

# Botswana Market Watch

## 21 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
12:00	BW	Botswana to sell BWP3.8bn of 7-Day Certificates			
07:15	UK	BOE's Huw Pill speaks			
12:15	UK	BOE's Tenreyro speaks			
12:30	US	Chicago Fed activity index	May		0,47
14:00	US	Existing home sales	May	5,4mn	5,61mn
16:00	US	Fed's Mester Speaks at Women in Leadership Event			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>China Economy</b>	Data has shown that even without lockdowns, Beijing's economy struggled in May with retail sales in the city slumping more than 25% y/y	Weak provincial data suggests that China's growth outlook for Q2 is looking very weak at the moment	4/5 (economics)	The data shows that even without lockdowns, the fear of COVID in Cina has severely hampered economic activity and will make achieving this year's growth target very difficult
<b>RBA</b>	Minutes from the RBA meeting and a speech by Governor Lowe suggest that a 25-to-50bp hike is coming at the next meeting, as the RBA won't follow the Fed	Bets for a 75bp hike at the July MPC meeting have already been reduced to almost zero	4/5 (monetary policy)	The next round of Australian CPI data will only come after the July meeting, but if it comes higher than the RBA expects, a larger hike may then be on the cards for the August meeting
<b>US Recession Risk</b>	Goldman Sachs has warned that the risk of a US recession has grown significantly and is now more front-loaded, but it may ultimately be a shallow one	Concerns over an upcoming recession will keep market volatility levels high as the Fed hikes	3/5 (economics)	Red hot wage growth and high inflation expectations appear less entrenched than before previous harsh recessions, but the fiscal and monetary support available this time is more limited

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<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	4/5 (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>Europe Corporate Distress</b>	Corporate distress in Europe is at two-year highs amid surging inflation and expectations for higher borrowing costs and tighter monetary conditions	The cost of borrowing for highly leveraged companies will surge and create financial stability risks	4/5 (corporate credit markets)	Years of loose monetary policy created significant malinvestment as the cost of capital was so low. Now, the impact of that is going to be felt as companies will no longer be able to service their debt
<b>Container Shortage</b>	Disruptions in major ports are still leaving a major shortage of shipping containers with Asian exporters likely to be the most affected	Higher shipping costs and longer lead times are here to stay, a downside risk for global growth	3/5 (inflation/global trade)	As China reopens and tries to make up for unfulfilled orders, demand for limited containers will spike, leading to higher costs which will keep elevated global inflation entrenched

### Highlights news vendors

CNBC - [Dow futures surge more than 400 points as the market is set to rebound from a brutal week](#)

ALL AFRICA - [War in Ukraine Triggers New International Non-Alignment Trend](#)

FT - [EU warns against fossil fuel 'backsliding' as coal replaces Russian gas](#)

SOUTH CHINA POST - [EU companies in China pay the price for Brussels stance on Xinjiang](#)

REUTERS - [Zelenskiy defiant as Russia intensifies attacks in east, seizes territory](#)

## Local and regional talking points

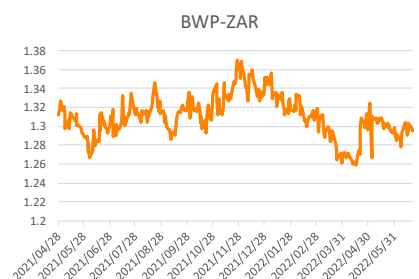
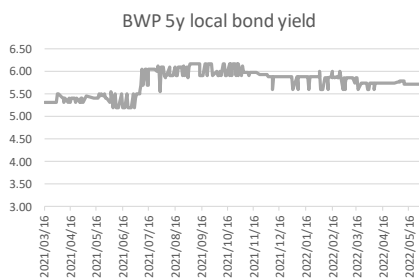
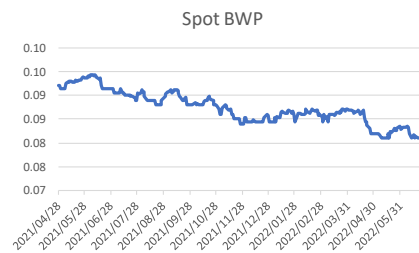
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.243584	1.256448	1.2675489	1.348064
BWPUSD	0.07776	0.093496	0.0792585	0.084254
GBPWP	15.598752	15.761824	15.261279	14.852488
BWPEUR	0.079976	0.080808	0.0755543	0.079254
JPYBWP	11.3776	11.492	10.74855	11.243375
USDZAR	15.352416	16.640312	15.712238	16.28030525
EURUSD	1.010496	1.094912	1.0341795	1.071224
GBPUSD	1.177824	1.276704	1.2054293	1.249083

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.33025
BWPGBP	0.066	-0.0001	3m	-6.93225
BWPEUR	0.0769	0.00	6m	-13.3185
BWPZAR	1.2948	-0.0002	12m	-24.2385

	Close	Change
Dollar Index	104.296	-0.404
EURUSD	1.0527	0.0018
GBPUSD	1.227	0.002
USDJPY	135.03	-0.05
USDNGN	414.87	0
USDZAR	15.9879	-0.0406

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	10.245	-0.01
3y	4.75	1.325	US 10y	3.2313	-0.0602
5y	5.713	0	German 10y	1.662	0.01
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		296.2	-2

Equities			Commodities		
	Close	Change		Close	Change
VIX	31.03	-0.1	Gold	1838.2876	-1.0624
Dow Jones	29888.78	-38.29	Brent Crude	114.13	1.01
FTSE	7121.81	-28.73	3m Copper	8977.5	16
JSE All share	66350.31	-2111.21	LME Index	4213.1	13.2
Bots DCIBT	7205	1.09	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50756.74	-633.01			

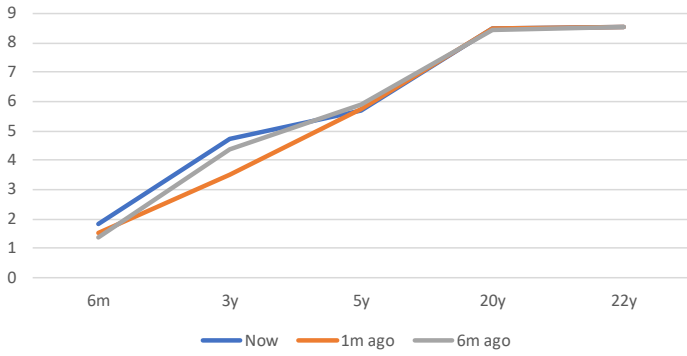


- It would never have been a meeting without controversy. The meeting around conflict diamonds which started in Botswana this week has had the world watching given Russia's participation, and Reuters reported that the Kimberley Process Civil Society Coalition on Monday sharply criticised the global diamond watchdog for resisting efforts to discuss Russia's invasion of Ukraine.
- The news vendor reported - A rift has emerged within the Kimberley Process (KP) – a coalition of governments, the diamond industry and the umbrella coalition representing civil society – created to prevent the use of gems to fund conflict, over top producer Russia's invasion of Ukraine. "Indeed, the silence of the KP over the Ukraine crisis confirms that we are right to challenge the claim that conflict diamonds represent less than 1% of all diamonds in circulation," said Michel Yoboué, coordinator of the Kimberley Process Civil Society Coalition. In the run-up to this week's meeting, Ukraine, the European Union, Australia, Britain, Canada, the United States and civil society groups were pushing to place Russia on the agenda, as well as to broaden the KP's definition of conflict diamonds to include state actors using the stones to fund acts of aggression

## Financial Market commentary

- US Treasuries have resumed their declines this morning after yesterday's US holiday as the focus remains on the Fed's monetary policy. Ten-year yields have jumped 5bp this morning to trade over 3.28%, taking their cue from a slide in European bond markets yesterday while US officials have tried to calm any fears over an impending recession.
- The market remains caught between rising rates and higher inflation and concerns that the US and other major economies are heading for a significant slowdown. This has seen volatility become more entrenched, with the MOVE Index holding at its highest levels since the start of March. The index is typically a good indicator of where yields might be heading, with current levels suggesting that 10 US yields could make their way towards 3.50% in the near term.
- Looking at metals, gold is presently anchored around the \$1840.00/oz mark as we enter the start of the EU session with the focus squarely on the movements in the dollar and by extension US Treasuries for short-term direction. These two factors will take their direction from the hoard of Central Bank speakers this week and we will get to see the rationale behind their actions of late.
- We don't think that there will be any major surprises with inflation the major heartburn for the central banking community. For now, gold is expected to sit tight and await further instruction so to speak.
- Oil has rebounded this morning, rising back above the \$115 per barrel mark, when looking at the front-month Brent contract, following last week's losses. The demand outlook is being bolstered by China's reopening and strong demand expectations out of the US, with officials trying to ease recession fears. US President Biden also noted yesterday that he is considering suspending the federal gasoline tax, which could bolster fuel demand during the US holiday season.
- The USD has edged lower this morning as markets remain focused on posturing from major central banks on the path of monetary policy. An improvement in risk sentiment this morning has added to the headwinds for the USD. The strong rebound in the risk-on impulse and the broad-based USD weakness is providing a boost to high beta emerging market currencies this morning. The South African rand and the Polish zloty are leading the charge ahead of the European session. G10 currencies are being led higher by the Canadian dollar and the British pound. With US markets returning to trade today, liquidity conditions are expected to improve. Volatility is also likely to increase as traders position themselves ahead of all the central bank speak this week.
- Locals are reminded of the 7-Day bill auction today.

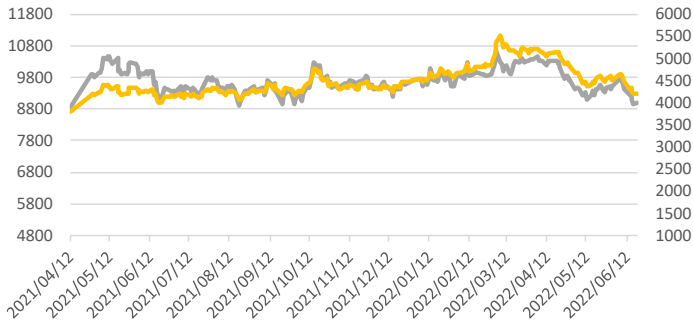
### Botswana Yield Curve



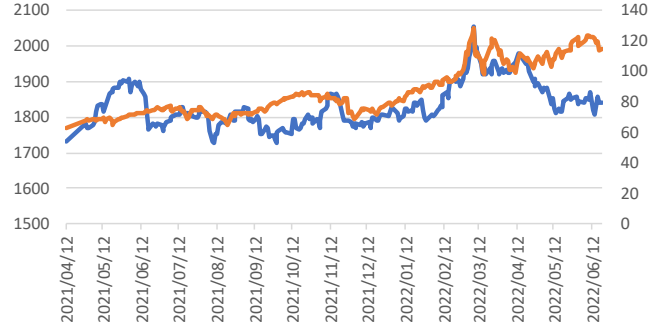
### USD Index



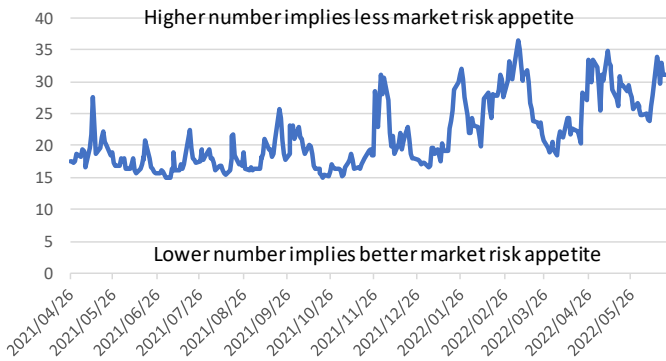
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



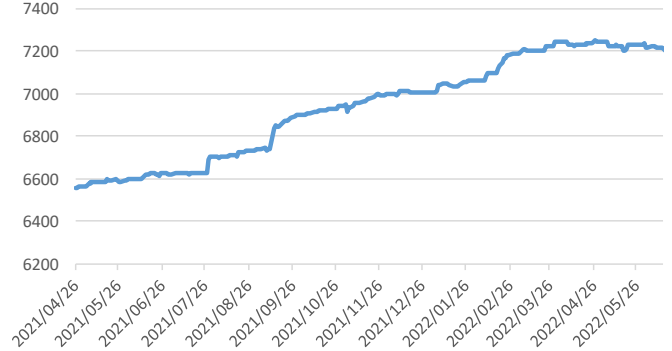
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



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