

Botswana Market Watch

6 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	CPI potentially released	May		9.6%
01:45	CH	Caixin composite PMI	May	42.2 A	37.2
01:45	CH	Caixin services PMI	May	41.4 A	36.2

Factors Overnight	What happened?	Relevance	Importance	Analysis
Russian war on Ukraine	Over the weekend, Russia once again struck Kyiv as Putin again warned that he would strike other targets if Ukraine were given long-range missiles	The war rages on and shows no signs of an imminent end. The impact on global markets will persist	4/5 (economy, geopolitics)	Russia continues to struggle to make any meaningful headway as Putin continues to lose faith and isolate Russia's economy from the rest of the world
US labour market	US payrolls rose 390k vs the 325k anticipated, leaving the unemployment rate steady at 3.6%, polishing off a solid round of labour data	Labour data earlier in the week also posted some decent results to keep the labour market tight	4/5 (economy)	This will allow the Fed to hold its course and continue tightening as it has. There is no reason to raise any alarm bells just yet, with the labour market proving resilient to the guidance so far.
Oil prices	Saudi Arabia hiked prices for crude oil in July, signalling tight supply even as though OPEC+ looked to lift production over the next two months	High prices only serve to incentivise reforms away from fossil fuels and will continue constraining growth	5/5 (market)	Oil producers are taking full advantage of the tight supply environment and will try to raise production where possible to meet demand, especially as Covid restrictions in China come to an end

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK leadership battle	Officials in PM Johnson's Torrie party are anticipating a challenge to his leadership and have pencilled in a vote on Wed	Uncertainty over Johnson's leadership will induce some uncertainty	4/5 (politics)	Financial markets will reflect some degree of uncertainty and the GBP could remain under some pressure ahead of the possible vote of no-confidence
US tariffs on China	The US is considering lifting some tariffs on China imposed by former president Trump in a bid to lower inflation	It is unclear how much that would assist, but it is being investigated	3/5 (economy, politics)	The rise in inflation and interest rates has seen Biden's popularity tumble, and he will look at all opportunities to re-establish some support.
Venezuela oil	Reuters reports that the US is looking to allow ENI and Repsol to start shipping Venezuelan oil to Europe as early as next month to ease supply fears	Although at this stage, the amounts in question are not large, it is a step to easing oil pressures	4/5 (markets, geopolitics)	It may be used as a bargaining tool to gain leverage over Venezuela and offer an opportunity to the economy if they reform. This would ease the passage towards the lifting of more restrictions

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Local and regional talking points

- This week will see the release of the May inflation reading. The market is eagerly awaiting the data as it will give insight as to whether or not we have in fact peaked in terms of inflation or can we expect higher levels in the coming months.
- The fact of the matter is that we have yet to see a meaningful pullback in any commodity prices and logistical channels have been stretched even further given the Chinese lockdowns over the period, and neither has the currency has not strengthened against the dollar.
- This paints a picture where inflationary pressures are certainly skewed more to the upside for now.

Financial Market commentary

- The movements in the rand will be watched closely over the coming days given its influence on local markets. Given that backdrop we would like to draw readers attention to developments in Botswana's eastern neighbour.
- Equity markets are back up this morning but finished last week on the back foot, highlighting uncertainty while central banks continue to push hard in their fight against inflation. But that will only go so far in taming inflation while oil prices are back above \$120.00pb.
- It becomes tough to settle on a clear strategy to protect existing assets against erosion and difficulties in such uncertain times. For local asset managers, the allure of investing offshore is ever-present; however, invest where? This morning, Business Day is running with a story that asset managers are concerned about a strong outflow of funds due to the raised prudential limits announced by Fin Min Godongwana in the Fed budget. Effectively the 10% that could be invested into Africa can now be invested anywhere abroad.
- At face value, that sounds dangerous for a country like SA, which faces so many challenges. Cynics would argue that this offers a wonderful opportunity to externalise wealth and protect against the ravages of a poorly run economy. However, investing abroad assumes that the opportunities available are at least equal, if not better. Asset managers may enjoy having a larger pool of companies to expose themselves to, but valuations abroad still need to be considered. Just because one can invest abroad doesn't mean one should, and just because limits have been raised does not guarantee that they will be used.
- This information has been in the public domain for months now, and the ZAR is still trading at levels stronger than where it started the year. The big outflows have not materialised, and for good reason. Massive quantities of Quantitative Easing have distorted asset prices, and clear value is not easily discernible. The deviation between the performance of equity markets and their underlying economies is enormous and cannot be explained just by company diversification strategies. Valuations are sky-high, and the fear of a major correction is palpable. How long that takes to correct is open for debate. In the interim, investors in SA are not acting as though they are fearful that such outflows will materialise any time soon, and if the ETM ZAR Sentiment Indicator is anything to go by, there are fewer in the professional FX market that are hedging now than was the case 6 months ago. If anything, ZAR indicators allude to resilience, not weakness, so such articles need to be considered in the correct context.

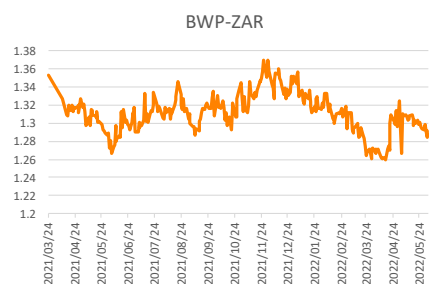
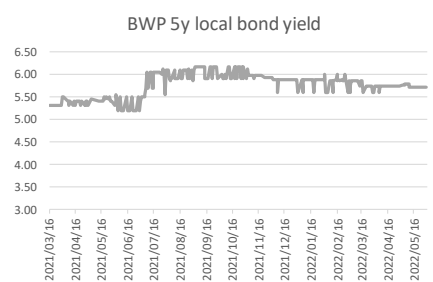
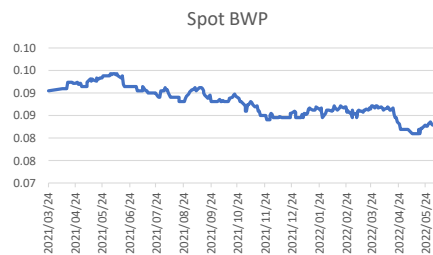
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.238304	1.24368	1.2621672	1.334365
BWPUSD	0.079872	0.093496	0.0814112	0.086005
GBPWP	15.560168	15.617472	15.22353	14.716464
BWPEUR	0.080704	0.081016	0.076242	0.079458
JPYBWP	11.3048	11.3464	10.679775	11.100925
USDZAR	14.88384	16.135184	15.23268	15.7861055
EURUSD	1.02912	1.115296	1.05324	1.091167
GBPUSD	1.199328	1.299376	1.2274373	1.2712645

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0832	0.0001	1m	-2.3595
BWPGBP	0.0666	0.0005	3m	-8.00475
BWPEUR	0.0776	0.00	6m	-16.17525
BWPZAR	1.2919	-0.0066	12m	-30.03

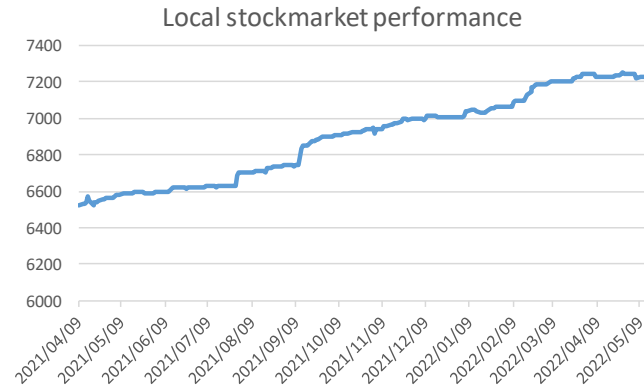
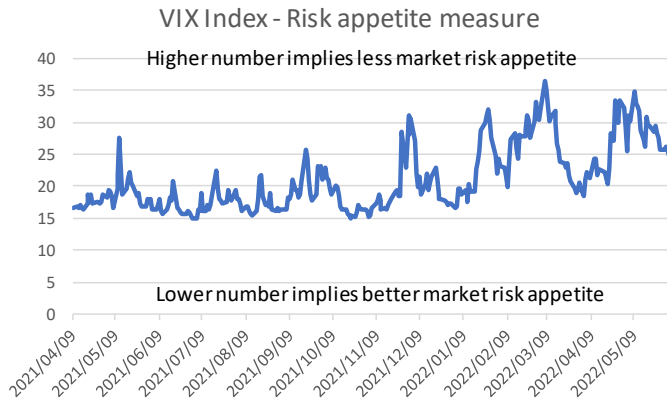
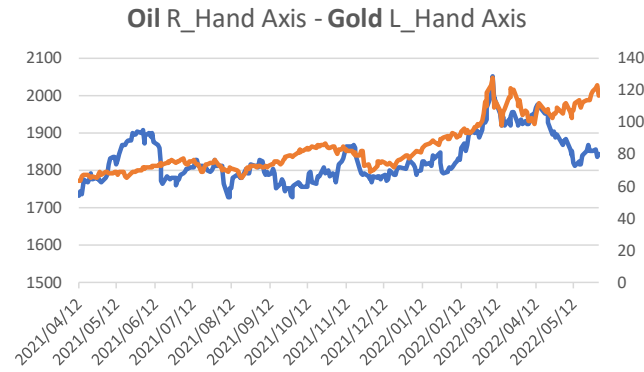
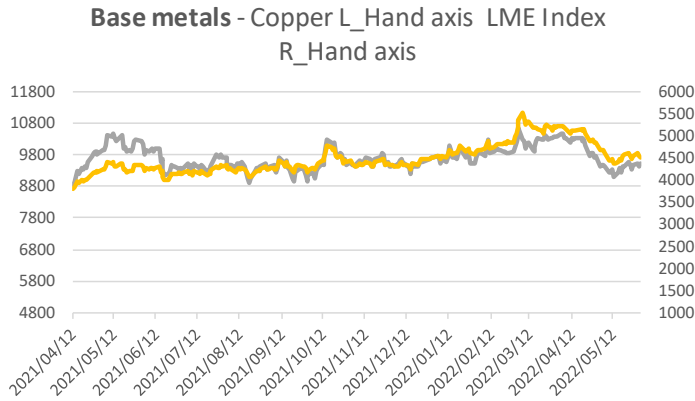
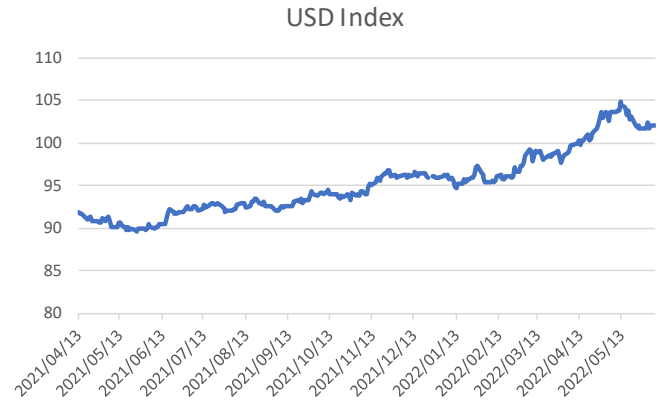
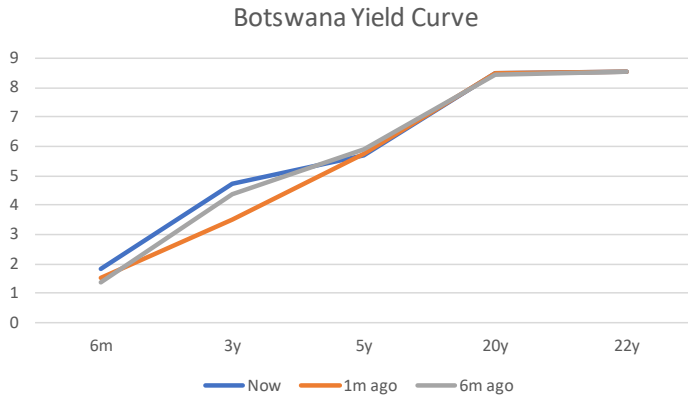
	Close	Change
Dollar Index	102.087	-0.053
EURUSD	1.072	0.0002
GBPUSD	1.2489	0.0004
USDJPY	130.61	-0.25
USDNGN	414.62	0
USDZAR	15.5051	-0.0245

Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	9.83	-0.025
3y	4.75	1.325	US 10y	2.9405	0.0274
5y	5.713	0	German 10y	1.27	0.035
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		257.2	1.5

Equities		Commodities			
	Close	Change	Close	Change	
VIX	24.79	0.07	Gold	1845.55	8.4575
Dow Jones	32899.7	435.05	Brent Crude	116.29	-6.55
FTSE	7532.95	0	3m Copper	9499.5	52
JSE All share	70920.45	185.62	LME Index	4520.5	-16.5
Bots DCIBT	7216.81	-20.59	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52908.24	-134.01			



- bellwether of economic growth rose by as much as 5.3% intra-day on Comex to



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