

Botswana Market Watch

1 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
09:00	SA	Barclays manufacturing PMI	May		50,7%
07:55	GE	Markit/BME manufacturing PMI	May F	54,7	54,7
08:00	EZ	Markit/BME manufacturing PMI	May F	54,4	54,4
08:30	GB	Markit manufacturing PMI	May F	54,6	54,6
09:00	EZ	Unemployment rate	Apr	6,8%	6,8%
11:00	US	MBA mortgage applications	May 27		-1,2%
13:45	US	Markit PMI manufacturing	May F	57,5	57,5
14:00	CA	Canada central bank rate decision	Jun 1	1,5%	1,00%
14:00	US	ISM manufacturing PMI	May	55	55,4

Factors Overnight	What happened?	Relevance	Importance	Analysis
Russian energy	Russia has widened its gas cuts to Europe, with Gazprom saying it will turn off gas supplies to other "unfriendly" countries which refuse to abide by Russia's demand that they pay in Roubles	This comes just a day after the EU agreed to slash Russian oil imports. It may be to save face, but it will tighten gas market	4/5 (economy, market)	Russia has moved quickly to appear as though the weaker gas sales are a result of its decision not to supply Europe rather than by conceding that it is selling less due to the embargo on Russian gas from Europe
UK inflation	UK retailers raised their prices by the most since July 2011, according to the BRC. The BRC's inflation measure rose to 9.0% in Apr as energy prices surged	The BRC anticipates that this will impact demand and cause some downstream margin compression	4/5 (economy, monetary policy)	The cost-of-living crisis in the UK rolls on and will prompt the central bank to take a firm stance, although the BoE will be mindful of the growth consequences of raising rates too aggressively
Shanghai lockdown	Shanghai ended its restrictions yesterday, and immediately economic activity began to normalise as residents ventured out to celebrate freedom	Such zero-Covid policy lockdowns are unsustainable, and the government will struggle to repeat this	3/5 (economy)	One hopes that the government will be more cautious in implementing any further curbs given the frustration and rare protests that the latest lockdown measures generated

Factors on the Radar	What happened?	Relevance	Importance	Analysis
ECB outlook	As inflation rose to a fresh record high of 8.1% y/y through May, board members are debating whether the upcoming moves should be 25bp or 50bp	Whether more gradual or not, the expectation is that the ECB will move by at least 25bp in Jul	4/5 (monetary policy)	As the ECB moves in the coming months, investors will need to reposition for the set of consequences that will follow, including the repricing of risk, rates and currencies
EU oil embargo	The EU agreed yesterday on an oil embargo and gave Hungary exemptions. The objective remains to curb Russia's ability to fund the war	Oil purchases from Russia will be phased out over the next 6-8 months. Oil prices to remain elevated	5/5 (economy, markets, geopolitics)	While it may be a sign of unity from allied countries wishing to pressure Russia into stopping its military insurgency, there will be significant economic consequences to be borne
Labour data	Starting today, the latest private-sector ADP data will be released and will precede the weekly jobless claims and the all-important payrolls data on Friday	The combination will offer further insight into the underlying resilience of GDP and of wage inflation	4/5 (economy, monetary policy)	A tight labour market raises the probability that inflation will remain entrenched if wage inflation becomes more prominent. A strong reading might also encourage the Fed to do more

Highlights news vendors

CNBC - [India sees a second chance to pivot to the Indo-Pacific in new group that excludes China](#)

ALL AFRICA - [Nigerian Manufacturers Struggle With Wheat, Energy Shortages](#)

FT - [UK and EU hit Russian oil cargoes with insurance ban](#)

SOUTH CHINA POST - [Traffic returns, barriers come down as Shanghai ends lockdown](#)

REUTERS - [China says it conducted 'readiness patrol' around Taiwan](#)

Local and regional talking points

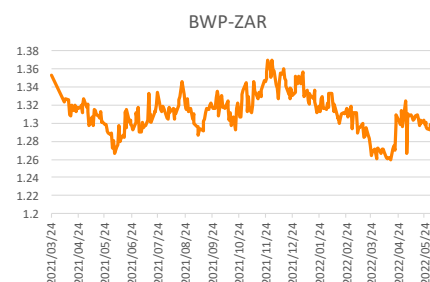
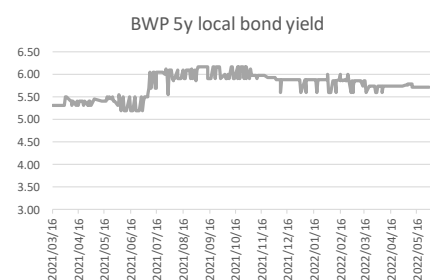
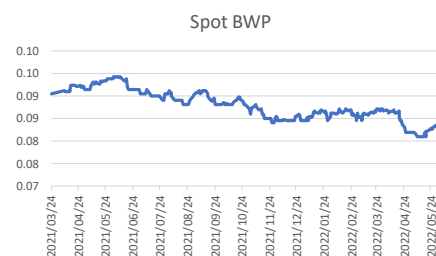
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.249536	1.254624	1.2736156	1.346107
BWPUSD	0.079776	0.093496	0.0813134	0.086108
GBPWP	15.687256	15.748928	15.347868	14.840336
BWPEUR	0.080704	0.081016	0.076242	0.079458
JPYBWP	11.1592	11.2008	10.542225	10.958475
USDZAR	15.036288	16.297008	15.388701	15.9444285
EURUSD	1.02816	1.114152	1.0522575	1.09004775
GBPUSD	1.20768	1.308736	1.235985	1.280422

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0831	-0.0004	1m	-2.58375	-35.00295
BWPGBP	0.0659	-0.0001	3m	-8.02425	-85.49809
BWPEUR	0.0774	0.00	6m	-16.31175	-145.3367
BWPZAR	1.2985	0.0029	12m	-30.6735	-283.0691

Dollar Index	
	Change
EURUSD	-0.0024
GBPUSD	-0.0021
USDJPY	0.45
USDNGN	0
USDZAR	0.0393

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	9.835	0.115
3y	4.75	1.325	US 10y	2.8495	0.1063
5y	5.713	0	German 10y	1.127	0.164
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		255.2	13.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.19	0.47	Gold	1837.0925	-19.1204
Dow Jones	32990.12	0	Brent Crude	122.84	1.17
FTSE	7607.66	14.6	3m Copper	9447.5	-95.5
JSE All share	72094.87	1472.69	LME Index	4537	-68.3
Bots DCIBT	7233.81	1.98	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	53637.14	-312.95			

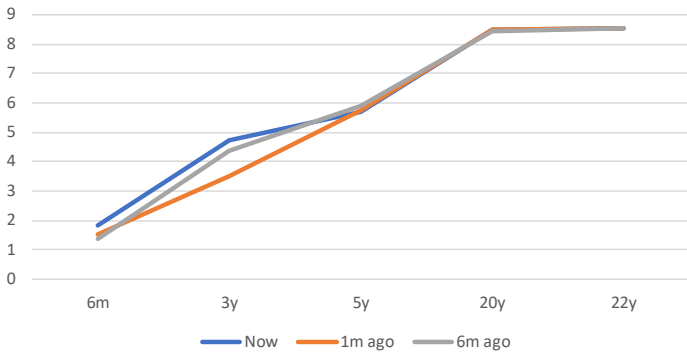


- The IMF has completed its 2022 Article IV to Botswana with the good news that it expects the economic recovery to continue through this year amid higher prices and demand for diamonds, prospects for good harvest following good rainfall in some parts of the country, and increasing international tourist arrivals.
- Growth is projected at 4.3% for 2022, however some long-standing challenges remain. Unemployment is currently at 26% with poverty and inequality on the rise. Inflation remains out of the Central Bank's target band of 3-6% and has increased sharply during the first couple of months of 2022. The country has relatively low fiscal buffers and is exposed to a downturn in mining.
- All of that said, Gaborone's goal of achieving a fiscal surplus over the medium term is on track according to a statement by the IMF
- The take home is that Botswana is on the mend, but as always there are challenges that will need to be navigated with caution.
- Full statement can be found by [clicking here](#)

Financial Market commentary

- The USD remains the dominant driver of the currency market. Market concerns swung back to inflation and higher rates and helped US bond yields higher. Although lower for the month of May, they did jump on the last trading day of the month. Whether that is just a month-end gyration or something more fundamental and entrenched will become obvious over the coming trading sessions. However, while US Treasury yields rise, the USD will enjoy some added support. The real test may come later this week with Friday's latest US non-farm payroll data release.
- US Treasury yields were not the only ones to rise. EZ bond yields rose as well, while UK 10yr gilts rose to their highest levels since July 2015. The point is that yields are heading higher as central banks globally coordinate their efforts to bring inflation back under control. Although they risk tightening too quickly and slow economic growth too aggressively, for now, that is what investors are focusing on, and it has detracted from levels of risk appetite.
- However, while offshore drivers of currency may be dominating at the moment, the ZAR still enjoys some resilience. The trade balance still printed a very healthy R15.5bn surplus, which although below market expectations, implies that the current account through Q2 will remain in surplus. As domestic growth softens, such surpluses will be sustained. The biggest concern to this will be the oil price and the deterioration of SA's terms of trade. For this reason, it was a relief to see the oil price down sharply overnight.
- It was also mildly encouraging that the unemployment rate retreated slightly to 34.5% from 35.3%. Although this is still a horrific number and the highest out of 83 countries monitored by Bloomberg, it is the first decline since 2020 and confirms that some 370k were created as lockdown. How long this lasts will depend on how strongly the government pushes through with its reforms and can attract investment back to the country. For now, these local data will take a back seat to international expectations on interest rates.
- This morning, the USD-ZAR looks set to give back some of its gains to correct, possibly as high as the 16.00 handle. Such a move could form the right-hand shoulder of a technical Head-and-shoulders formation on the daily chart.
- Given this backdrop we expect the BWP to exhibit an element of caution at the start of the session with further weakness not ruled out.

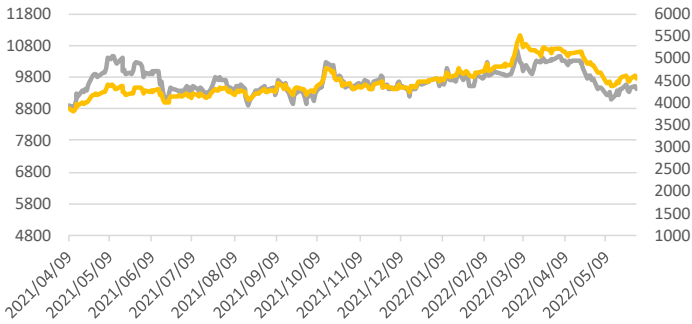
Botswana Yield Curve



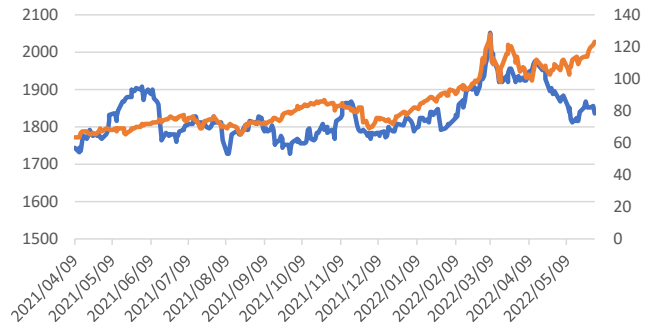
USD Index



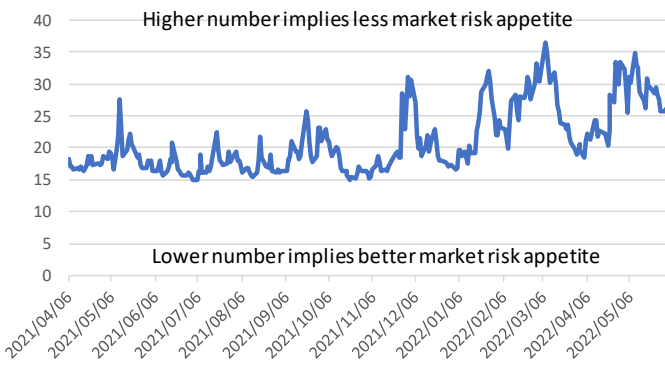
Base metals - Copper L_Hand axis LME Index R_Hand axis



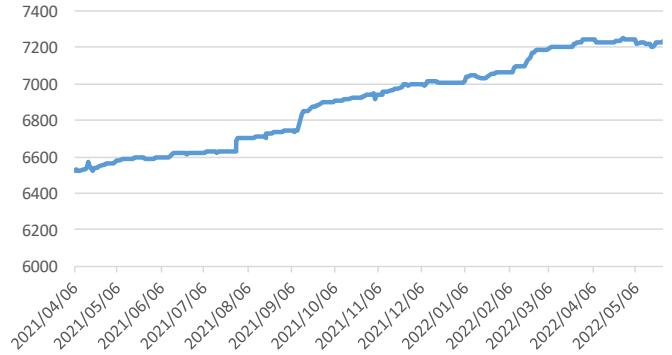
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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