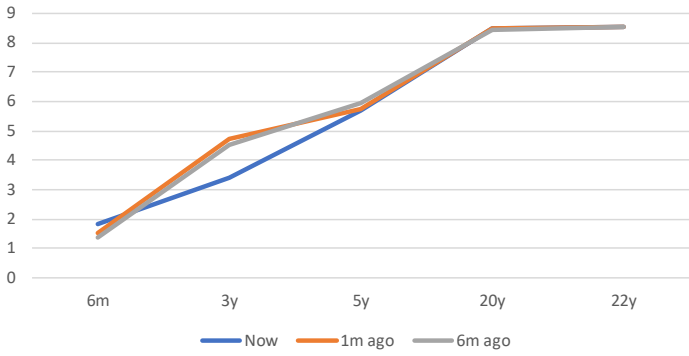


- The mining sector remains regionally significant with coal a focal point following the escalation of the Russian/Ukrainian conflict which has seen Russian supplies of coal shunned by the market. South Africa and Botswana are strong contenders to fill this void of what was once a shunned energy source but there are as always challenges with most of these focused squarely on the logistics of getting the coal out of the ground and to the consumer.
- The current infrastructure across the region including rail, road and port facilities may not be able to handle the additional demands, never mind the need to increase capacity at the mines producing the coal. At the moment there is a void of some 40 million tonnes as a result of the war, the question is how long will this void last. If the war ends does the world go back to Russian supplies? Mining is a capital intensive endeavour with payoff profiles on investment sometimes extending beyond 10 years.
- All of that said, Botswana is seeing increasing prospecting interest across the mining spectrum, the country is likely to benefit from a diversified mining sector in the years ahead.

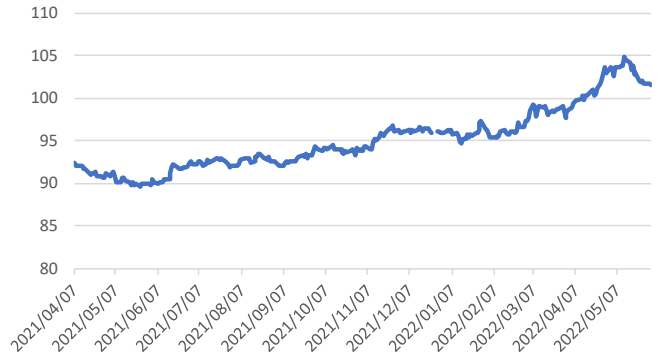
Financial Market commentary

- Keeping with mining, the optimism around the opening of Shanghai has buoyed the price of copper which is looking to retest yesterday's high of \$9579.00/tonne as we enter the start of the EU session. Market participants are wagering that the reopening of China will quickly restart the demand side of the equation which will underpin the prices going forward. We think that it may take some time for the Chinese economic juggernaut to return to pre-lockdown levels, potentially longer than the market anticipates, however the bias is certainly up for now
- Iron ore has remains bid as the Chinese reopen their economy. Iron Ore futures in Singapore have touched a high of \$135.10/tonne and if the momentum is maintained, we can expect to see levels closer to \$140.00/tonne in due course.
- Moving over to energy, Oil continues to push higher this morning, with Brent rising above \$123 per barrel as the EU moved forward with an embargo on Russian crude. A deal was reached yesterday that would see EU member states forbidden from buying Russian oil that is delivered by sea. While this is not a full ban, as it allows crude flow through pipelines to remain, it will still have a significant impact on supply levels across Europe. Last year, Russian sea-borne shipments of crude from its Baltic, Black Sea, and Arctic ports amounted to 1.57mn barrels per day, more than twice the amount that was transported daily through pipelines. Furthermore, the majority of oil shipped through pipelines headed to Germany and Poland, both of which have agreed to wean themselves off Russian crude over the coming months.
- This means that new sources of crude will need to be sourced, and given the current supply issues in the market, this will not be an easy task. As a result, we could have structurally higher oil prices embedded for months to come. OPEC+ is struggling just to meet its current output quotas, adding just 10% of the additional supply that was promised in the last two months. The US is also struggling to significantly increase its output, with shale producers able to drill for more but being set back by regulations and the need to return capital back to shareholders.
- Although the USD has stabilised this morning, it retains a bearish undertone. This morning's modest recovery will not fill any USD bulls with much confidence. Investors appear to be reconsidering their economic outlooks and the expectations for the Fed. However, they will likely wait for further clues from Fed Chairman Powell later today, given his scheduled meeting with President Biden. Biden's popularity rankings have sunk, and the economic woes are one aspect. Powell will likely reiterate the need to reduce inflation to bolster longer-term economic prospects. Any comments made today could trigger a market response. In the interim, the EUR-USD continues to trade above 1.07, from levels below 1.04 just two weeks ago. The GBP, for its part, is still trading above 1.2600.
- Given this backdrop we expect the BWP to strengthen further against the greenback in the coming sessions.

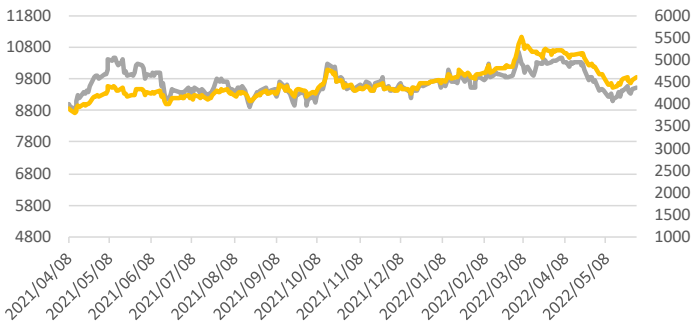
Botswana Yield Curve



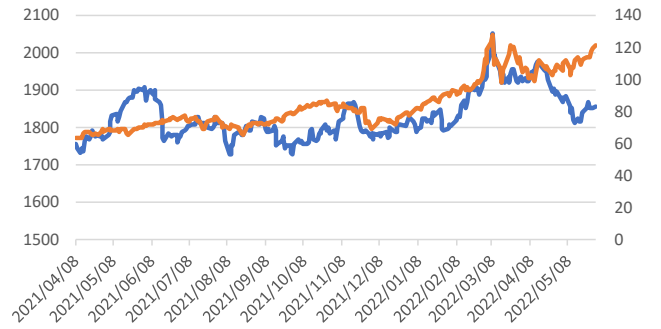
USD Index



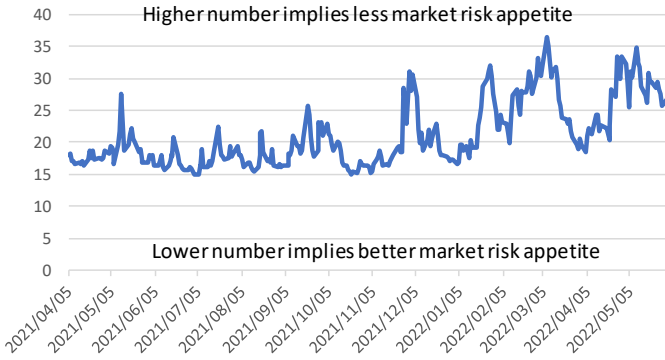
Base metals - Copper L_Hand axis LME Index R_Hand axis



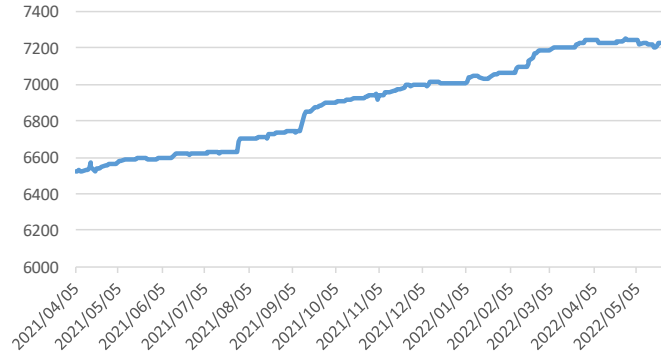
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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