

Botswana Market Watch

13 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Nothing on the cards			
06:00	GB	Construction output y/y	Apr		-3,4%
06:00	GB	Industrial production y/y	Apr	1,7%	0,7%
06:00	GB	Manufacturing production y/y	Apr	1,8%	1,9%
06:00	GB	Visible trade balance (GBP)	Apr		-23897mn
06:00	GB	Total trade balance (GBP)	Apr		-11552mn

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Inflation	US Inflation surprised to the upside last week, coming in at a new 40-year high despite suggestions that it had topped out in April	Inflation pressures remain high and will keep the Fed hawkish despite rising growth concerns	4/5 (economy, monetary policy)	With inflation so elevated, the Fed may see fit to extend its hiking cycle beyond what was telegraphed last time around, which will weigh on equities and other risk assets
JPY	Japan's currency has plunged to the 135.00 level against the USD, extending its 20-year low amid diverging monetary policy between the Fed and BoJ	Weaker JPY will generate higher inflation in Japan but will weigh on economic growth	4/5 (fx markets)	Japanese officials have now started to seriously worry about the weakening currency and we could start to see interventions being put in place as the BoJ will unlikely alter its policy soon
Risk-off	Friday's CPI reading put the markets in risk-off conditions and there seems to be no let-off this week with Asian markets in the red this morning	Asian equities down 2% this morning and will feed into the EU and NorAm sessions today	5/5 (risk sentiment, markets)	Risk assets are under pressure with shares having their worst week since Oct 2020 last week. Tighter monetary policy and China lockdowns will keep this negative bias entrenched for now

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Central Banks	Big week ahead with major central banks including the Fed, BoJ, and BoE all scheduled to announce their latest monetary policy decisions	The tightening of global monetary policy will continue, keeping the markets relatively volatile	5/5 (Monetary policy)	The Fed will continue with its tightening, upping rates by 50bp. The BoE will also likely hike but possibly by a lesser extent, while Japan's central bank will be keeping rates on hold
Commodity Inflation	With oil prices so elevated and coal prices now surging, the cost of energy is expected to remain elevated for the foreseeable future	High prices of energy look set to remain for some time which will filter through to general inflation	4/5 (economy, commodities)	Dropping Russia as an energy supplier means Europe will need to delay its green ambitions and use more coal and oil as energy sources to keep its economy running
WTO Meeting	The WTO will hold its first ministerial meeting in five years this week after the previous planned meetings were cancelled due to the pandemic	The meeting will highlight strategies aimed at combatting trade disruptions going forward	3/5 (economy, trade policy)	The disruption of trade since the pandemic has been a major deterrent to growth and driven inflation higher, suggesting that changes must be made in order to prevent a repeat in the future

Highlights news vendors

CNBC - [Global food prices are soaring. Rice could be next](#)

ALL AFRICA - [Nigeria Has Failed to Marry Its Rich Cultural Diversity and Democracy. Can It Be Done?](#)

FT - [US set for recession next year, economists predict](#)

SOUTH CHINA POST - [What lies behind China's lithium rush in Zimbabwe?](#)

REUTERS - [Ukrainians left with one way out of Sievierodonetsk as fierce fighting rages](#)

Local and regional talking points

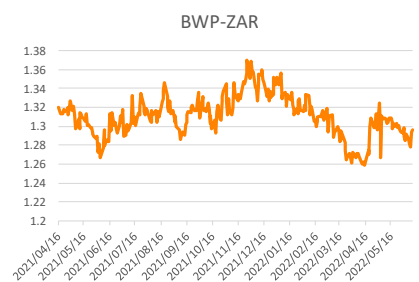
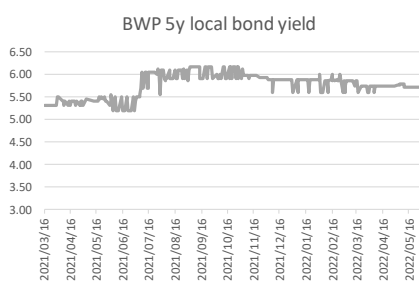
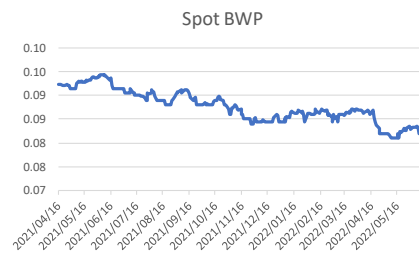
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.255776	1.266144	1.2799759	1.358467
BWPUSD	0.078624	0.093496	0.0801392	0.084769
GBPGBP	15.486536	15.601248	15.151491	14.701176
BWPEUR	0.081224	0.081848	0.0767333	0.080274
JPYBWP	11.5024	11.596	10.86645	11.345125
USDZAR	15.333024	16.625648	15.692392	16.2659585
EURUSD	1.00656	1.090856	1.0301513	1.06725575
GBPUSD	1.17936	1.277744	1.2070013	1.2501005

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0819	-0.0015	1m	-2.23275	-43.93654
BWPGBP	0.0665	-0.0002	3m	-7.7025	-93.0444
BWPEUR	0.0779	0.00	6m	-15.51225	-153.6766
BWPZAR	1.2965	0.015	12m	-28.46025	-292.9963

	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	10.205	0.225
3y	4.75	1.325	US 10y	3.1649	0.1194
5y	5.713	0	German 10y	1.502	0.067
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			

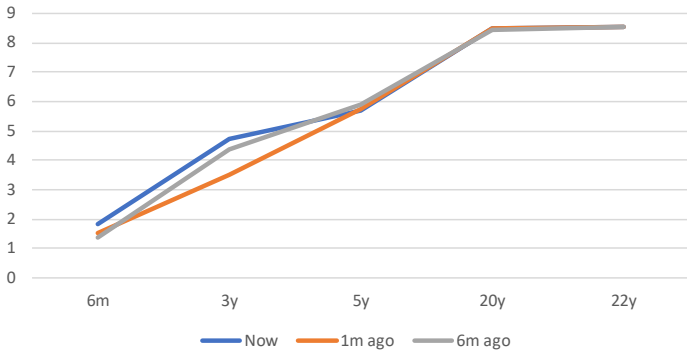


- BusinessWeek has established that the Ministry of Finance is expecting a small budget surplus versus an initial forecast of a BWP10.2bn deficit for the 2021-2022 fiscal year. The reason for the surplus is the larger than expected receipts from diamond exports.
- The finance ministry's permanent secretary, Wilfred Mandlebe was quoted as saying the following to a parliamentary committee last week. *"The reasons behind the improvement in the deficit we had projected include improved revenue from mining towards the end of last year, particularly associated with the picking up of the diamond sector where we managed to collect more revenue than we had budgetted,"* he said. *"In addition, we have noted higher incomes from the Bank of Botswana in terms of our reserves where there was an increase there on valuation gains that we realised. "The improved deficit is also because of underspending of the development budget, which is unfortunate."*
- This news will be welcomed by both the fixed income and forex markets as it underpins the macro resilience and will negate the need for the government to enter into the debt capital markets to fund any shortfalls. Equally, this suggests that we may not see Gaborone entering the Eurobond market for some time to come as there will be no need.

Financial Market commentary

- Last week, US inflation data significantly disrupted financial markets and negatively influenced emerging market currencies. In the space of a day and a half, the ZAR wiped out most of the appreciation achieved through the month prior and highlighted just how susceptible emerging markets remain to a significant correction in global equity markets. Investors have positioned themselves for central banks to remain aggressive in their tightening and are starting to more actively price in the risk that earnings results will be poor.
- However, unlike previous equity market corrections, this time, bonds have not offered much of an alternative to shield portfolios against capital losses. In some cases, they have performed even more poorly than equities adding to the pressure on fund managers that might seek to withdraw more liquidity from the markets, although cash is an equally poor alternative given the high inflation rates and the deeply negative real rates.
- Moving over to energy, oil markets are under pressure this morning, with Brent dropping back towards the \$120 per barrel mark, while WTI has slipped below \$119 as traders assess the demand outlook given surging US inflation and China's latest lockdowns. Both benchmarks have slipped almost 2% this morning as China has reimposed lockdowns in Shanghai, and concerns are rising that the outbreak in Beijing will not be brought under control. If the measures are tightened further, it could weigh further on the demand outlook for the world's top oil importer and could help to keep Brent prices contained below the \$120 per barrel level.
- The industrial metals complex all finished the Friday session lower as the threat of tighter monetary policy hit home after inflation in the US hit a 40-year high. The benchmark 3m LME copper price slipped below the \$9500.00/tonne handle and the slide has continued during this morning's Asian session with another 0.8% worth of losses booked for the session thus far. As we head into the EU session copper is trading at \$9370.00/tonne, technically \$9277.00/tonne provides the first support level before the congestion around \$9200.00/tonne.
- In terms of FX, the USD has extended its gains from Friday's session as investors continue to price for more aggressive Fed tightening following the higher-than-expected CPI print. The rally in the USD comes as the 2yr US Treasury yield hit a 15-year high ahead of the much-anticipated FOMC rate decision on Wednesday. It is widely expected that the Fed will deliver another 50bps rate hike this week as it continues its fight to rein in inflation expectations. Following the inflation shock on Friday, traders are pricing in 50-50 odds of the Fed delivering a 75bps hike next month. The stronger dollar and bets for a more hawkish Fed have come as a headwind for developed and emerging market FX, both a sea of red this morning.

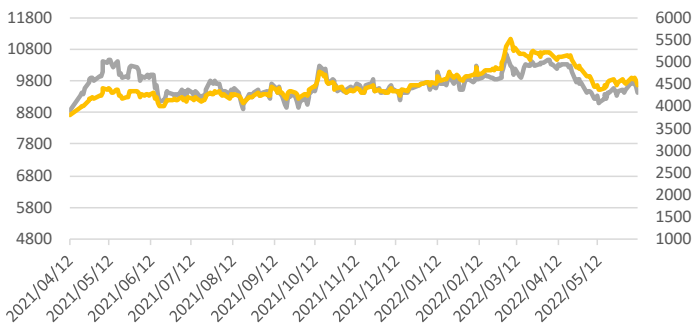
Botswana Yield Curve



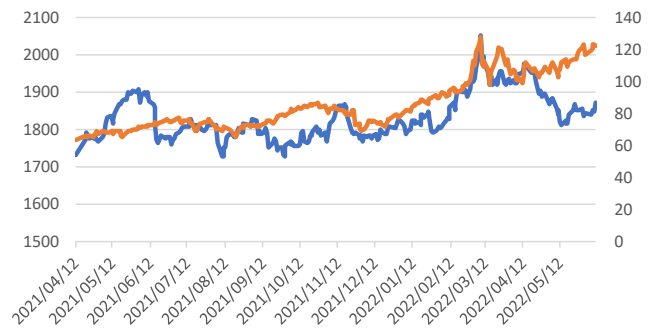
USD Index



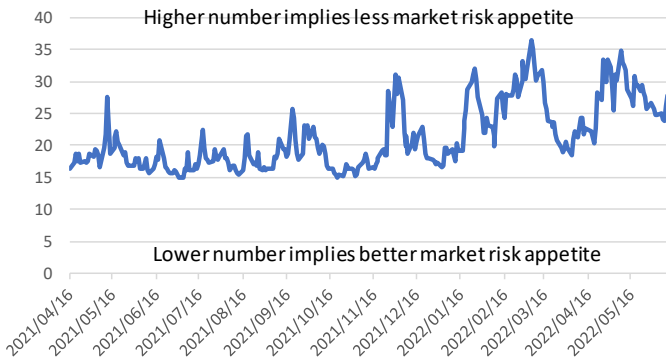
**Base metals - Copper L_Hand axis LME Index
R_Hand axis**



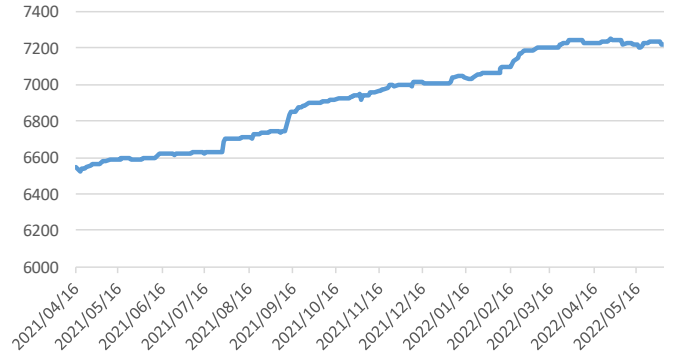
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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