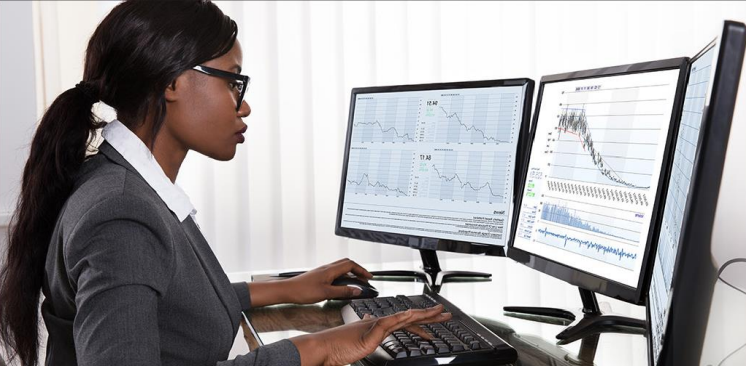


Botswana Market Watch

16 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	BoB decision on Monetary Policy Rate	16 June		1.65%
11:00	GB	BoE bank rate	Jun 16	1,25%	1.00%
11:00	UK	Bank of England Bank Rate			
12:30	US	Initial jobless claims	Jun 11		229k
12:30	US	Building permits	May	1790k	1819k
12:30	US	Housing Starts	May	1714k	1724k
12:30	US	Philadelphia Fed index	Jun	5	2,6

Factors Overnight	What happened?	Relevance	Importance	Analysis
FOMC	The Fed hiked by 75bp at its June meeting and signalled that more are to come as it is strongly committed to bringing inflation back to its target level	No real surprises at the meeting have meant that a relief rally has occurred in the markets	4/5 (central banks)	Powell suggested that the Fed is still frontloading hikes to try and contain inflation, meaning another 50bp increase is looking likely for the next meeting in July
China Home Prices	Home prices fell for a ninth straight month in May in China as demand remains weak despite government support for the market	China's real estate sector remains under pressure and will continue to detract from GDP growth	4/5 (economics)	Despite the fact that officials have stepped up efforts to support the market, consumers are hoarding cash in a sign that tough times are ahead
Aus Labour Market	Australia's hiring boom continued in May as the country added a further 60k jobs, keeping the unemployment rate at a 48-year low of 3.9%	Australia's strong labour market will support the case for the RBA to keep hiking rates	3/5 (economics)	The tightest labour market in nearly five decades suggests that the RBA has scope to continue to hike rates aggressively. Bond yields have thus risen further

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Central Banks	The big week continues after the Fed with the BoJ, SNB and BoE all scheduled to announce their latest monetary policy decisions today and tomorrow	The tightening of global monetary policy will continue, keeping the markets relatively volatile	5/5 (Monetary policy)	The BoE will likely hike but possibly by a lesser extent than the Fed, while Japan's central bank will be keeping rates on hold. The SNB, meanwhile, will signal that it'll hike in September
US Economy	Signs were already emerging that the US economy was slowing, and now even tighter Fed policy could speed up the looming recession	A recession could lead to a political shift as well as market volatility	4/5 (economics)	Probability of a US recession before Q1 2024 has soared to over 70%, despite the Fed's insistence that it can achieve a soft landing for the economy
EUzone Inflation	CPI data set for release on Friday will be eyed closely to gauge just how hawkish the ECB will need to be to bring inflation back to target	The figures will provide guidance on how much the ECB may hike rates by	4/5 (economics/ monetary policy)	The final reading for May will likely confirm that underlying price pressures are strengthening, which will bolster bets that a 50bp hike is coming



Highlights news vendors

CNBC - [Fed hikes its benchmark interest rate by 0.75 percentage point, the biggest increase since 1994](#)

ALL AFRICA - [Chiefs Blast Zanu-PF Govt for Lack of Infrastructure Development in Kariba](#)

FT - [US offers further \\$1bn in Ukraine aid as west steps up weapons supply](#)

SOUTH CHINA POST - [Hong Kong raises base rate by 75 basis points in lockstep with Fed hike](#)

REUTERS - [Exclusive: U.S. targets Russia with tech to evade censorship of Ukraine news](#)

Local and regional talking points

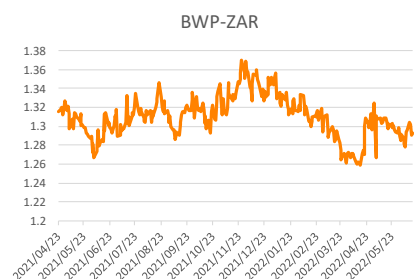
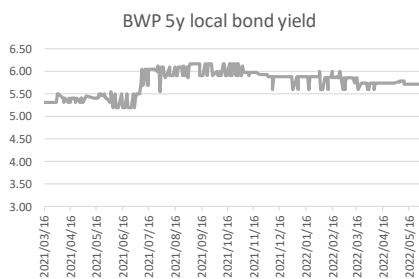
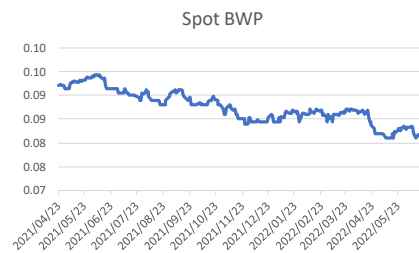
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.240512	1.24608	1.2644177	1.33694
BWPUSD	0.078432	0.093496	0.0799435	0.084666
GBPGBP	15.41488	15.476552	15.081385	14.583674
BWPEUR	0.081328	0.081744	0.0768315	0.080172
JPYBWP	11.4088	11.4504	10.778025	11.202675
USDZAR	15.183936	16.464864	15.53981	16.108653
EURUSD	1.002144	1.086072	1.0256318	1.06257525
GBPUSD	1.166784	1.264432	1.1941305	1.2370765

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0817	-1E-04	1m	-2.393625
BWPGBP	0.0672	0.0001	3m	-8.2095
BWPEUR	0.0782	0.000	6m	-13.60125
BWPZAR	1.2922	-0.012	12m	-23.81925

Dollar Index	104.951	-0.207		
EURUSD	1.0438	-0.0005		
GBPUSD	1.2154	-0.0024		
USDJPY	134.22	0.39		
USDNGN	414.72	0		
USDZAR	15.814	0.0311		

Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	1.825	0	SA 10y	10.255
3y	4.75	1.325	US 10y	3.2915
5y	5.713	0	German 10y	1.652
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts	-13.60125
22y	8.55	0.012		302.7

Equities	Commodities		Close	Change
	Close	Change		
VIX	29.62	-3.07	Gold	1833.3793
Dow Jones	30668.53	-151.91	Brent Crude	118.51
FTSE	7273.41	-18.35	3m Copper	9230
JSE All share	67502.09	-697.51	LME Index	4324.2
Bots DCIBT	7203.91	-9.04	1 carat index	Invalid field(s)
Nigeria Index	52775.4	-86.73		#VALUE!

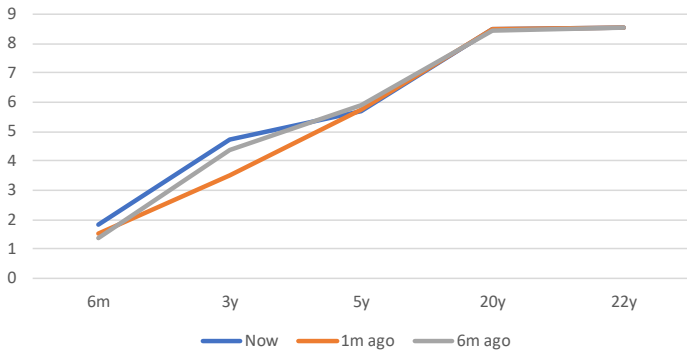


- The highlight of yesterday's local session was the release of the May CPI data and it did not make for good reading. As with many other countries around the world, Botswana is experiencing inflationary pressures from the supply side. The May year-on-year reading came in at 11.9% compared to 9.6% in April with the usual suspects at play. The largest upward contributions came from transport at 7.2% which was undoubtedly driven by higher fuel prices. As it stands, we have yet to see any pull back in the price of energy products so we expect pressure in this component to remain strong in the June measurement period at the very least.
- This sets the backdrop for the Bank of Botswana's decision on rates today. It is worth mentioning that Namibia hiked by 50 bps yesterday while the US Fed hiked by 75 bps.
- At the last meeting, the BoB hiked the Monetary Policy Rate by 51 bps from the prevailing 1.14% yield on the 7-Day BoB Certificates to 1.65%. At the last meeting, Inflation declined from 10.6% in February 2022 to 10% in March 2022, remaining above the Bank's medium-term objective range of 3 – 6%. We are not in a declining scenario now and this suggests that the risks for the decision are certainly skewed towards tighter monetary policy from today's sitting.

Financial Market commentary

- It was an eventful night as the Federal Reserve turned even more hawkish, hiking by 75bp to take the Fed Funds range to 1.5% - 1.75%. This was the largest hike since 1994 and aligns with new wording in the statement that says that the Fed is "strongly committed to returning inflation to its 2% objective." There was one dissenting vote, coming from Kansas Fed President George, who voted for a 50bp hike.
- The new dot plot projections released showed sharp increases from the March release, with the Fed Funds target rising to 3.4% by the end of the year and 3.8% by the end of 2023. The prior forecasts were for a rate of 1.9% for the end of this year and 2.8% for 2023. Powell's press conference, meanwhile, saw some interesting developments. During the Q&A, the Fed Chair suggested that although another 75bp may be on the table for the next meeting, such moves will not become commonplace. Powell also noted that it was decided to do more "frontloading" of hikes now to contain inflation expectations.
- Given how aggressively the markets were priced for tighter policy, the comments from Powell have actually supported risk sentiment, with the USD and US Treasury yields closing Wednesday's session lower. While emerging market bond yields traded lower yesterday, the broader bearish bias remains intact. The confluence of a hawkish Fed, the post-pandemic surge in inflation, tightening financial conditions and mounting fiscal costs suggest that the pain for emerging market bonds is still far from over.
- The turmoil in global financial markets has prompted a sharp sell-off in African Eurobonds. A widely used African bond index shows that African dollar-denominated bond yields have surged to levels last seen during the '08 Great Financial Crisis, with the sell-off now exceeding that seen during the peak of the Covid pandemic. The aggregated African Eurobond Yield Index is trading at around 12.75%, almost 500bps higher than levels seen at the start of the year. Given the fragility of financial markets, the risk is that current dynamics can trigger more bouts of panic amongst investors and sudden flights of capital from countries most vulnerable. This includes countries such as Egypt, Ghana and countries in East Africa that are net importers of oil and food. While the pain for African Eurobonds is expected to endure in the months ahead, we expect the tide to turn in the latter part of 2023, with global monetary policy expected to do a 180. This should present some great buying opportunities for fund managers and fixed income traders in the months ahead.
- Looking at local FX markets, we expect a measured start to the session given the BoB decision and the fact that the South African's are out for a public holiday.

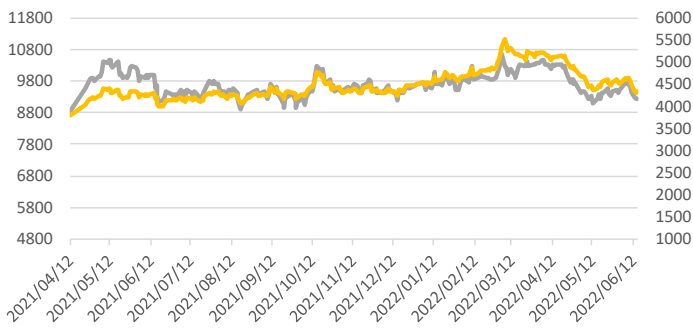
Botswana Yield Curve



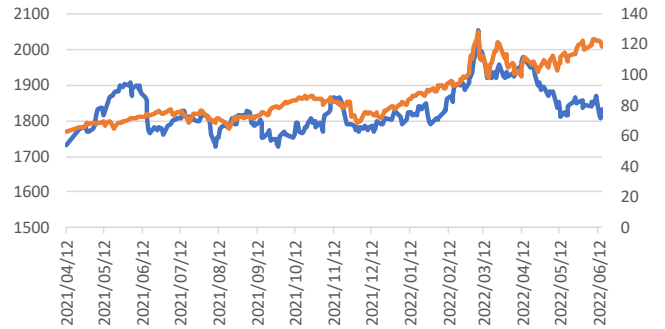
USD Index



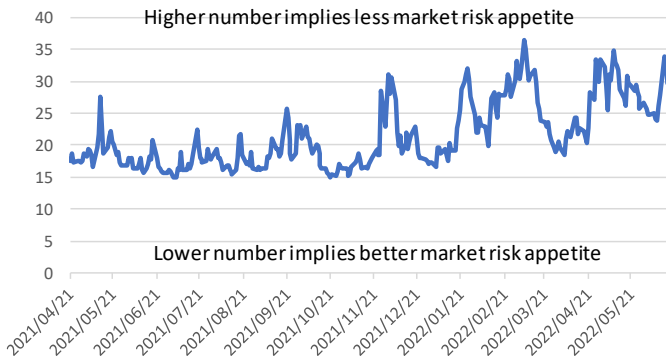
Base metals - Copper L_Hand axis LME Index
R_Hand axis



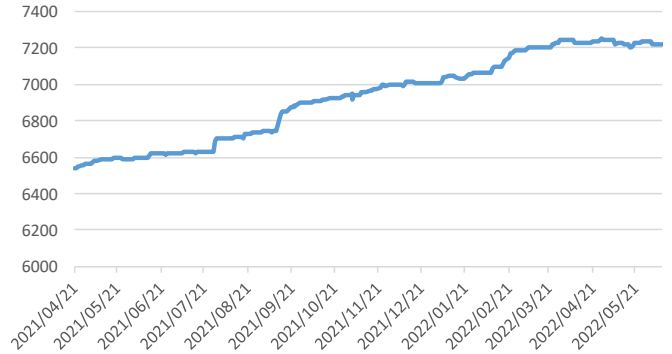
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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