

# Botswana Market Watch

## 17 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	Nothing on the cards	16 June		1.65%
-	<b>JN</b>	BOJ Policy Rate	Jun 17		-0.1%
06:00	<b>GB</b>	Retail sales excluding auto fuel y/y	May		-6.1%
09:00	<b>EZ</b>	CPI y/y	May F	8.1%	7.4%
09:00	<b>EZ</b>	Construction output wda y/y	Apr		3.3%
12:45	<b>US</b>	Powell Makes Welcoming Remarks at Dollar Conference			
13:15	<b>US</b>	Industrial production m/m	May	0.45%	1.1%
13:15	<b>US</b>	Manufacturing production m/m	May	0.4%	0.8%
14:00	<b>US</b>	Leading Indicators	May	-0.4%	-0.3%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Stock Rout</b>	Stock markets tumbled yesterday as investors continued to digest the Fed announcements and what the outlook is for the global economy and inflation	Losses of more than 3% for some benchmark indices put European stocks near a bear market	4/5 (central banks)	Equities are likely to remain under pressure in the near term as investors adjust to aggressive monetary policy tightening across the globe, raising the risk of a recession
<b>BoJ</b>	The BoJ kept rates on hold this morning, cementing its outlier status as other major central banks have all embarked on aggressive policy tightening	The BoJ's loose policy stance will continue to weigh on the JPY while investors will keep testing its YCC	4/5 (monetary policy)	Not only was policy left unchanged, but economic growth forecasts were lowered, suggesting that there is very little chance of any tightening happening within the foreseeable future
<b>BoE</b>	The BoE hiked rates by 25bp, taking the benchmark interest rate to its highest since 2009 while warning that larger moves are coming	The BoE remains behind the curve in terms of policy tightening, even with a 50bp hike looming	4/5 (monetary policy)	BoE policymakers sent a strong signal that despite growing recession risks, the bank is not ready to ease off its fight against inflation, opening the door to a 50bp hike at the next MPC meeting

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>China Budget Squeeze</b>	China's local governments are seeing a budget squeeze, giving them the choice to either increase debt or suffer through weaker economic growth	This is a result of China's COVID Zero policies and goes against China's push to reduce debt	3/5 (economics)	Governments are likely to opt for increasing leverage in order to sustain some form of economic growth and have any shot at reaching Chia's growth target of 5.5% for this year
<b>Oil Market</b>	Oil is looking set for its first weekly loss since April as the market weighs tightening monetary policy and recession risk against still tight supply	Despite a weekly decline, oil prices remain elevated and will keep fanning global inflation	4/5 (commodities markets)	Crude seems to be caught up in the general market sell-off, but once things stabilise a bit we should see prices remain elevated owing to tight supply conditions
<b>Eurozone Inflation</b>	CPI data set for release today 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** - [A day after Powell's assurances about the economy, markets are worried that the 'Fed breaks something'](#)

**ALL AFRICA** - [Organised Crime Pours Cold Water On Ethiopia's Coffee Exports](#)

**FT** - [Global stocks fall as central banks follow Fed decision to raise rates](#)

**SOUTH CHINA POST** - [Inflexibility, politics blamed for Hong Kong's poor response to fifth Covid wave](#)

**REUTERS** - [Elon Musk sued for \\$258 billion over alleged Dogecoin pyramid scheme](#)

## Local and regional talking points

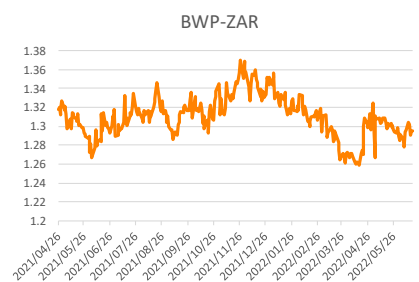
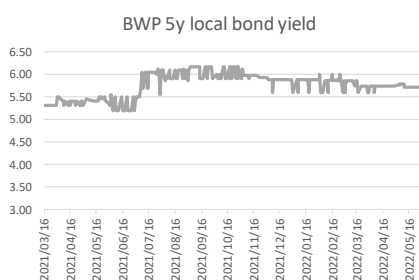
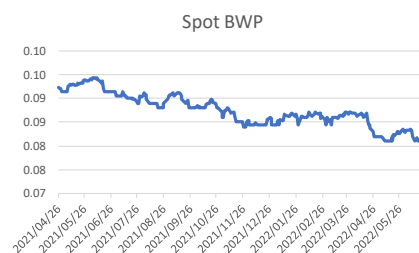
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.2432	1.2576	1.2671575	1.3493
BWPUSD	0.07776	0.093496	0.0792585	0.084254
GBPWP	15.615288	15.793856	15.277457	14.882672
BWPEUR	0.079976	0.080912	0.0755543	0.079356
JPYBWP	11.284	11.4088	10.660125	11.161975
USDZAR	15.348384	16.635008	15.708112	16.275116
EURUSD	1.010208	1.094808	1.0338848	1.07112225
GBPUSD	1.180512	1.279304	1.2081803	1.25162675

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.36925	-57.3463
BWPGBP	0.0658	0.0003	3m	-8.136375	-97.49475
BWPEUR	0.0769	0.00	6m	-13.60125	-158.5899
BWPZAR	1.2946	-0.0076	12m	-23.81925	-298.8355

	Close	Change
Dollar Index	104.273	0.642
EURUSD	1.0523	-0.0024
GBPUSD	1.2298	-0.0053
USDJPY	133.99	1.79
USDNGN	414.79	0
USDZAR	15.9857	0.0006

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	10.255	-0.135
3y	4.75	1.325	US 10y	3.2915	-0.1876
5y	5.713	0	German 10y	1.652	-0.099
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		302.7	0

Equities			Commodities		
	Close	Change		Close	Change
VIX	32.95	3.33	Gold	1856.7075	23.3282
Dow Jones	29927.07	303.7	Brent Crude	119.81	1.3
FTSE	7044.98	85.95	3m Copper	9074.5	-155.5
JSE All share	67502.09	1818.57	LME Index	4238.3	-85.9
Bots DCIBT	7203.91	-5.39	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52411.09	-339.25			

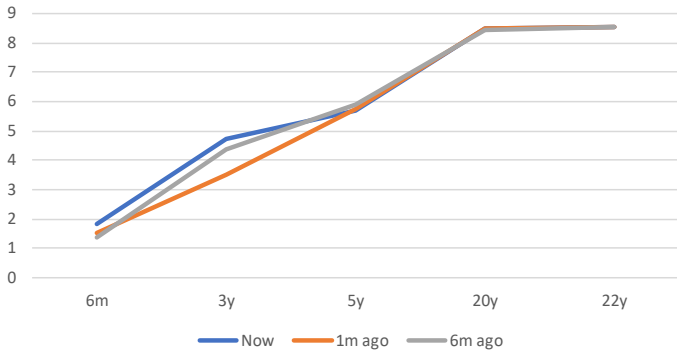


- The Bank of Botswana tightened monetary policy yesterday in response to inflation that continues to run red hot. The bank lifted its new benchmark rate by 50 bps to 2.15% which brings the cumulative hikes since April to 101 bps.
- Bloomberg quoted - "With inflation rising, there could be expectations of inflation continuing to rise meaning that businesses price this into their products and services, leading to higher inflation," Deputy Governor, Tshokologo Kganetsano said. "We have an instrument called interest rates and the market can see that we are not folding our arms but we are fighting this monster and inflation expectations will come down to our objective range."
- The May CPI reading of 11.9% shocked the market, but we are not out of the woods yet. The BoB has forecast that inflation will breach 12% in June before starting its downward trend in the final quarter of 2022. The bank sees upside risks to the inflation outlook being global supply bottlenecks, the war in Ukraine and the second-round effects of increases in local prices.

## Financial Market commentary

- Energy costs remains a key driver of inflation and thus we would like to turn the reader's attention to developments in the oil markets.
- Oil prices are heading for their first weekly loss since April amid growing recession risks following global central banks' continued aggressive monetary policy tightening this week. The front-month Brent contract is trading near \$119.25 this morning, down around 2.3% on the week so far. The commodity has been caught up in the market sell-off that the Fed sparked on Wednesday, but the losses have been more contained than what we have seen for other markets, given how tight global supplies are. Even with demand expected to weaken, supply levels are likely unable to keep up over the coming months, suggesting that any dips in oil prices in the near term will be relatively shallow, and prices will remain elevated.
- This view is corroborated when looking at Brent's timespreads, which continue to point to a bullish market outlook. The prompt spread is trading near \$2.92 per barrel this morning, down marginally from the \$3.20 seen at the start of the week, but still significantly elevated to point to near-term supply shortages.
- Moving over to gold, the headline on CNBC this morning pretty much sums up the broader macro picture at the moment. A day after Powell's assurances about the economy, markets are worried that the 'Fed breaks something'. Recession fears are growing and given that much of the inflationary pressures are supply-driven there are concerns that all the Fed is managing to do is take away economic dynamism.
- Against this backdrop it is hard to argue against the hedge characteristics of bullion and investors are continuing to buy on any dips. The yellow metal has clawed its way back to above the \$1840.00/oz mark after touching lows of \$1805.00/oz earlier this week. Expectations are that we pivot around the \$1850.00/oz mark into the weekend.
- The USD plunged on Thursday as central banks in Europe ramped up their monetary policy tightening, narrowing the interest rate differential between major European economies and the US. The Swiss National Bank and the Bank of England both hiked rates yesterday, with policy-makers in both countries turning more aggressive in their fight against inflation. The SNB surprised markets with a 50bps hike, its first rate hike in 15 years, while the BoE raised its lending rate by a further 25bps to its highest since 2019. Yesterday's hawkish shift from the SNB and the BoE prompted a broad-based sell-off in the USD, with the trade-weighted dollar (DXY) closing the session 1.45% weaker as it continued to pull back from its recent highs. The USD has however regained its footing this morning after a two-day slide with the DXY legging higher at the open. The recovery in the USD this morning has triggered a broad-based sell-off in FX, with most EM currencies trading in the red ahead of the European open. The Russian rouble and the South African rand are amongst the biggest losers this morning.

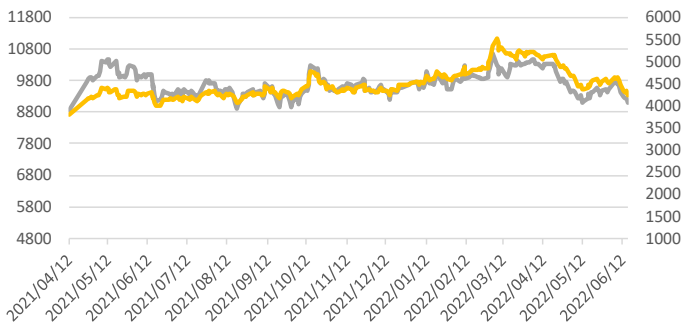
### Botswana Yield Curve



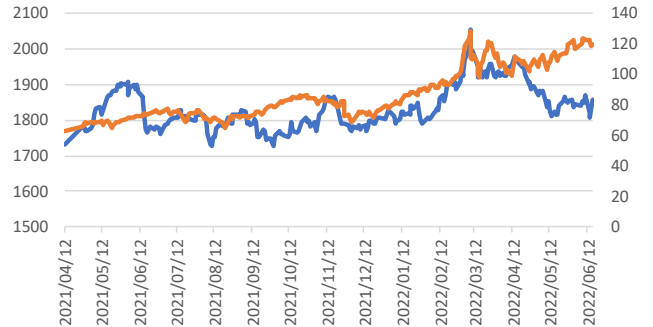
### USD Index



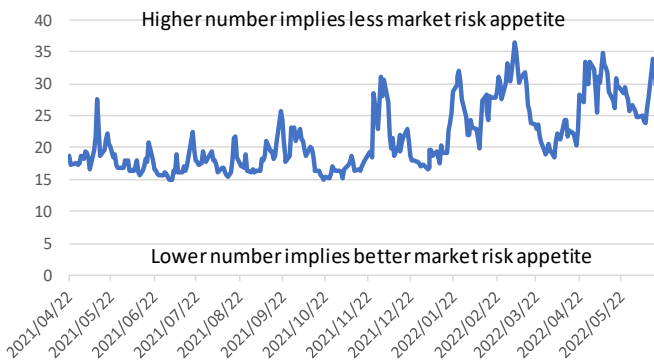
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



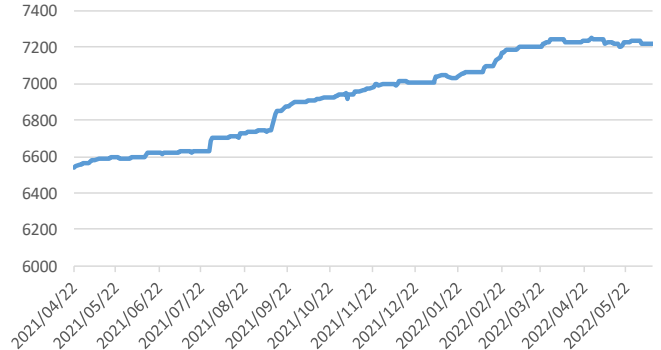
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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