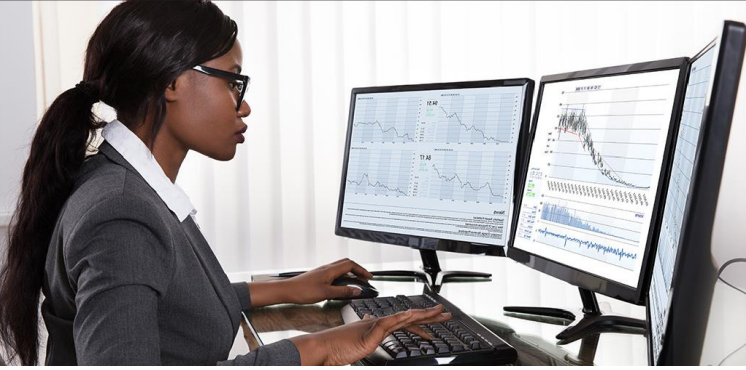


# Botswana Market Watch 20 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	<b>Nothing on the cards</b>	<b>16 June</b>		<b>1.65%</b>
<b>0/N</b>	<b>GB</b>	Rightmove house prices y/y	Jun		10,2%
<b>06:00</b>	<b>GE</b>	Producer prices y/y	May	33,5%	33,5%
<b>09:00</b>	<b>EZ</b>	Construction output wda y/y	Apr		3,3%
<b>19:30</b>	<b>EC</b>	ECB's Lane Speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>French Elections</b>	President Macron's political alliance failed to reach the 289-seat majority in the French legislative elections held over the weekend, while several of his ministers weren't re-elected	A lack of majority means passing reforms will be all the more difficult and lead to unwanted compromises	<b>4/5</b> (politics)	This speaks to the broader discontent with leadership in Europe. For France, it means that to pass new legislation, Macron will need to form individual alliances to get each piece through parliament
<b>Risk-Off</b>	Markets have kicked off the new week with risk aversion remaining the theme given global growth concerns	Sentiment remains fragile given the rate hike trajectory for the Fed and other CBs	<b>4/5</b> (markets/ risk sentiment)	Asian stocks are on the defensive while commodities are also under pressure, suggesting a cautious start to the week for most emerging markets
<b>UK House Prices</b>	Data from Rightmove says that UK house prices hit a record high in June, gaining a further 0.3%. However, signs are building that the sector is cooling down	The housing market bubble is being strained and won't take much for prices to correct	<b>3/5</b> (economics)	Rising interest rates leading to affordability concerns, increased supply, and seasonal patterns suggest that prices may ease in the coming months and increase financial stability risks

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Central Bank Minutes</b>	The RBA and BoJ will be releasing the minutes of their respective MPC meetings this week, providing more insight into their expected policy paths	Rates markets are currently very sensitive and meeting minutes can generate some volatility	<b>3/5</b> (monetary policy)	The RBA's meeting minutes will confirm that more hikes are coming in the months ahead, while the BoJ minutes will be eyed to see if the bank will be intervening in the FX markets
<b>PMIs</b>	Global PMIs for June will be released later this week, potentially providing more signs that major economies are coming under some pressure	Any signs that economies are slowing will keep risk assets under pressure	<b>4/5</b> (economics)	Continued supply disruptions, high inputs costs, and weakening demand are all factors that can be highlighted in the PMIs and point to weaker growth dynamics ahead
<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	<b>3/5</b> (fiscal policy)	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

## Highlights news vendors

- CNBC** - [Look for more selling pressure in week ahead as investors learn the hard way not to fight the Fed](#)
- ALL AFRICA** - [Why Commonwealth Summit in Kigali Won't Be the Relaunch Some Hope For](#)
- FT** - [Europe does not face fresh sovereign debt crisis, says eurogroup chief](#)
- SOUTH CHINA POST** - [European students on the brink, locked out by China's zero-Covid rules](#)
- REUTERS** - [Ukraine president expects Russia attacks to intensify with EU summit this week](#)

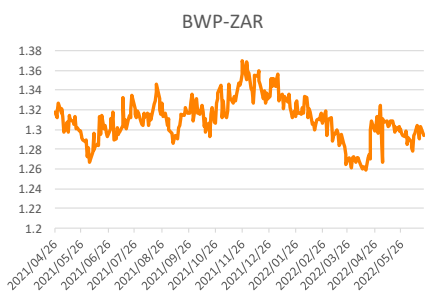
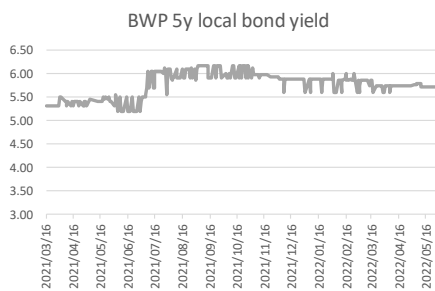
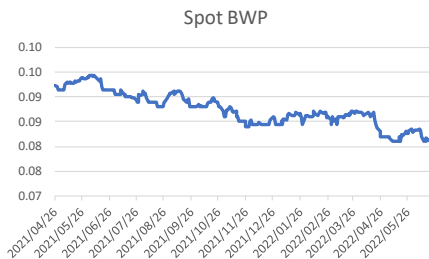
## Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.241376	1.256352	1.2652984	1.347961
BWPUSD	0.07776	0.093496	0.0792585	0.084357
GBP/BWP	15.546648	15.724592	15.210302	14.817404
BWP/EUR	0.079976	0.080912	0.0755543	0.079356
JPY/BWP	11.3672	11.492	10.738725	11.243375
USDZAR	15.325728	16.618472	15.684925	16.25893775
EURUSD	1.0104	1.095016	1.0340813	1.07132575
GBPUSD	1.175328	1.273688	1.2028748	1.24613225

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZA
BWPUSD	0.081	-0.0004	1m	-1.989
BWPGBP	0.0661	-0.0005	3m	-6.93225
BWPEUR	0.0769	0.00	6m	-13.3185
BWPZAR	1.2934	0.0024	12m	-24.2385
Dollar Index	104.399	-0.301		
EURUSD	1.0526	0.0028		
GBPUSD	1.2246	0.0022		
USDJPY	134.88	-0.08		
USDNGN	414.87	0		
USDZAR	15.9703	-0.0005		

Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	1.825	0	SA 10y	10.245
3y	4.75	1.325	US 10y	3.2313
5y	5.713	0	German 10y	1.662
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts	
22y	8.55	0.012		298.2

Equities	Equities		Commodities	
	Close	Change	Close	Change
VIX	31.13	-1.82	Gold	1839.35
Dow Jones	29888.78	-741.46	Brent Crude	113.12
FTSE	7016.25	-228.43	3m Copper	8961.5
JSE All share	65390.88	0	LME Index	4199.9
Bots DCIBT	7205	0	1 carat index	Invalid field(s)
Nigeria Index	51778.08	-364.31		#VALUE!

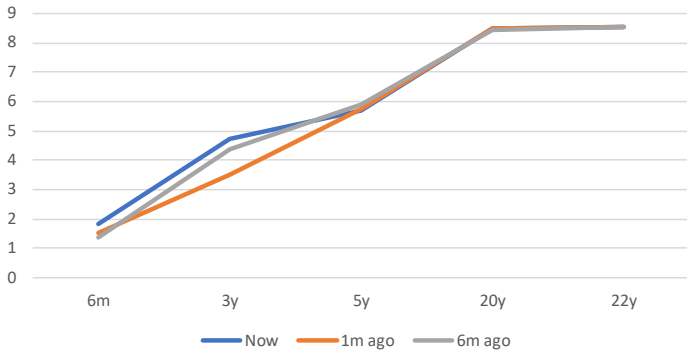


- On the local news front, MMEGI reported the following - *The Bank of Botswana (BoB) is studying the possibility of introducing a digital currency and says a unit is in place assessing the impact on the bank's mandate and functions, as well as prospective responses, BusinessWeek can reveal.*
- A Central Bank Digital Currency (CBDC) is a digital form of central bank money that is widely available to the general public. Instead of only printing money, a central bank like the BoB would issue electronic coins or accounts backed by the full faith and credit of the government.
- The central bank's spokesperson, Seamogano Mosanako said the assessment is looking at the impact of a digital currency on price and financial stability, monetary policy transmission, regulation and oversight of the financial and payments system as well as promotion of financial sector development.
- "Ongoing work relates to needs analysis, resource requirements, coordination aspects and overall, prospects for its usefulness in the context of Botswana's level of development, payments infrastructure and financial system," she told BusinessWeek in an emailed response to questions.
- Many central banks around the world are currently exploring the use of digital currencies and blockchain technology. It does however come at a time when there are severe stresses in the crypto markets with some likening it to the Dot.COM bubble bursting in the early 2000's

## Financial Market commentary

- It has been a turbulent few months for emerging markets. Markets have been roiled by soaring inflation, the war in Ukraine, geopolitical tensions, risk aversion and tightening global monetary conditions, which have triggered concerns over a debt crisis in low and middle-income countries. This is evident when looking at the losses in equities and currencies and sky-high bond yields.
- The rotation out of risky emerging assets to safe havens has resulted in months of capital outflows. The Bloomberg Emerging Markets Capital Flow Proxy Index, which tracks the flows into four emerging market asset classes, has fallen by 7% since the start of the year. Note that in March, the index was down by as much as 11% as markets went into shock after Russia invaded Ukraine.
- While the risk-off mood persists across financial markets, the risk of emerging market contagion appears to be contained for now. However, contagion risks could heat up in the months ahead in the absence of measures to ease the fiscal burden of rising global interest rates. Tighter global monetary conditions are pushing up the lending costs for emerging markets, increasing the risk of a broad-based emerging market debt crisis.
- Countries such as Zambia, Sri Lanka and Lebanon are already in default and are seeking help from the international lending community to provide debt relief or restructure their debts. Rising global interest rates come against the backdrop of worsening economic growth conditions. The World Bank slashed its growth forecast for developing economies to 3.4% this year from its previous forecast of 4.6%, citing the effects of surging food and energy prices and rapidly rising borrowing costs following the aggressive tightening in the US.
- According to Bloomberg, emerging market bond issuances have collapsed, falling 43% so far this year compared with the same period in 2021. Emerging market debt is the lowest since 2016 at \$264bn. Several African governments have revoked planned Eurobond issuance this year due to the deterioration in lending conditions in the international debt market. This triggered concerns over how countries such as Ghana will refinance themselves going forward, given that a large portion of their external lending has been from the issuance of Eurobonds in recent years. Countries with sound fiscal dynamics are expected to outperform as lending conditions deteriorate.
- Looking at the day ahead we expect a measured start to local markets with the BWP moving onto the front foot given the pullback in the dollar. We remind investors that the United States is out for a public holiday and as such, we can expect lower liquidity conditions.

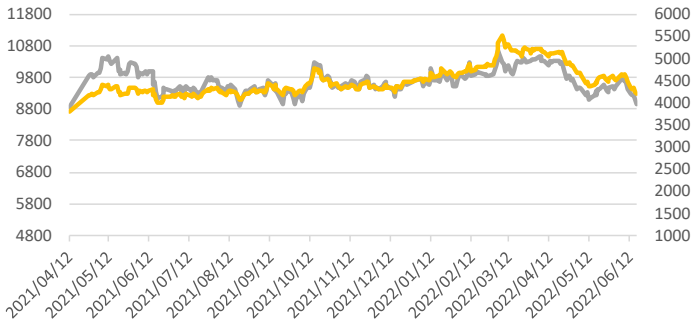
**Botswana Yield Curve**



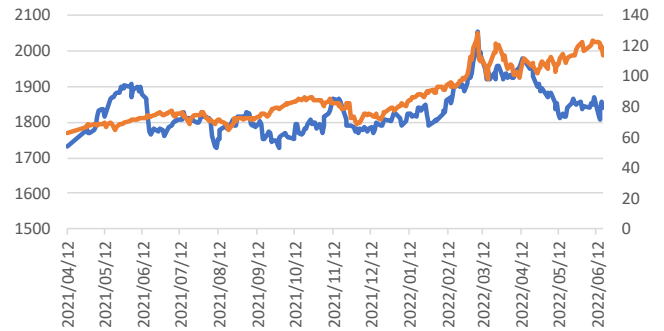
**USD Index**



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

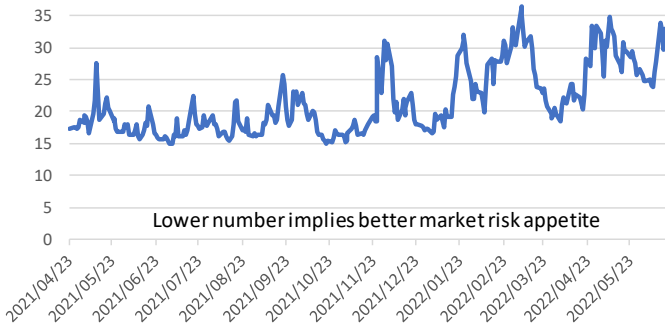


**Oil R\_Hand Axis - Gold L\_Hand Axis**

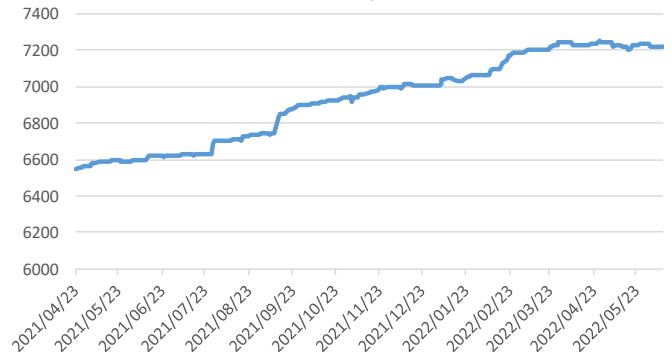


**VIX Index - Risk appetite measure**

Higher number implies less market risk appetite



**Local stockmarket performance**



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