

# Botswana Market Watch

## 9 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	CPI potentially released	May		9.6%
06:00	JN	Machine tool orders y/y	May P		25.00%
11:45	EZ	ECB deposit facility rate	Jun 9	-0.50%	-0.50%
11:45	EZ	ECB rate announcement	Jun 9	0.00%	0.00%
12:30	EZ	ECB President Lagarde Holds Press Conference			
12:30	US	Initial jobless claims	Jun 4	210k	200k
14:45	US	Markit services PMI	Dec P		58

Factors Overnight	What happened?	Relevance	Importance	Analysis
-------------------	----------------	-----------	------------	----------

<b>Chinese exports</b>	Chinese exports have surged in May and grown by double digits of 16.9% y/y as Covid curbs were lifted and more normalised economic activity could resume	This implies that the Chinese economy is recovering strongly from the lockdowns to bolster global GDP	<b>3/5</b> (economy)	Great news from a growth perspective. However less positive in that it might further exacerbate supply constraints and help keep inflationary pressures well elevated
<b>UK housing market</b>	After an incredible surge through the pandemic, house prices are finally showing signs of cooling as activity slows amid high prices	Affordability has become a key factor amid inflation and rising interest rates	<b>4/5</b> (economy, markets)	The boom in house prices has looked increasingly unsustainable given the cost-of-living crisis, rate hikes and the anticipated economic slowdown
<b>Oil prices</b>	Oil prices have surged once more on news that Chinese exports were stronger than ever and that global growth would be supported	China's growth at best, offsets some of the slowdown due to rate hikes	<b>4/5</b> (economy, market)	Growth in China only supports global GDP at the margin. It is not enough to prevent a global slowdown due to inflation and tightening monetary policy

Factors on the Radar	What happened?	Relevance	Importance	Analysis
----------------------	----------------	-----------	------------	----------

<b>US tariff cuts on China</b>	US Treasury Secretary Yellen indicated on Wed that the Biden administration would look at reducing some tariffs on Chinese imports to ease inflation	She did, however, warn that while it would help, it would not resolve the inflation crisis	<b>3/5</b> (market)	More information on the tariff adjustments will be released in coming weeks. This amounts to a rollback of some of Trump's tariff increases that did little to curb the trade deficit
<b>OECD Growth Outlook</b>	According to the OECD, the war in Ukraine has dealt the global economy a blow, but it should still manage to avoid a 1970s style stagflationary episode	Nonetheless, global growth will be substantially lower with persistently high inflation	<b>4/5</b> (economy)	To mitigate the effects of inflation and growth, the burden will need to be split across wages and profitability. Both can be reclaimed at a later point once the current pressures have abated
<b>IMF on JPY</b>	The IMF has weighed in on the depreciation of the JPY, saying that the move accurately reflects the underlying fundamentals	Rising commodity prices and deteriorating terms of trade are to blame	<b>4/5</b> (economy, market)	The JPY remains a clear funding currency for carry trades into jurisdictions whose interest rates are rising aggressively to combat inflation



### Highlights news vendors

CNBC - [The Quad's new maritime initiative has potential to spur militarization of the Indo-Pacific](#)

ALL AFRICA - [Algeria Suspends Friendship Treaty With Spain Amid Western Sahara Tensions](#)

FT - [Palantir gears up to expand its reach into UK's NHS](#)

SOUTH CHINA POST - [Chinese blockchain platform says it has new tech to resist quantum attacks](#)

REUTERS - ['Brutal' battle for Ukraine's Sievierodonetsk will determine fate of Donbas - president](#)

## Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.227552	1.236864	1.251208	1.327052
BWPUSD	0.080352	0.093496	0.0819005	0.086932
GBPBPW	15.46428	15.580136	15.129716	14.681282
BWPEUR	0.08112	0.081744	0.076635	0.080172
JPYBWP	11.6688	11.752	11.02365	11.49775
USDZAR	14.665824	15.895152	15.009554	15.5512665
EURUSD	1.029984	1.116024	1.0541243	1.09187925
GBPUSD	1.20336	1.304056	1.2315638	1.27584325

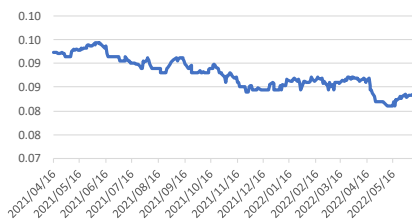
	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0837	0.0001	1m	-2.686125
BWPGBP	0.0668	0.0001	3m	-8.721375
BWPEUR	0.078	0.00	6m	-15.9705
BWPZAR	1.2787	-0.0081	12m	-29.57175

	Close	Change
Dollar Index	102.453	-0.089
EURUSD	1.0728	0.0014
GBPUSD	1.2535	-0.0004
USDJPY	134.07	-0.17
USDNGN	414.63	0
USDZAR	15.2771	-0.0054

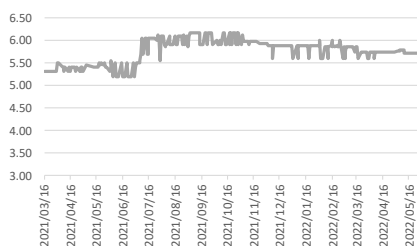
Local Fixed income			International Fixed Income		
Yield curve	Close	Change	Close	Change	
6m	1.825	0	SA 10y	9.945	-0.02
3y	4.75	1.325	US 10y	3.027	0.0479
5y	5.713	0	German 10y	1.355	0.068
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		270.2	0

Equities			Commodities		
	Close	Change	Close	Change	
VIX	23.96	-0.06	Gold	1853.255	1.2809
Dow Jones	32910.9	264.36	Brent Crude	123.58	3.01
FTSE	7593	-9.29	3m Copper	9730	31
JSE All share	69950.21	-801.86	LME Index	4635.5	23.9
Bots DCIBT	7222.85	2.14	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	53193.98	184.02			

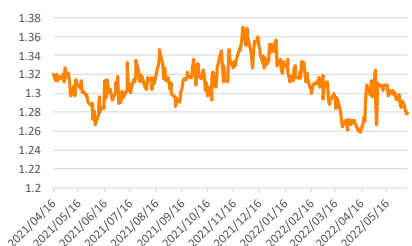
Spot BWP



BWP 5y local bond yield



BWP-ZAR

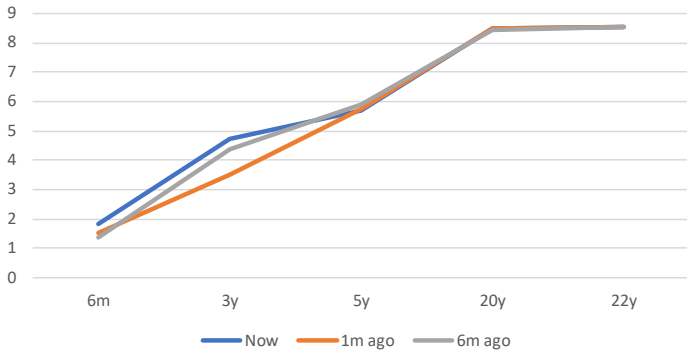


- Xinhua reporting - Botswana is pursuing certain programs and projects in the green energy sector, as the southern African country seeks ways of transitioning from a resource-based economy to a knowledge-based one and creating jobs.
- President Mokgweetsi Masisi made this revelation Wednesday when giving a keynote address during the Botswana World Economic Forum (WEF) post-analysis seminar in Gaborone, the capital city of Botswana.
- "In our quest to transition from a resource-based to knowledge-based economy and create jobs, there are certain programs and projects that we are pursuing, some of which are in the green energy sector," said Masisi
- Masisi said Botswana, which is currently reviewing its integrated resource plan in order to expand the contribution of solar energy to Botswana's energy mix, is working around the clock to ensure that there is the financing of programs and projects in the green energy sector.

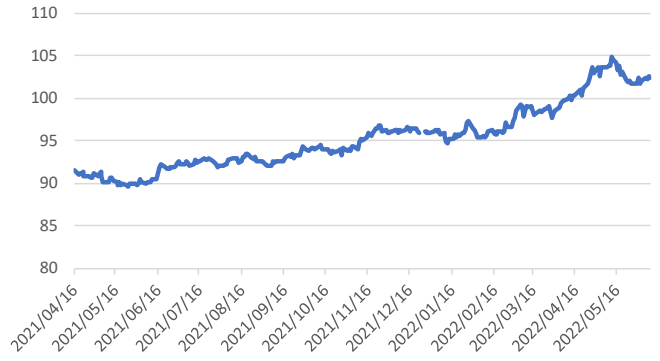
## Financial Market commentary

- Data published this week confirmed that the rotation out of emerging market assets persisted last month as money managers continued to favour haven assets given the fragile market conditions. According to the Institute of International Finance, emerging market bonds and equities suffered a -\$4.9bn capital outflow in May as concerns about a global recession, geopolitical tensions, tighter monetary conditions and inflationary pressures weighed on risk appetite. This comes on the back of a -\$4.0bn outflow in April and a -\$9.8bn outflow in March.
- Details from the May Capital Flows Tracker report showed that most of the outflows were from China, which doesn't come as a surprise as several major cities remained in lockdown. That said, the last week of May saw important inflows into Chinese assets as officials signalled that they would ease lockdowns. Moreover, it is worth pointing out that May saw marginal inflows into Africa and the Middle East (\$2.7bn).
- While the modest inflows into Africa and the Middle East last month are encouraging, the IIF said in its global outlook report that capital flows to emerging markets are expected to weaken markedly due to the elevated global recession risks. The IIF forecasts that non-resident flows to emerging market countries, excluding China, will fall to \$645bn in 2022, from about \$1trn last year. It also expects a continuation of recent outflows in China.
- However, for Africa and the Middle East, the institute said that it expects a return to strong growth and large current account surpluses, with "a certain degree of resilience on the part of oil-exporting countries despite the challenging global growth environment. Countries such as Angola and Nigeria are benefitting handsomely from the elevated international oil prices. For an in-depth analysis on this topic, see our latest strategy piece titled "Current account dynamics are playing a key role in African currency movements."
- Moving over to the FX markets and extending on the points above, The ZAR did experience some aggressive selling in the early stages of the month but stabilised and recovered later in May, only for the appreciation to extend through June. In the face of all the noise, uncertainty, offshore rate hikes, and the draining of liquidity, flows have remained somewhat supportive of the ZAR, and ETM's ZAR Sentiment indicator still signals a supportive environment for the ZAR through the next 6-8 months.
- Even ETM's carry attractiveness index shows that SA enjoys a stronger carry score than many other emerging markets and definitely more than developed markets. That may speak to the conservatism of the SARB and the recent hikes and the rise in inflation internationally that will undermine the PPP balance of forces that exists. So while the USD is struggling for traction, as is the case this morning, the ZAR will capitalise, with technical analysis targeting levels back below 15.2000 today which will undoubtedly add in equal measure to the BWP-USD and we could see levels north of 0.0850 once again.

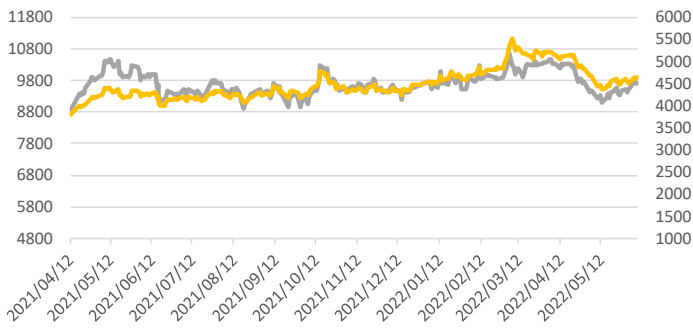
### Botswana Yield Curve



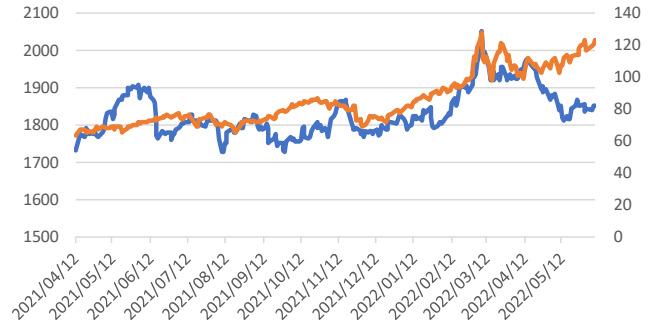
### USD Index



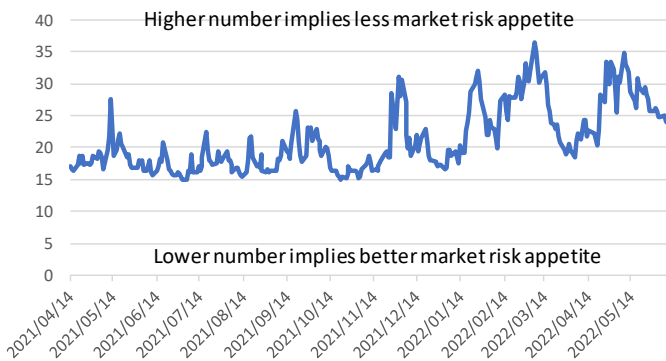
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



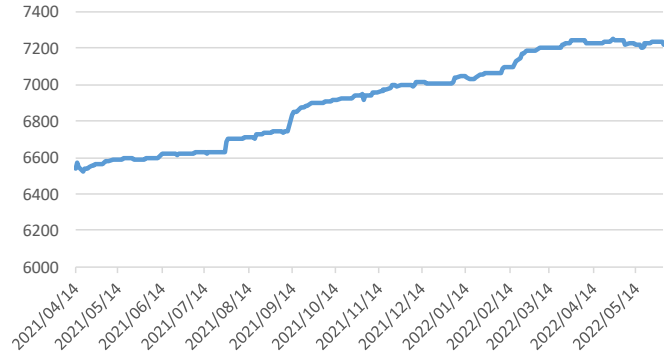
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto: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.