

Botswana Market Watch 10 June 2022



| GMT | Country | Data event or release | Period | Market Exp | Previous |
|-------|---------|------------------------------------|--------|------------|----------|
| - | BW | CPI potentially released | May | | 9.6% |
| 01:30 | CH | CPI y/y | May | 2.20% | 2.10% |
| 08:30 | GB | BoE/GfK inflation (next 12 months) | Jun | | 4.3 |
| 12:30 | US | CPI y/y | May | 8.20% | 8.30% |
| 12:30 | US | Real ave weekly earnings y/y | May | | -3.40% |
| 14:00 | US | Michigan consumer confidence | Jun P | 58.9 | 58.4 |

| Factors Overnight | What happened? | Relevance | Importance | Analysis |
|----------------------------------|---|---|--|---|
| Chinese partial lockdowns | Parts of Shanghai started imposing fresh Covid-19 restrictions and raised fears that this was the start of more lockdown measures | Optimism about China reopening has quickly evaporated, and fears of weak growth re-emerged | 4/5 (economy) | Demand from China is key in driving sentiment and direction in many financial markets at the margin. Chinese demand has become something of a swing factor to monitor |
| UK labour market | Employers in Britain hired staff at the slowest pace since early 2021 in a sign that the labour market is starting to lose steam | Unlikely to offer enough reason to dissuade the BoE from hiking in June | 3/5 (economy) | A measure from KPMG and the REX fell for a sixth consecutive month to a reading of 59.2 in May from 59.8 in Apr, where 50 is the breakeven |
| Chinese inflation | China's factory-gate inflation has slid to a 14m low defying the global surge in inflation and prices, as Covid curbs and weak demand weigh | At a producer level, this is indeed good news if it helps take the edge off inflation of finished goods | 5/5 (economy, Monetary policy) | China remains a significant producer in the world, and the slide in inflationary pressures will help at the margin, although that is not enough to prevent central banks from hiking. |

| Factors on the Radar | What happened? | Relevance | Importance | Analysis |
|---------------------------|---|---|--|--|
| ECB policy | The ECB ended its long-running stimulus scheme on Thu and indicated that it would deliver its first rate hike (25bp) since 2011 | This is a considerable change for the ECB, with an even bigger hike planned for Sep | 5/5 (economy, Monetary policy) | Inflation of 8.1% represents a record high that the ECB cannot tolerate any longer. It, too, joins the chorus of central banks fighting inflation |
| IMF growth outlook | Although it has already cut its growth forecast, the IMF has indicated that it will likely soften its growth forecasts even further in the future | The IMF is set to release its next forecast next month and will likely revise GDP down for 3 rd time | 4/5 (economy) | This again highlights the degree to which the global economy is being negatively affected by the rise in inflation, commodity prices, interest rates and geopolitical developments |
| US inflation | Inflation data this afternoon is arguably the most important data release of the week and will hold implications for monetary policy | The way in which UST yields respond could exert influence on USD performance | 4/5 (economy, market, monetary policy) | The data will likely to confirm whether prices peaked in March or whether they remain more elevated than anticipated to keep the Fed hawkish |



Highlights news vendors

CNBC - [Carrie Lam says Hong Kong hasn't become 'just another Chinese city'](#)

ALL AFRICA - [Nigeria Elections 2023 - and So the Countdown Begins](#)

FT - [January 6 riot was part of 'attempted coup' by Trump, committee alleges](#)

SOUTH CHINA POST - [Chinese help for Cambodian naval base has 'nothing to do' with PLA](#)

REUTERS - [U.S. Capitol riot hearing shows Trump allies, daughter rejected fraud claims](#)

Local and regional talking points

- As we enter the final day of trade for the week the market is still positioned for the potential result of the May CPI figures. These data will be watched closely given their importance to next week's decision on interest rates.
- The Bank of Botswana has thus far not been overly hawkish, it has walked the moderate path even though it has pushed out its expectations of when inflation will return to the target band.
- The fact of the matter is that the inflation we are currently experiencing is largely supply driven versus demand driven, so the efficacy of raising rates is always questioned. The bank will be mindful that a policy which is too restrictive will hamper an economy just emerging from the COVID-19 pandemic

Financial Market commentary

- Gold slipped overnight following an announcement by the ECB that they plan to raise rates in July by 25 bps and cease its asset purchase programme. The ECB has been for the most part behind the curve and reluctant to trim stimulus given the precarious outlook for growth in the European Union.
- We remain sceptical of their ability to become uber hawkish, in fact, there is equal scepticism around the potential for massive monetary tightening across all the major central banks given that many forward-looking indicators are pointing to recessionary conditions on the horizon.
- Moving over to energy, Oil is coming off its best levels for this week as concerns continue to mount over rising COVID cases in China and what that means for oil demand in the world's largest importer of crude. The front-month Brent contract is down to around \$122.20 this morning after peaking just below \$125 earlier this week. Nevertheless, we are still on track for a seventh straight weekly gain as global supply conditions remain tight.
- On the demand side, things are looking fairly neutral at the moment, with sliding demand in China being offset by higher demand in the US, given that we are now into their holiday season. Therefore, supply conditions are largely driving the market, which is why prices have remained so elevated in recent weeks. OPEC Secretary-General Barkindo said yesterday that apart from one or two members, OPEC is generally maxed out in terms of production at the moment. Saudi Arabia and the UAE are really the only two that still have some spare capacity at the moment, and even that will not be enough to reverse the market imbalance if it is tapped into.
- Looking at the day ahead, all eyes are on the US CPI number, this will give further insight into the nature of US inflation.
- The multi-decadal high set in March of 8.5% y/y appears to be the high-water mark after inflation dipped in the April print. However, the drop was not as significant as expected, with inflation falling only slightly to 8.3%, compared to consensus expectations of a decline to 8.1%. While this inflationary episode is expected to have peaked, it will likely be a slow descent back into more comfortable territory as elevated energy prices and supply bottlenecks continue to have an impact on broader inflation. This will likely see the Fed stick to its strongly hawkish view for rates, considering inflation is expected to moderate to around the 6%-mark by year-end, far higher than the Fed's 2% target.
- In terms of the FX markets we expect a measured start to the session. The USD-ZAR is currently marking time around R15.45 while the BWP-USD is quoted at 0.0834 in the interbank market. Investors will be reluctant to pile on risk ahead of the US data later this afternoon.

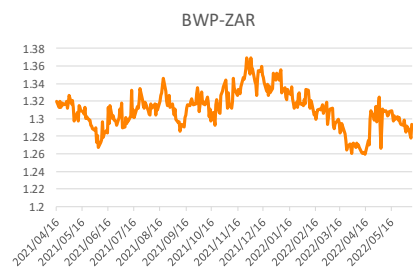
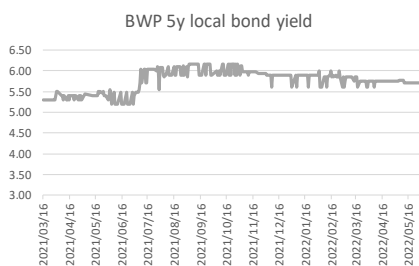
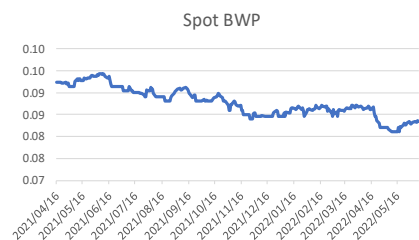
| | Corporate Foreign Exchange | | | |
|--------|----------------------------|-----------|---------------|------------|
| | CUSTOMER BUY | | CUSTOMER SELL | |
| | CASH | CASH | TT | TT |
| BWPZAR | 1.238208 | 1.24752 | 1.2620693 | 1.338485 |
| BWPUSD | 0.080064 | 0.093496 | 0.0816069 | 0.086623 |
| GBPGBP | 15.472496 | 15.585024 | 15.137755 | 14.685888 |
| BWPEUR | 0.081536 | 0.08216 | 0.077028 | 0.08058 |
| JPYBWP | 11.6272 | 11.7104 | 10.98435 | 11.45705 |
| USDZAR | 14.846208 | 16.089528 | 15.194166 | 15.7414373 |
| EURUSD | 1.020576 | 1.10604 | 1.0444958 | 1.08211125 |
| GBPUSD | 1.199712 | 1.299792 | 1.2278303 | 1.2716715 |

| | Interbank Spot Foreign Exchange | | Forward Foreign Exchange | |
|--------|---------------------------------|---------|--------------------------|-----------|
| | Close | Change | BWPUSD | BWPZAR |
| BWPUSD | 0.0834 | -0.0002 | 1m | -2.66175 |
| BWPGBP | 0.0667 | 0 | 3m | -8.7555 |
| BWPEUR | 0.0785 | 0.00 | 6m | -15.9705 |
| BWPZAR | 1.2936 | 0.0068 | 12m | -29.57175 |

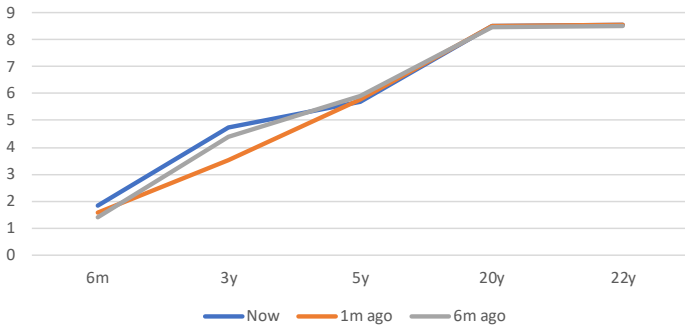
| | Close | Change |
|--------------|---------|---------|
| Dollar Index | 103.164 | -0.059 |
| EURUSD | 1.0631 | 0.0017 |
| GBPUSD | 1.2497 | 0.0007 |
| USDJPY | 134.03 | -0.3 |
| USDNGN | 414.63 | 0 |
| USDZAR | 15.4602 | -0.0502 |

| Local Fixed Income | | | International Fixed Income | | |
|--------------------|-------|--------|------------------------------|--------|--------|
| Yield curve | Close | Change | Close | Change | |
| 6m | 1.825 | 0 | SA 10y | 9.98 | 0.035 |
| 3y | 4.75 | 1.325 | US 10y | 3.0455 | 0.0185 |
| 5y | 5.713 | 0 | German 10y | 1.435 | 0.08 |
| 20y | 8.5 | 0.011 | Spread SA 5y vs Bots 5y bpts | | |
| 22y | 8.55 | 0.012 | | 277.7 | 7.5 |

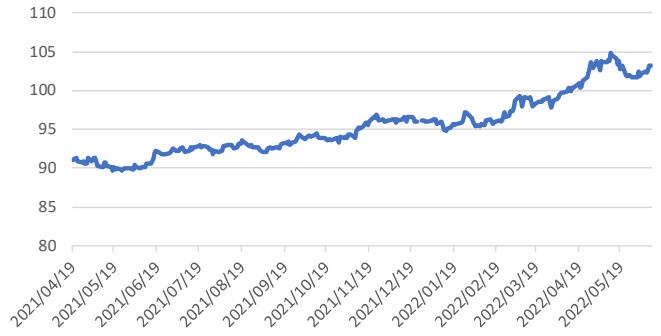
| Equities | | | Commodities | | |
|---------------|----------|---------|---------------|-------------------|---------|
| | Close | Change | Close | Change | |
| VIX | 26.09 | 2.13 | Gold | 1847.6095 | -5.6455 |
| Dow Jones | 32272.79 | -269.24 | Brent Crude | 123.07 | -0.51 |
| FTSE | 7476.21 | -5.93 | 3m Copper | 9615 | -115 |
| JSE All share | 68910.8 | -368.02 | LME Index | 4563.8 | -71.7 |
| Bots DCIBT | 7218.81 | -0.06 | 1 carat index | Invalid field(s). | #VALUE! |
| Nigeria Index | 53170.73 | -76.9 | | | |



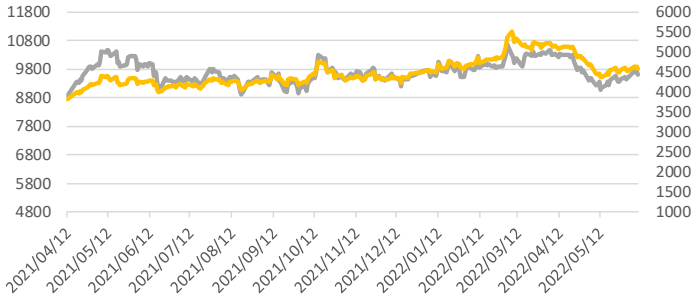
Botswana Yield Curve



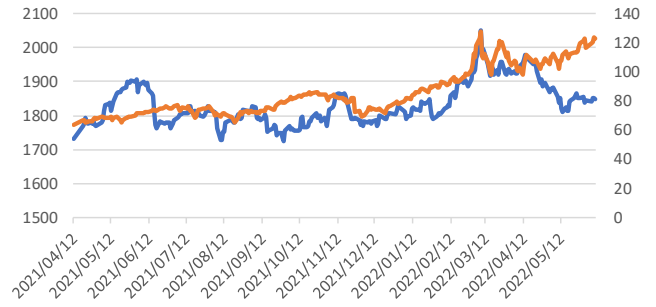
USD Index



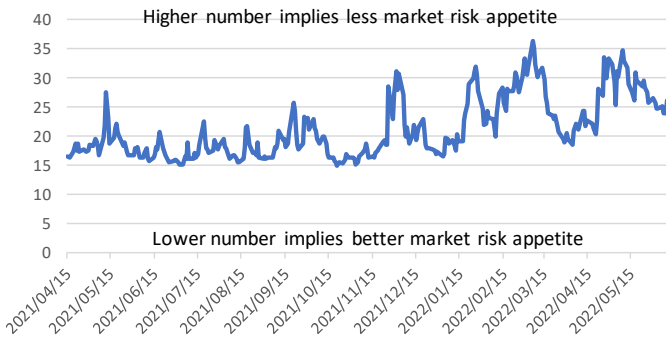
Base metals - Copper L_Hand axis LME Index R_Hand axis



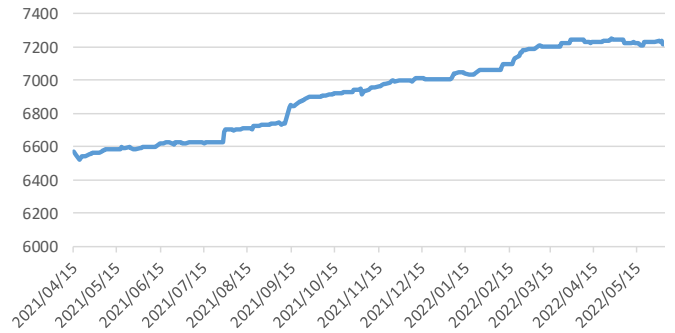
Oil R_Hand Axis - Gold L_Hand Axis



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.