

Botswana Market Watch

3 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	SA	Nothing on the cards			
12:30	US	Change in nonfarm payrolls	May	329k	428k
12:30	US	Unemployment rate	May	3,5%	3,6%
13:45	US	Markit composite PMI	May F		53,8
13:45	US	Markit services PMI	May F		53,5
14:00	US	ISM non-manufacturing composite PMI	May	56,9	57,1
14:30	US	Fed Vice Chair Brainard Discusses Community Reinvestment Act			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Japan service sector	Japan's service sector activity grew at the fastest pace in 6 months in May following the government's decision to lift the Covid-19 curbs to rise to 52.6	As Covid curbs ease and normalised economic activity resumes, the service sector will benefit	3/5 (economy)	Although accelerating inflation placed a drag on economic activity, the resumption of normal economic conditions more than outweighed the headwinds
UK holidays	Investors are reminded that the UK will enjoy the 2 nd of its two public holidays the country celebrates the Queen's Platinum Jubilee	Liquidity will be thin through Thursday and Friday, given London's status as a financial hub	4/5 (markets)	Financial markets may well adopt a more consolidative tone in the coming days, with investors unlikely to want to hold significant positions over what is essentially a four-day weekend
Oil prices	Oil prices have refrained from retreating any further as investors expressed doubts that Saudi would be able to make up Russia's production deficit	Russia's production already dropped 1mn bpd since the war and will drop more with the embargo	5/5 (market)	It would require an enormous effort by Saudi and further investment into new pumping efforts to make up the shortfall. It will be difficult and the supply crunch is likely to persist

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fedspeak	Fed's Brainard spoke to CNBC yesterday and confirmed 50bp hikes at the next two meetings are reasonable, adding that a Sep hike is not "if" but "how much"	Mester agreed and felt that 2.5% FFR needs to be reached ASAP. Only Bostic urged some caution	4/5 (monetary policy)	This would be in keeping with the guidance offered recently and speaks to a Fed playing catch up. Current economic data allows them to still press ahead with this aggressive stance
PBoC	The PBoC indicated that it would persist with prudent monetary policy and look to bring forward any efforts to help support the economy	Unlike most other central banks around the world battling inflation, China want to ease policy	3/5 (economy, monetary policy)	China would like to produce a positive Q2 GDP reading, but that will require assistance given all the Covid curbs that had been implemented to assist the economy stage a recovery
Labour data	ADP and weekly jobless claims data have set the stage for a strong jobs report today, with the unemployment rate set to print at 3.5% and job growth solid	The data 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 - [Russia's war on Ukraine could shake up global trade blocs. Here are the winners and losers](#)

ALL AFRICA - [Can the African Standby Force Match Up to Current Security Threats?](#)

FT - [Investors return to Chinese stocks after Covid and geopolitics triggered sharp sell-off](#)

SOUTH CHINA POST - [Russia's Ukraine setbacks spur China to develop smarter military drones](#)

REUTERS - [As Shanghai reopens, California ports prepare for cargo surge](#)

Local and regional talking points

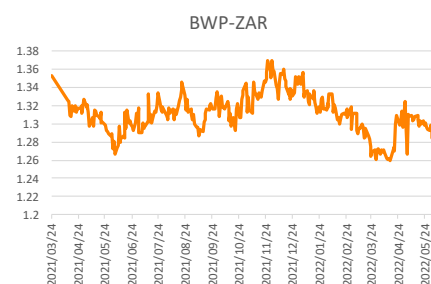
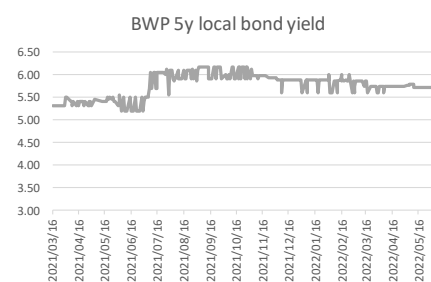
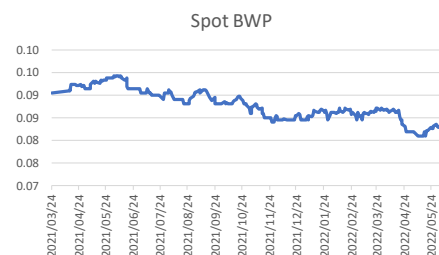
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.23312	1.242816	1.2568833	1.333438
BWPUSD	0.079776	0.093496	0.0813134	0.086005
GBPWP	15.619864	15.733952	15.281934	14.826224
BWPEUR	0.080392	0.081016	0.0759473	0.079458
JPYBWP	11.2216	11.3048	10.601175	11.060225
USDZAR	14.83872	16.085264	15.186503	15.7372655
EURUSD	1.031808	1.118208	1.055991	1.094016
GBPUSD	1.206816	1.307488	1.2351008	1.279201

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0831	0.0002	1m	-2.3595	-34.48468
BWPGBP	0.0661	-0.0003	3m	-8.0145	-88.0019
BWPEUR	0.0773	0.00	6m	-16.19475	-148.105
BWPZAR	1.2846	-0.0083	12m	-30.15675	-286.3665

Dollar Index		
	Close	Change
EURUSD	1.0748	0.0003
GBPUSD	1.2569	-0.0007
USDJPY	129.87	0.04
USDNGN	414.58	0
USDZAR	15.4564	-0.0131

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	9.855	-0.015
3y	4.75	1.325	US 10y	2.9131	0.0018
5y	5.713	0	German 10y	1.235	0.054
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts	255.7	-4.3
22y	8.55	0.012			

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.72	-0.97	Gold	1845.55	8.4575
Dow Jones	33248.28	-176.89	Brent Crude	116.29	-6.55
FTSE	7532.95	-74.71	3m Copper	9499.5	52
JSE All share	71035	-1245.49	LME Index	4520.5	-16.5
Bots DCIBT	7216.81	3.59	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52840.14	-662.99			

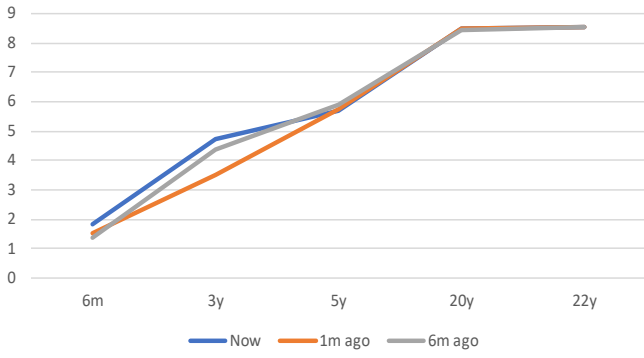


- The war in the Ukraine has certainly upended the current trade dynamics and will have numerous consequences, some intended, others not for decades to come. Trade flows are going to change and it is unlikely that Russian commodities will be acquired directly from Russia as the world shuns the superpower as a result of its aggression towards the Ukraine.
- Geopolitics aside, there are some very real changes afoot including the pricing of global foodstuffs as the Ukraine/Russian region is a major supplier of wheat and other commodities including metals and energy products.
- This may be a windfall for the region as the EU and others favour African commodities over Russian equivalents. The EU has already expressed interest in purchasing coal from Botswana and if the correct offtake agreements are inked and the logistical challenges overcome, could be massively empowering for the country.
- That said on the other hand food staples could remain high. It is worth noting that CNBC has reported - *Millions of tons of wheat from Ukraine, one of the world's biggest wheat exporters, have been stuck in the country, unable to get to countries which need them. That's because Russia's military forces have been blocking the Black Sea, where key Ukrainian ports are.*

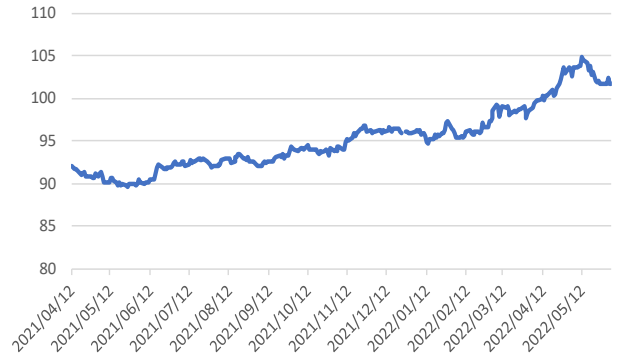
Financial Market commentary

- There are growing fears surrounding the US heading into recession with the likes of Goldman Sachs Group Inc. President John Waldron warning of tougher times ahead amid a string of shocks rattling the global economy. The JP Morgan Chief Executive Jamie Dimon said that investors should prepare for an economic "hurricane". Thus, the safe haven bid is very much in play when looking at the bullion market currently and we have the spot price of gold trading just short of the \$1870.00/oz mark as we enter the start of the EU session.
- The trading of copper yesterday was centred around the US and Asia with the UK out for a public holiday. Copper prices on Comex ramped higher surging by the most in more than two years as investors priced for demand recovery as Shanghai returns to normal following a hard lockdown to contain COVID-19. The global bellwether of economic growth rose by as much as 5.3% intra-day on Comex to \$4.5710/lb before closing at \$4.55/lb. Investors should take note that the UK is closed today as the Queen's jubilee celebrations extend so liquidity will be lower than normal once again.
- Oil prices rebounded strongly yesterday as the much anticipated OPEC+ meeting disappointed those looking for the cartel to step in and ramp up production to stabilise the market. Brent touched lows of \$112.45 per barrel yesterday before the meeting, but pared those losses and then some to rally back towards \$117.50 per barrel. The alliance of oil producers agreed to a roughly 50% extra increase in production for July and August, meaning that, in theory, output will rise by 648k barrels per day for those two months. However, the reality looks very different as the extra output was spread across members according to each one's current production quota. This means that countries that have been struggling to meet their quotas already will continue to do so, but by a larger margin. Those that have spare capacity, such as Saudi Arabia and the UAE, meanwhile, will maintain that capacity.
- The deal also does not change what output will be towards the end of the year. It merely brings some of it forward. Therefore, with Russia's production likely to decline due to sanctions and refining capacity still relatively constrained, the market will remain tight and prices will remain supported. Most major institutions have kept their forecasts for Brent at the end of the year between \$120 and \$125 per barrel. We expect oil to average slightly less than that through H2, as the global economy slows and demand weakens.
- Stock markets have staged a modest recovery, and the reduction in risk aversion has nudged investors back to the higher-yielding, riskier investment destinations. This will be supportive of both the ZAR and the BWP as we enter the final trading day for the week. That said, all eyes will be on the important US jobs data.

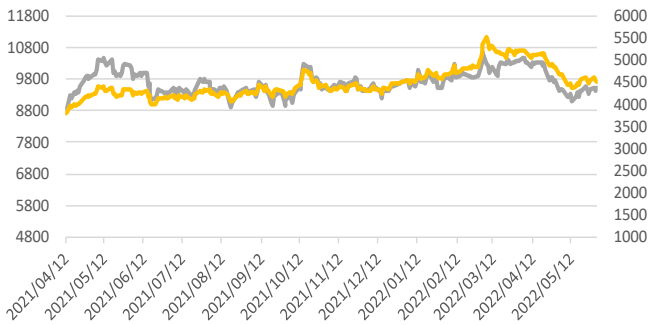
Botswana Yield Curve



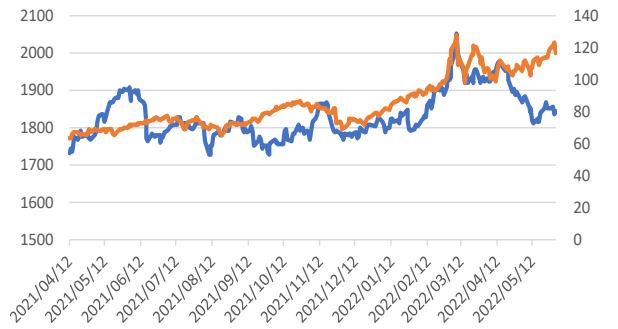
USD Index



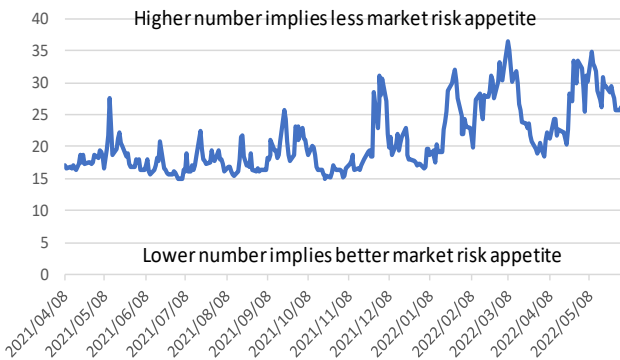
Base metals - Copper L_Hand axis LME Index R_Hand axis



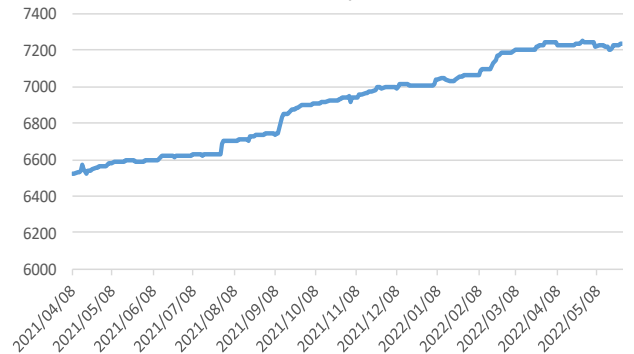
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

Mogamisi Nkate
Phillip Masalila
Kefentse Kebaetse
Mompoloki Keseabetswe
Amogelang Themba
Tshwanelo Bogale
Pearl David

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.