

Botswana Market Watch

3 May 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
11:00	BW	Botswana to Sell BWP4.3bn of 7-Day certificates today			
07:55	GE	Unemployment rate sa	Apr	5.00%	5.00%
08:30	GB	Markit manufacturing PMI	Apr F	55,3	55,3
09:00	EZ	PPI y/y	Mar		31,4%
09:00	EZ	Unemployment rate	Mar	6,7%	6,8%
14:00	US	Durable goods orders m/m	Mar F		0,8%
14:00	US	Factory orders	Mar	1,1%	-0,5%

Factors Overnight	What happened?	Relevance	Importance	Analysis
RBA	The RBA just announced that it hiked rates 25bp to take the benchmark rate up to 35bp and showed its commitment to reigning in inflation	Extraordinary monetary support will be withdrawn which may hold impact the overleveraged	4/5 (monetary policy, economy)	Withdrawing the support that was offered during the pandemic is deemed appropriate, but the economy is now a lot more leveraged and will be more sensitive to rate hikes
US Treasuries	The 30yr US Treasury yield has risen to the highest since Mar 2019, while the 10yr briefly traded above 3% in a move that will likely last a little longer	The higher US Treasury yields go, the greater the risk of a stock market sell-off and volatility	4/5 (markets, economy)	It is also a function of just how much tightening has been priced into the market. If the Fed softens its tune even slightly, US Treasuries will rally and the USD will retreat.
US manufacturing	The ISM manufacturing index fell to 55.4 in March. Some mixed signals on supply chains were reported, alongside rising prices and workers quitting	This is the lowest reading in 18m and the tightening phase has barely started, raising questions	3/5 (economy)	It will likely be a more challenging period ahead as the Fed drives up rates, takes the momentum out of consumption and weakens corporate earnings as it normalises monetary policy

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia-Ukraine	EU is gradually moving to plan for the next round of Russian sanctions, including a German-backed oil ban	This move will hold negative growth consequences for all parties involved	5/5 (economy, geopolitics)	It remains unclear just how quickly the EU can wean itself off Russian energy sources, but there is talk that it may look towards Africa for assistance
Italy stimulus	Italy announced a hefty package of measures yesterday that would help shield companies from surging prices and supported the economy through a difficult time	The EZ economy is in trouble with the war in Ukraine dialling up the pressure ever further	4/5 (fiscal policy, economy)	Italy already has a stretched fiscal position. The government would not easily adopt this strategy unless it was convinced that the economy needed assistance. A EZ slowdown is unfolding.
Central Bank decisions	The BoE and the Fed will decide on interest rates this week and in all three cases some tightening will be announced	The Fed will likely tighten by 50bp while the BoE will likely tighten by 25bp	4/5 (monetary policy, markets, economy)	The process of normalising monetary policy is well under way. However, that will hold consequences for the certain sectors and global markets

Highlights news vendors

- CNBC - [Australia hikes its interest rate for the first time in more than a decade](#)
- ALL AFRICA - [Eid-El-Fitr - Buhari Says He's Having Sleepless Nights Over Nigeria's Insecurity](#)
- FT - [Germany warns EU to expect economic cost from Russian oil embargo](#)
- SOUTH CHINA POST - [Germany warns EU to expect economic cost from Russian oil embargo](#)
- REUTERS - [U.S. Supreme Court potential shock move on abortion sends protesters onto Washington streets](#)

Local and regional talking points

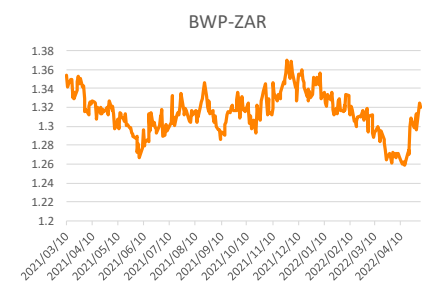
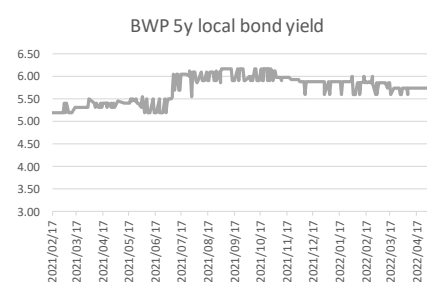
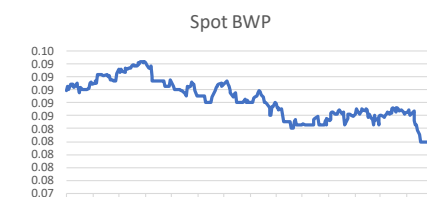
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.267392	1.27632	1.2918157	1.369385
BWPUSD	0.07872	0.093496	0.080237	0.084975
GBPGBP	15.79032	15.895464	15.448703	14.978418
BWPEUR	0.08112	0.08164	0.076635	0.08007
JPYBWP	11.0864	11.1488	10.47345	10.9076
USDZAR	15.455616	16.759496	15.817857	16.39691075
EURUSD	1.009344	1.093872	1.0330005	1.0702065
GBPUSD	1.202496	1.303432	1.2306795	1.27523275

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.082	0	1m	-2.48625
BWPGBP	0.0654	-0.0002	3m	-7.1175
BWPEUR	0.078	0.00	6m	-12.70425
BWPZAR	1.3202	0.0067	12m	-25.86675

	Close	Change
Dollar Index	103.46	-0.284
EURUSD	1.0514	0.001
GBPUSD	1.2526	0.0035
USDJPY	129.97	-0.17
USDNGN	414.69	0
USDZAR	16.0988	-0.0531

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change	Close	Change	
6m	1.55	0.003	SA 10y	9.955	
3y	4.75	0	US 10y	2.9375	
5y	5.75	0	German 10y	0.935	
20y	8.5	0	Spread SA 5y vs Bots 5y bpts	-12.70425	
22y	8.55	0		257.5	

Equities			Commodities		
	Close	Change	Close	Change	
VIX	32.34	-1.06	Gold	1896.3959	
Dow Jones	33061.5	-939.18	Brent Crude	109.34	
FTSE	7544.55	35.36	3m Copper	9769.5	
JSE All share	72438.25	903.68	LME Index	4830.8	
Bots DCIBT	7245.06	0	1 carat index	Invalid field(s)	
Nigeria Index	49638.94	801.18		#VALUE!	



- MMEGI Reporting into the close of last week - *Botswana is no longer Africa's most attractive destination for mineral investment, being displaced in the latest Fraser Institute Survey of Mining Companies by Morocco, Ghana, Liberia and other states. For 2021, the annual survey of mining companies was circulated to about 2,200 managers and executives around the world in companies involved in mining exploration and development. The survey received a total of 290 responses from individuals associated that reported exploration spending of \$2.51 billion in 2021 and \$1.79 billion in 2020. The survey, which is eagerly anticipated by investors annually, is an attempt to assess how mineral endowments and public policy factors such as taxation and regulatory uncertainty affect exploration investment. According to the results released last week, Botswana's investment attractiveness ranking in the survey fell to 64 out of 84 countries in 2021, compared to 11 out of 77 in 2020.*

- Regionally, the combination of the covid pandemic, spillover effects from the war in Ukraine and tightening global financial conditions have compounded fiscal pressures in Africa. Debt piles have ballooned over the past two years as government revenues fell amid the economic shock of the pandemic and as government expenditure shot through the roof. This comes against the backdrop of soaring international interest rates, which have pushed up debt servicing costs across the region.

- Increased debt and higher debt serving costs has seen the number of Sub Saharan African countries in or at high risk of debt distress increase markedly during the covid era. The Head of the Regional Studies Division in the African Department of IMF, Papa N'Diaye, said that more than 20 countries in the region are either at high risk of debt distress or already in debt distress.
- The IMF representative said that debt burdens in the region are elevated at a time when the social and development needs are very large. Unsustainable debt could lead to debt distress, where a country is unable to fulfil its financial debt obligations and resorts to debt restructuring. N'Diaye did not list the 20+ countries by name however the recently released World Economic Outlook revealed that eight countries in the world were in debt distress, thirty at high risk and twenty four at moderate risk, and seven countries at low risk of debt distress.

Financial Market commentary

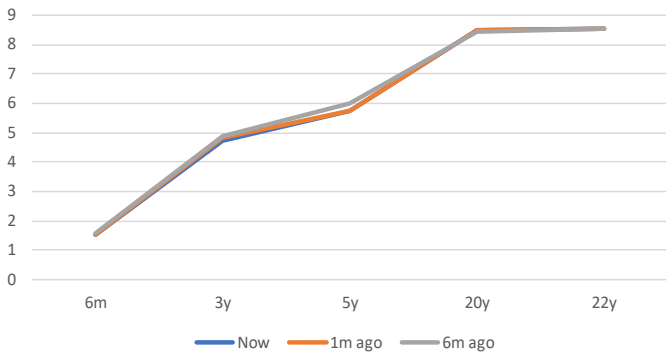
- Thinned out holiday trading exacerbated the ZAR's move yesterday to help it reach levels approaching 16.2000 in what was a wild trading session where the ZAR also traded below 15.8000. More normalised trading activity will return today, and a truer sense of relative value will be found. Exporters found value above 16.00/dlr last week and are bound to find the same again. The caveat this week will be the upcoming central bank decisions of the BoE and Fed and what they might reveal.

- In both cases, the market is looking for tightening, although with the Fed, speculation revolves around whether the move will be a 25bp or a 50bp hike. US Treasury yields have been nudging higher in recent trading sessions. A 50bp rate hike is priced in and should not trouble markets much. The risk for traders long of USDs is that the Fed draws attention to growth developments internationally and turns less aggressive in its guidance. It needs to strike a balance between combating inflation while not cratering stock markets and growth expectations. The latter might assist with inflation but would be counter-productive.

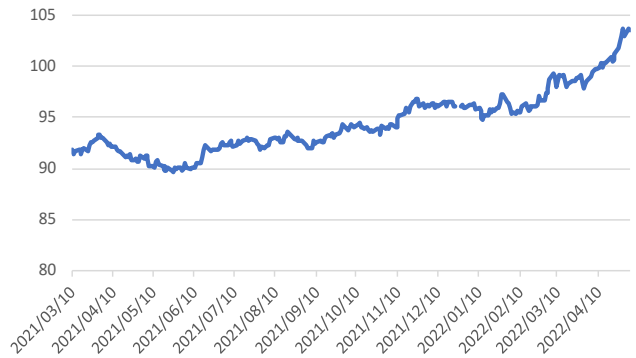
- So the week ahead holds the potential to be volatile once more. Although the ZAR might now be considered mildly undervalued, it can still swing between extremes. Levels approaching 16.2000 are now considered a technical level that might prove difficult to punch through and could contain the ZAR depreciation. The USD itself is now deemed to be overvalued against most currencies and will become progressively more vulnerable the longer it consolidates around current levels to allow investors to look through the current phase of monetary policy divergence between the US and other countries.

- The BWP will be watching developments in the ZAR closely and expected to start the session on the backfoot given the developments in the rand market.

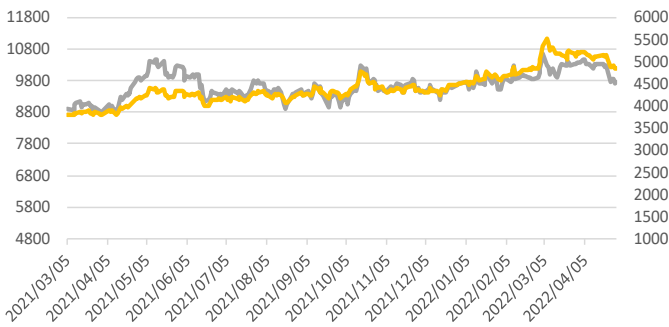
Botswana Yield Curve



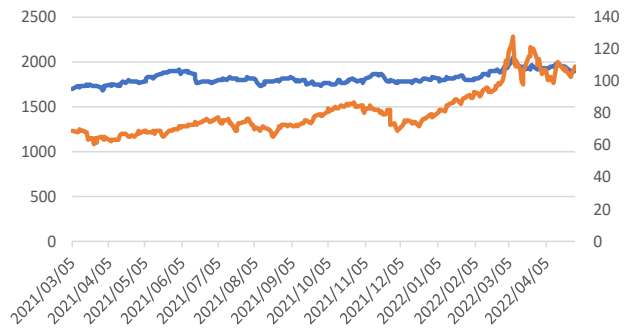
USD Index



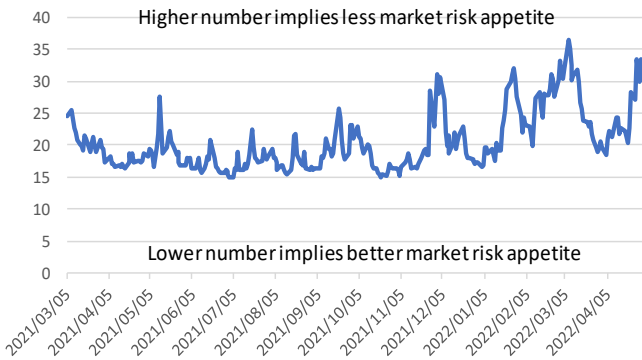
Base metals - Copper L_Hand axis LME Index R_Hand axis



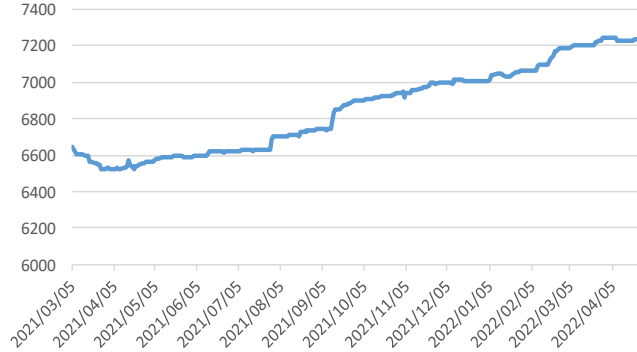
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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