

Botswana Market Watch

22 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
06:00	GB	CPI y/y	May	9,1%	9,00%
08:40	UK	Fed's Barkin Speaks in Richmond			
11:00	US	MBA mortgage applications	Jun 17		6,6%
13:30	US	Powell Delivers Semi-Annual Testimony Before Senate Panel			
14:00	EZ	Consumer confidence	Jun P	-20,5%	-21,1%
16:50	US	Fed's Evans Discusses Economic Outlook			
17:30	US	Fed's Harker and Barkin Discuss the Economic Outlook			
Factors Overnight		What happened?	Relevance	Importance	Analysis
Asian FX	Narrowing yield gaps and global recession fears have seen Asian currencies slump, with the INR near record lows and the KRW at its weakest in 13 years		Weaker FX will start to drive a shift to more hawkish monetary policy in the region	4/5 (fx markets)	Idiosyncratic factors such as wider current account deficits and stock outflows are exacerbating risk-off weakness, with these factors unlikely to reverse any time soon
Oil	Oil has slumped overnight, helping drive risk-off trade as global recession fears emerge once again		Recession fears may finally be impacting the outlook for oil demand	4/5 (oil markets)	Brent crude is back near \$110 per barrel and could be heading for its first monthly loss since April, while other risk assets will continue to see volatility
Fedspeak	Richmond Fed President Barkin has said that the Fed should raise rates as fast as it can without causing any undue economic harm or market volatility		Fed hawk talk continues and will keep the markets volatile until it starts to ease off	3/5 (monetary policy)	Barkin is a non-voting member this year, but his hawkish comments come just ahead of Fed Chair Powell's testimony, which will likely affirm the hawkish intent of the Fed
Factors on the Radar		What happened?	Relevance	Importance	Analysis
PMIs	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
Powell Testimony	Potentially the major event for the week for global markets will be Powell's testimony before the Senate today and the House FSC tomorrow		A commitment to containing inflation this week will support market bets of more aggressive tightening	4/5 (monetary policy)	The testimony will be focused on the Fed's inflation fight with questions likely on how the central bank got its inflation projections so wrong initially and how policy is impacting the economy
China Economic Support	Officials in China have intensified their calls for more economic support, greater infrastructure spending, and new pro-growth fiscal policies		China is adding to global growth fears, so policy support will help to alleviate recession concerns	3/5 (economics / fiscal policy)	Recent data has pointed to a weaker growth outlook, but China has the policy space to boost spending and provide other support measures to prop up the economy in the months ahead

Highlights news vendors

- CNBC - [South Korea slips as it leads Asia-Pacific losses; oil drops more than 3%](#)
- ALL AFRICA - [Glencore Subsidiary Pleads Guilty to Bribery At African Oil Operations](#)
- FT - [IEA warns Europe to prepare for total shutdown of Russian gas exports](#)
- SOUTH CHINA POST - [When will China's Fujian aircraft carrier be ready for active duty?](#)
- REUTERS - [U.S. Senate advances first significant gun legislation in decades](#)

Local and regional talking points

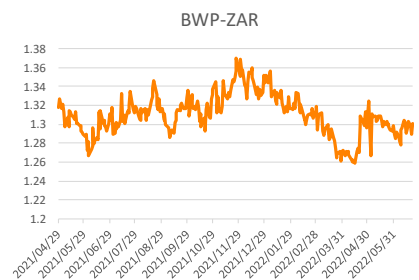
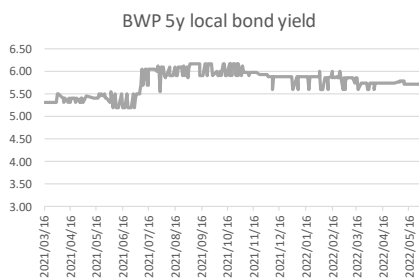
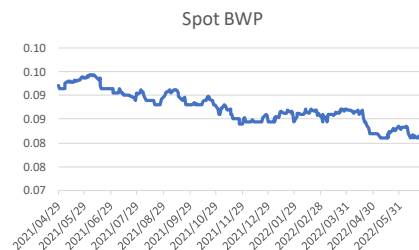
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.248768	1.25856	1.2728328	1.35033
BWPUSD	0.078144	0.093496	0.0796499	0.084769
GBPBPW	15.52772	15.643472	15.191784	14.740964
BWPEUR	0.080496	0.08112	0.0760455	0.07956
JPYBWP	11.5336	11.6168	10.895925	11.365475
USDZAR	15.340608	16.627936	15.700154	16.268197
EURUSD	1.00896	1.093456	1.0326075	1.0697995
GBPUSD	1.175328	1.273376	1.2028748	1.245827

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0814	0.0004	1m	-2.09625	-61.69535
BWPGBP	0.0665	0.0005	3m	-6.79575	-98.77282
BWPEUR	0.0774	0.00	6m	-13.1235	-160.0003
BWPZAR	1.3007	-0.002	12m	-23.907	-300.5104

	Close	Change
Dollar Index	104.603	0.168
EURUSD	1.0511	-0.0014
GBPUSD	1.2243	-0.0029
USDJPY	136.2	-0.41
USDNGN	414.75	0
USDZAR	15.9791	0.0587

Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	10.165	-0.08
3y	4.75	1.325	US 10y	3.2787	0.0474
5y	5.713	0	German 10y	1.762	0.1
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		286.2	-10

Equities			Commodities		
	Close	Change		Close	Change
VIX	30.19	-0.84	Gold	1832.5585	-5.7291
Dow Jones	30530.25	0	Brent Crude	114.65	0.52
FTSE	7152.05	105.56	3m Copper	8995	17.5
JSE All share	66747.23	959.43	LME Index	4236.6	23.5
Bots DCIBT	7205	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51091.75	-1021.34			

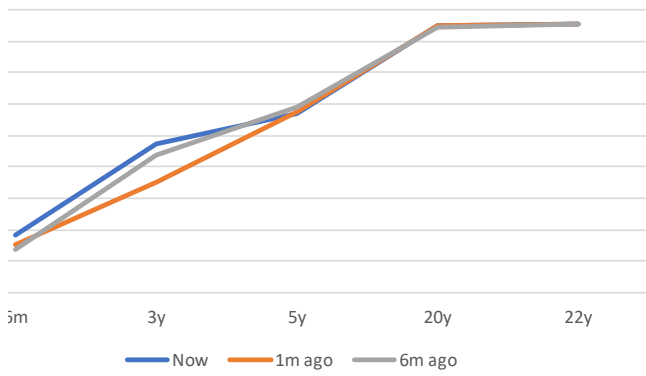


- Following last week's local CPI release and monetary tightening by the Bank of Botswana focus shifts to Botswana's eastern neighbour today, namely South Africa who will be releasing their CPI reading for May.
- CPI was unchanged in April; however, expectations are for an acceleration to have occurred in May, due to the impact of elevated oil and food prices globally. CPI is expected to have increased to 6.2%, which is above the South African Reserve Bank's target range of 3-6%. If we see this occur, it could force the SARB to consider hiking interest rates more aggressively, especially after the recent move by the Fed. The main components which are likely to have led to the increase CPI for May are transportation prices, fuels, electricity, as well as oils and fats, which have seen prices surge globally. Core inflation, which excludes the price of food, non-alcoholic beverages, and fuel and energy, is also expected to have increased last month, however it is expected to have remained below the target midpoint of 4.5%, which indicates that inflation is mainly being driven by these external factors as local demand remains quite weak.

Financial Market commentary

- The aggressive monetary policy tightening by major central banks triggered a significant outflow from bond markets last week as traders priced for a steep cycle of interest rate hikes as inflation across the world continues to run hot. Recall that the Federal Reserve delivered a 75bps rate hike, the biggest increase in almost three decades. The aggressive monetary policy tightening from the Fed and other major central banks continued to drive investors out of bonds last week.
- This is evident in the latest weekly emerging market exchange traded funds flow data published by Bloomberg on Monday. Specifically, outflows from US-listed emerging market ETFs totalled \$534mn in the week ending June 17, bringing to an end four weeks of inflows that reached \$3.87bn. This was the biggest outflow since November. A breakdown of the data showed that bond focussed ETFs were responsible for the net outflow last week. Last week, bond funds fell by \$574mn, while equity-centric ETFs expanded by \$40mn.
- African bonds were not spared, with almost all ETFs that target specific African countries recording a net outflow last week. South African bond focussed ETFs suffered the biggest net outflow, with investors pulling \$21.1mn last week. Egyptian and Nigerian focussed bond ETFs also suffered significant portfolio outflows last week, with investors pulling \$11.1mn and \$8.4mn, respectively. While African bonds were resilient in 2020 and 2021, the resilience has broken down this year, with African bonds suffering a substantial blow this year.
- The hawkish shift from major central banks and shift higher in global interest rates have driven up debt servicing costs and made it significantly more expensive for African sovereigns to refinance themselves. In some instances, African government bond yields have more than doubled over the past 12 months, reflecting the higher lending costs and deterioration in investor risk appetite as mounting recession risks and the ongoing war in Ukraine continue to push investors into haven assets. As pointed out in recent commentary, near term risks for African bonds remain skewed firmly to the upside. That said, the next few months will present some excellent buying opportunities for investors before the global monetary policy tide turns and the appeal of bonds improves.
- Moving over to FX markets, The USD has regained its footing this morning, paring back almost all of yesterday's losses after more hawkish Fed speak overnight. The Fed's Barkin said that the central bank should raise interest rates as fast as it can without causing undue harm to financial markets or the economy. While Barkin is a non-voting member this year, the hawkish comments set the stage for Fed Chair Powell's testimony later today, which should reaffirm the Fed's commitment to reining in sky-high inflation. With the exception of the Japanese yen, G10 currencies are a sea of red this morning, with the likes of the New Zealand dollar losing more than 1% at the time of writing. As we head into the European open, emerging market FX is also weaker. The focus for currency traders will be centred on Fed Chair Powell's testimony and the path of monetary policy in the US. Hawkish affirmations from the Fed chair should keep USD bulls at the helm.

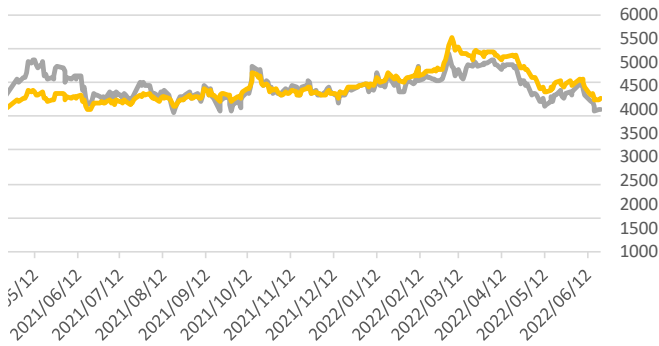
Botswana Yield Curve



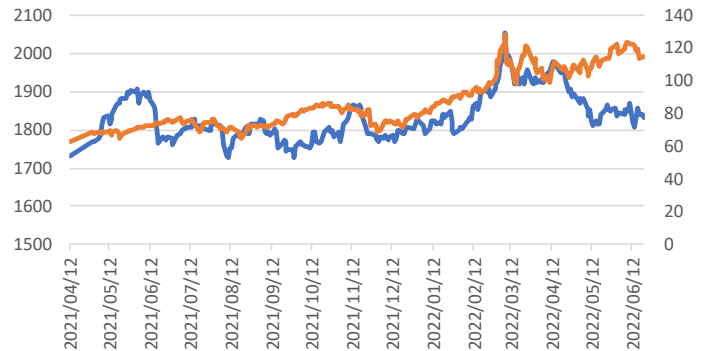
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

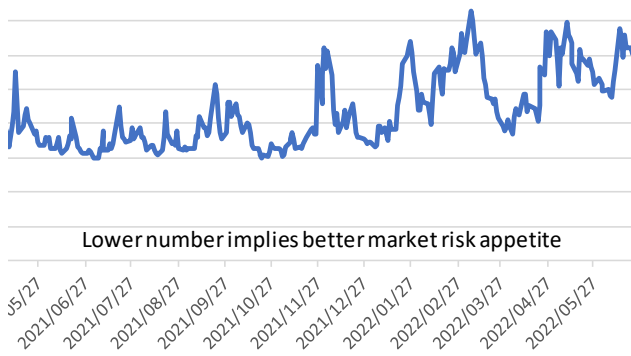


Oil R_Hand Axis - Gold L_Hand Axis



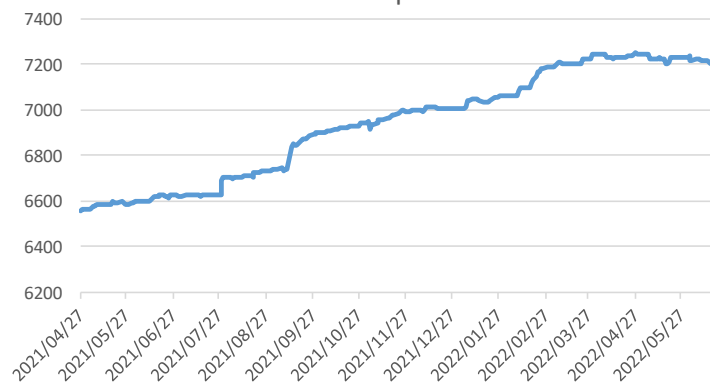
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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