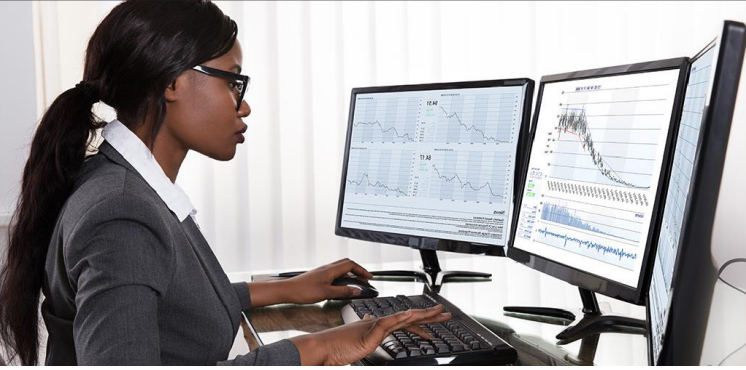


# Botswana Market Watch

## 8 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	CPI potentially released	May		9.6%
08:30	GB	PMI construction	May	56.6	58.2
09:00	EZ	GDP sa y/y	1Q F	5.10%	5.10%
11:00	US	MBA mortgage applications	Jun 3		-2.30%
14:00	US	Wholesale inventories m/m	Apr F	2.10%	2.10%
14:00	US	Wholesale sales m/m	Apr		1.70%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US GDPNow</b>	The Atlanta Fed's GDPNow tracker is pointing to a significant slowdown in the US economy through Q2 and growth of just 0.9% as headwinds bite	The significance of this is that the Fed's aggressive tightening has barely begun, and GDP is sliding	4/5 (economy, markets)	It raises serious questions about whether the Fed will be able to press ahead and tighten monetary policy as much as they have alluded to in their guidance
<b>Japanese Q1 GDP</b>	Q1 GDP fell by a smaller than anticipated 0.5% in Japan. The economy shrank less than anticipated as consumption remained resilient	The economy still shrank, and given the global inflation and rate hike headwinds, Q2 will also be tough	3/5 (economy, markets)	GDP growth around the world is coming at a premium. With central banks hell-bent on containing inflation, global growth is headed for a major downturn and could result in a recession in Japan
<b>US trade</b>	The US trade deficit fell 19.1% to \$87.1bn in Apr. Exports rose 3.5%, while imports declined 3.4%	The improvement in the GDP reading will help boost Q2 GDP at the margin	4/5 (economy)	GDPNow data alludes to a slowdown, and the trade data may well be a reason why the overall GDP figure does not dip into a negative reading

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>World Bank outlook</b>	In its flagship "Global Economic Prospects" report published in June, the World Bank has warned that the global economy is headed for stagflation not seen since the 1970s	The downbeat outlook is a function of the many supply-side shocks that have lifted inflation and forced rates higher	5/5 (market)	Central banks are now participating in engineering this major slowdown in responding to the higher inflation. The risk is that inflation remains high as demand-side factors are not driving it, yet demand will be curtailed
<b>US inflation outlook</b>	US Treasury Secretary Yellen told Senators on Tue that inflation is expected to remain higher for longer and that the Biden administration would need to raise its inflation forecast	Yellen has revised her inflation expectations but expressed her expectation that it would cool on the Fed's actions	4/5 (market)	Yellen repeatedly rejected any assertions that inflation was being fueled by Biden's \$1.9trln spending plan that was passed through Congress last year, highlighting again that it was mainly a supply-side issue
<b>Bond yields</b>	Bond yields may find rising much further difficult to do while GDP growth forecasts are being revised down	Sometimes the reason for stagflation plays an important role in driving policy	4/5 (markets)	The stagflation that is due to unfold is mainly being driven by supply-side shocks that are impacting significantly on growth

### Highlights news vendors

CNBC - [Fed GDP tracker shows the economy could be on the brink of a recession](#)

ALL AFRICA - [Exploring Ethiopia's Complicated Barriers to Peace](#)

FT - [Bridgewater bets against US and European corporate bonds on slowdown fears](#)

SOUTH CHINA POST - [Taiwan on agenda as China, US defence chiefs come face to face in Singapore](#)

REUTERS - [EU agrees single mobile charging port in blow to Apple](#)

## Local and regional talking points

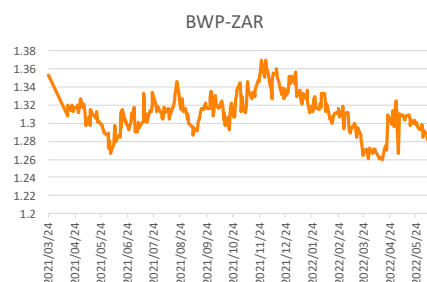
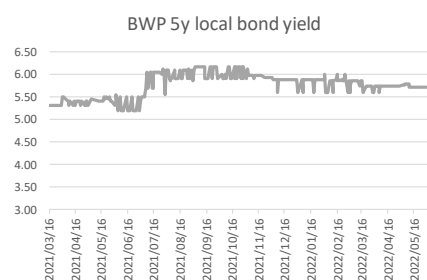
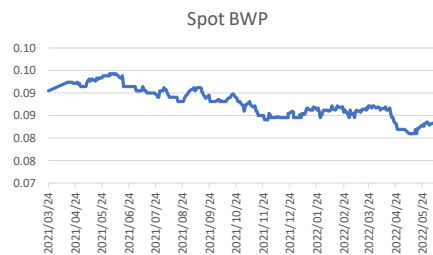
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.232352	1.24176	1.2561005	1.332305
BWPUSD	0.079968	0.093496	0.0815091	0.086211
GBPWP	15.574	15.68736	15.237063	14.78232
BWPEUR	0.08112	0.081744	0.076635	0.080172
JPYBWP	11.5336	11.6168	10.895925	11.365475
USDZAR	14.79408	16.034304	15.140816	15.687408
EURUSD	1.025376	1.111032	1.0494083	1.08699525
GBPUSD	1.206144	1.30676	1.234413	1.27848875

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0833	-0.0001	1m	-2.46675	-40.73463
BWPGBP	0.0662	-0.0003	3m	-7.8975	-89.88739
BWPEUR	0.0778	0.00	6m	-15.9705	-150.1889
BWPZAR	1.2815	-0.0031	12m	-29.57175	-288.8472

	Close	Change
Dollar Index	102.576	0.258
EURUSD	1.0679	-0.002
GBPUSD	1.2564	-0.0024
USDJPY	133.12	0.54
USDNGN	414.63	0
USDZAR	15.4097	0.0255

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	9.965	0.07
3y	4.75	1.325	US 10y	2.9791	-0.0608
5y	5.713	0	German 10y	1.287	-0.035
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		270.2	8.7

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.02	-1.05	Gold	1851.9741	10.9759
Dow Jones	33180.14	16.08	Brent Crude	120.57	1.06
FTSE	7598.93	75.27	3m Copper	9699	-46
JSE All share	70318.23	199.64	LME Index	4611.6	-20.2
Bots DCIBT	7222.91	3.96	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	53270.88	178.62			

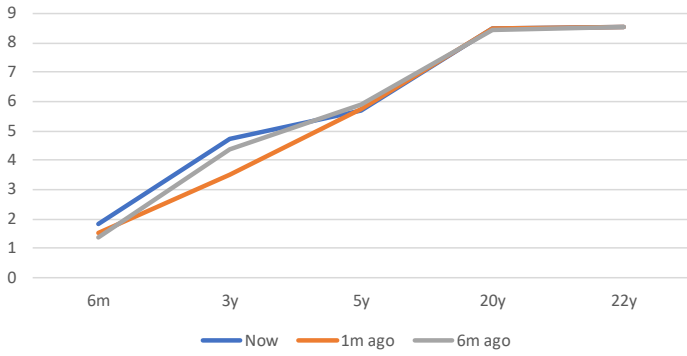


- The Pamela Smith-Lawrence, health services director in Botswana's Ministry of Health stated earlier in the week that Botswana is likely to enter its fifth wave of the COVID-19 pandemic given that cases are on the rise in the country.
- *Pamela Smith-Lawrence, health services director in Botswana's Ministry of Health, revealed this when appearing before the southern African country's Public Accounts Committee (PAC) in Gaborone, the capital city of Botswana.*
- *"The country was seemingly entering a fifth wave," Smith-Lawrence stated to the PAC, the body made up of Botswana's legislators, as a measure to ensure public financial accountability.*
- There are concerns surrounding the rise in cases, however, there is no talk of another round of restrictions on movement or economic activity.

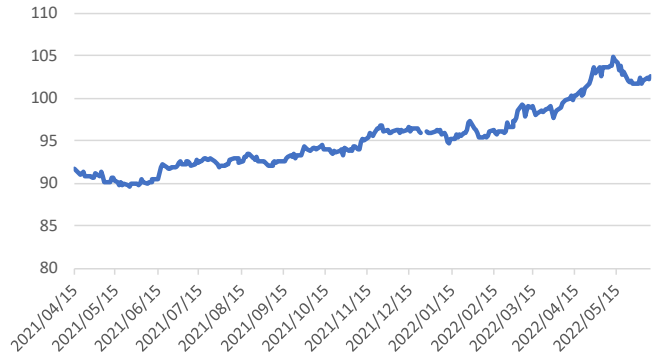
## Financial Market commentary

- The big regional macro event yesterday was the release of South Africa's GDP figure for Q1 2022.
- SA's GDP growth beat market expectations by quite some margin and elevated nominal, deseasonalised GDP back to pre-covid levels. The data highlights how there is still some life left in the SA economy and that lifting further restrictions, allowing for the private sector to play a larger role, and de-regulating could offer a tremendous opportunity when the global economy is facing some major headwinds.
- Increasingly, the notion that the global economy will head into a significant downturn and that many economies could find themselves in a recession is starting to permeate markets. A recent report from the World Bank indicated that it would be very difficult for many economies to avoid a recession in 2022 as inflation remains high and central banks are aggressively tightening monetary policy to rein it in. Even the Atlanta Fed's GDPnow indicator is pointing to a significant downturn in US growth, with an expansion of just 0.9% forecast in Q2. That is before the Fed started its aggressive tightening.
- Now comes the real test for central bankers. They could talk tough until now because their respective economies were holding up quite well. It remains unclear whether they will have the stomach to continue hiking rates should global financial markets start collapsing and their economies slip into recession. Most central banks want to control inflation and keep it well contained, but not at any expense. Should recessionary conditions start to impact the labour market, the central banks will likely back off, and history could well repeat itself through 2022 or early 2023.
- US bond yields slipped overnight, and the 10yr vs 2yr bond spread has flattened. As a result, the USD backed away from yesterday's highs, and while it may be up slightly in the trading session this morning, it may well struggle to register significant further gains against a backdrop of deteriorating growth expectations where the market is already starting to price in central banks rethinking their aggressive tightening strategy. With so much tightening already priced into the USD, and given its overvaluation, it is especially vulnerable to a correction, something the ZAR and BWP could capitalise on.
- Moving over to the energy markets, Brent is holding above \$120 per barrel this morning, while WTI trades near \$119 per barrel as the balance between supply and demand continues to point to a very tight market. The market shrugged off API data released yesterday that showed that US crude inventories increased by over 1.8mn barrels last week as, despite the increase, inventories remain at nine-year lows when seasonally adjusted. This tightness in the markets is further corroborated by the futures curve, which remains extremely backwardated. The prompt timespread for Brent has widened out to around \$2.44 a barrel currently, well up from levels near \$1.60 per barrel seen at the start of the month.

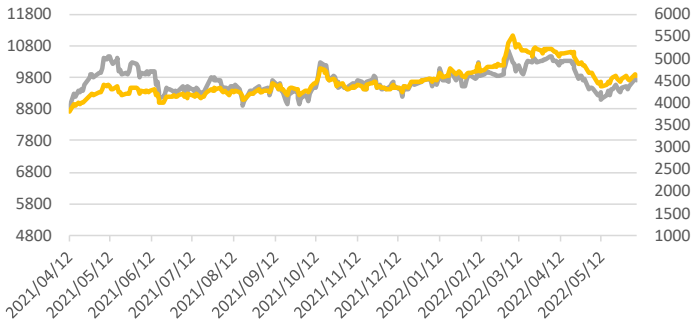
### Botswana Yield Curve



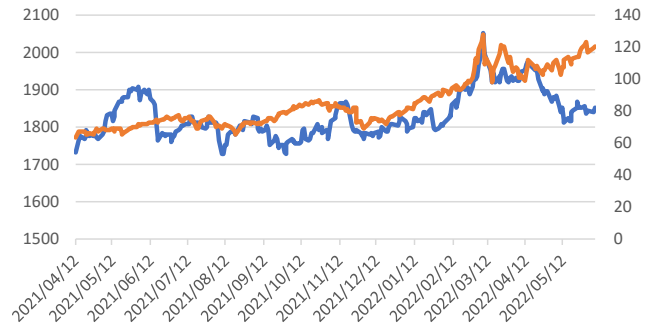
### USD Index



### Base metals - Copper L\_Hand axis LME Index R\_Hand axis

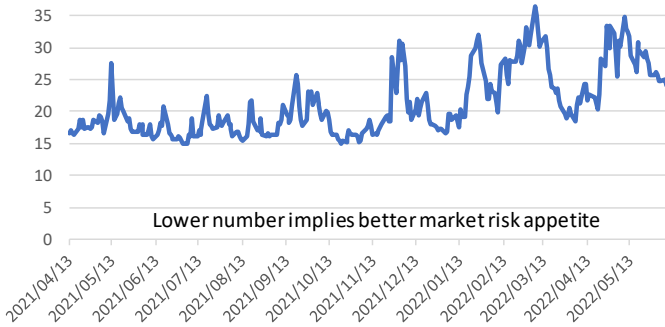


### Oil R\_Hand Axis - Gold L\_Hand Axis



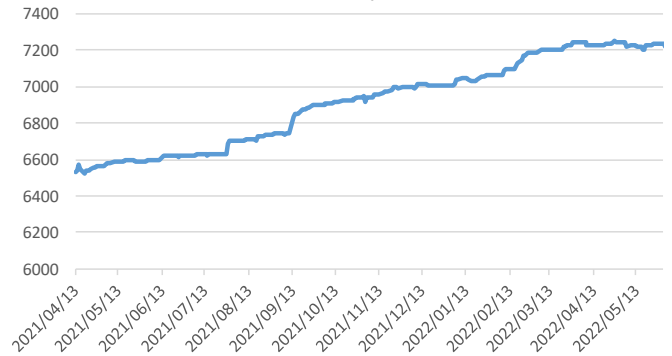
### VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

### Local stockmarket performance



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