

# Botswana Market Watch

## 23 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
	<b>BW</b>	Nothing on the cards			
07:30	<b>GE</b>	Markit/BME manufacturing PMI	Jun P	54	54,8
08:00	<b>EZ</b>	Markit/BME manufacturing PMI	Jun P	53,8	54,6
08:30	<b>GB</b>	Markit manufacturing PMI	Jun P	53,7	54,6
12:30	<b>US</b>	Initial jobless claims	Jun 18	232k	229k
12:30	<b>US</b>	Current account balance	1Q	\$-279bn	\$-217,9bn
13:45	<b>US</b>	Markit PMI manufacturing	Jun P	56,3	57
13:45	<b>US</b>	Markit services PMI	Jun P	53,5	53,4
14:00	<b>US</b>	Powell Testifies Before House Financial Services Panel			
15:00	<b>US</b>	Kansas City manufacturing activity	Jun		23

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Powell Testimony</b>	Fed Chair Powell kicked off his two-day testimony to Congress yesterday and gave his most explicit acknowledgement to date that the US faces recession risks	The fear of a recession has driven a less hawkish repricing of rate hike risk in the US	<b>4/5</b> (monetary policy)	Powell still suggested that a 50bp or 75bp rate hike is on the cards for the next meeting, but beyond that, we could see the market continue to price out aggressive rate hikes
<b>Oil</b>	Oil has continued its slump overnight, with the benchmark Brent contract down to \$108 per barrel, its lowest since mid-May	Recession fears may finally be impacting the outlook for oil demand	<b>4/5</b> (oil markets)	Although the demand outlook has taken a knock, supply remains tight to suggest that this current correction may not have that much further to go
<b>China Growth</b>	Chinese President Xi has affirmed that China is still aiming to reach its growth target of around 5.5% this year, despite the challenges the economy now faces	Officials have pledged support, but weaker Chinese growth will detract from global growth	<b>3/5</b> (economics/fiscal and monetary policy)	Reaching the target will be difficult and will very likely require more policy support from both the fiscal and monetary fronts as the economy has likely contracted in Q2

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>PMIs</b>	Global PMIs for June will be released today, 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>EU shift to coal on Russia threat</b>	The IEA has warned that Russia could cut gas supplies to Europe completely, forcing the EU to shift temporarily back to coal to meet energy needs	Renewable energy is not advanced or integrated enough to pick up the shortfall in energy supply	<b>4/5</b> (economy, market, geopolitics)	Prices of energy are set to remain elevated and keep inflation buoyant for the foreseeable future with no end in sight to Russia's war on Ukraine, or disruptions to energy supply.
<b>Canada rate hikes</b>	As inflation in Canada surges to a 40yr high, calls are growing for the BoC to follow the Fed's lead and raise interest rates by 75bp	Aggressive tightening by central banks the world over is raising recession risks	<b>5/5</b> (monetary policy)	There is no jurisdiction that has been spared and rate hikes appear to be the only solution even though the pressures are supply-side driven

### Highlights news vendors

**CNBC** - [China's factories try to get back to normal as virus persists. But it's far from business as usual](#)

**ALL AFRICA** - [Triple Punch of Shocks Threatens to Upend Debt Sustainability and Recovery](#)

**FT** - [Germany fears 'maintenance' shutdown of Russia gas pipeline](#)

**SOUTH CHINA POST** - [Children can have lasting Covid symptoms but chances are low, study finds](#)

**REUTERS** - [Battle for Donbas twin cities reaches 'fearsome climax', says Ukraine](#)

## Local and regional talking points

- To help countries in East and Southern Africa deal with spreading food stress that is expected to affect around 66.4mn in the region by July, the World Bank has approved a \$2.3bn program. According to the Washington-based lender, the funding is meant to ease food-system shocks spurred by drought, conflicts, pests, and disease outbreaks that the war in Ukraine has exacerbated. The bank added that the food systems resilience program would "enhance inter-agency good crisis response strategies including strengthening early-warning systems and rapid-response planning," as well as boost emergency support to producers and provide emergency trade measures and food reserves. Aside from the danger of a major humanitarian crisis, it is worth noting that food shortages have contributed significantly to inflationary pressures on the continent.

## Financial Market commentary

- Global bond yields continue to retreat when looking at the core markets, as recession fears are spreading like wildfire. The US 10yr yield has dropped back down to 3.15%, while 2yr yields are now trading just north of 3.00%, their lowest since the first week of the month, as the markets reprice rate hike risk lower in major economies. The increase in concern over an economic slowdown came following Fed Chair Powell's testimony yesterday, where he suggested that a soft landing for the US economy was looking increasingly challenging. Powell did, however, confirm that the Fed will continue in its fight against inflation, refusing to rule out another 50bp or even 75bp rate hike at the next meeting.
- Given this, it is looking more likely that we could see the US yield curve invert once again over the coming weeks. The 2v10 spread is currently just north of 8bp, but the risk of near-term rate hikes and weaker growth going forward will compress it further.
- Concerns emanating from the US Fed surrounding the potential for slower US economic activity and a rise in Chinese COVID-19 cases have pushed the price of copper to a 16-month low this morning. The 3m LME benchmark is currently trading some 1.54% lower this morning at \$8633.00/tonne. Technically, the next major technical support area comes in around \$8000.00/tonne where we have multiple highs and lows forming strong congestion.
- Oil remains under pressure this morning, tracking a broader slump in commodity prices as recession fears continue to rip through the markets. Brent has sunk to \$108 per barrel, extending its decline from yesterday and posting a loss of more than 6% over the last two sessions so far. WTI, meanwhile, has plunged to \$103 per barrel, but at one point, was trading below \$100. Global recession fears were amplified yesterday by Fed Chair Powell's testimony to Congress, where he said that a soft landing for the US was very challenging but that more rate hikes are still needed to contain inflation. A slowdown in US and global growth will help to lessen some of the tightness in the market at the moment, but as we have noted before, there is still a long way to go before the market will return to a more balanced structure.
- Nevertheless, we are seeing demand for downside protection on oil rise, indicating that traders are becoming a bit more concerned over the impact of weaker demand. Oil price forecasts, therefore, are likely to be revised a bit lower over the next few weeks.
- Moving over to the FX markets, Although off its recent highs, the USD remains supported for now with so much uncertainty still doing the rounds. Equity markets continue to face the triple threats of high energy prices, soaring inflation and aggressive monetary tightening. Recessionary fears escalate with each passing day, and the USD will retain a safe-haven bid, especially with the persistent depreciation of the JPY in recent months. The overnight recovery in the JPY may be a function of improved short-term sentiment in global equities, but the risk is that any JPY rally fades. Meanwhile, the EUR and the GBP remain consolidative for now and just off their recent lows as they look for the next catalyst to drive directional momentum. EUR continues to trade just above 1.0550, while the GBP is trading around 1.2250 this morning as they trade comfortably within the week's range.

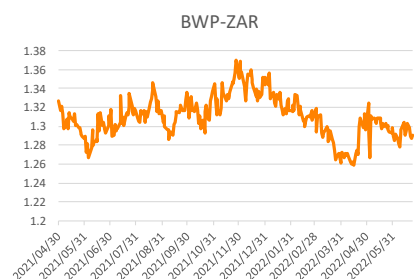
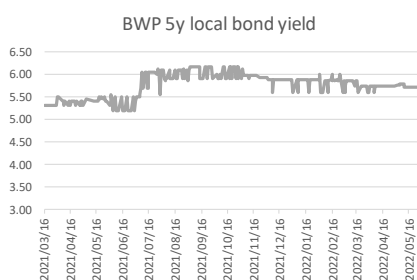
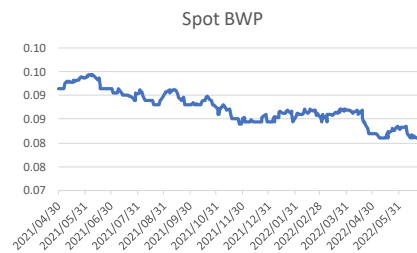
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.239264	1.255392	1.2631457	1.346931
BWPUSD	0.07776	0.093496	0.0792585	0.08446
GBPGBP	15.544152	15.737384	15.20786	14.829458
BWPEUR	0.079664	0.080704	0.0752595	0.079152
JPYBWP	11.4088	11.544	10.778025	11.29425
USDZAR	15.300096	16.586024	15.658692	16.22719175
EURUSD	1.01472	1.099384	1.0385025	1.07559925
GBPUSD	1.176576	1.274728	1.204152	1.24714975

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.03775	-61.69535
BWPGBP	0.0661	0.0001	3m	-6.8835	-100.6954
BWPEUR	0.0766	0.00	6m	-13.3185	-163.5389
BWPZAR	1.2909	-0.0074	12m	-24.3555	-303.0282

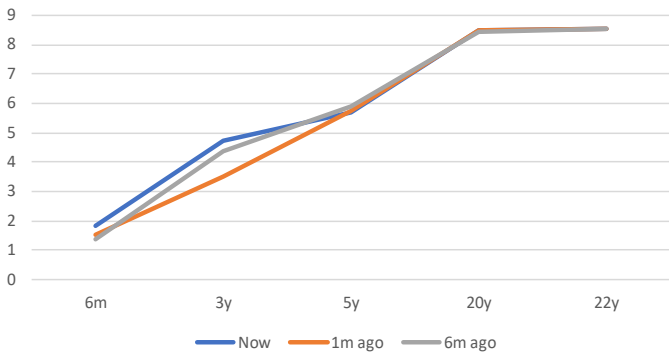
	Close	Change
Dollar Index	104.137	-0.06
EURUSD	1.0569	0.0004
GBPUSD	1.2257	-0.0009
USDJPY	135.37	-0.89
USDNGN	414.64	0
USDZAR	15.9358	0.0291

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	10.135	-0.03
3y	4.75	1.325	US 10y	3.1599	-0.1188
5y	5.713	0	German 10y	1.62	-0.142
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		287.2	1

Equities			Commodities		
	Close	Change		Close	Change
VIX	28.95	-1.24	Gold	1837.3864	4.8279
Dow Jones	30483.13	641.47	Brent Crude	111.74	-2.91
FTSE	7089.22	30.24	3m Copper	8773	-222
JSE All share	65712.68	396.92	LME Index	4115.5	-121.1
Bots DCIBT	7205.6	0	1 carat index	Invalid field(s)	#VALUE!
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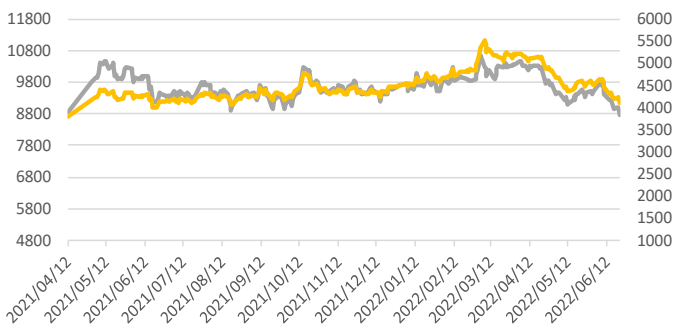
### Botswana Yield Curve



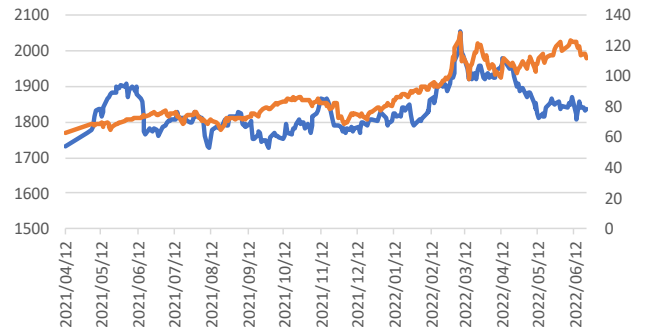
### USD Index



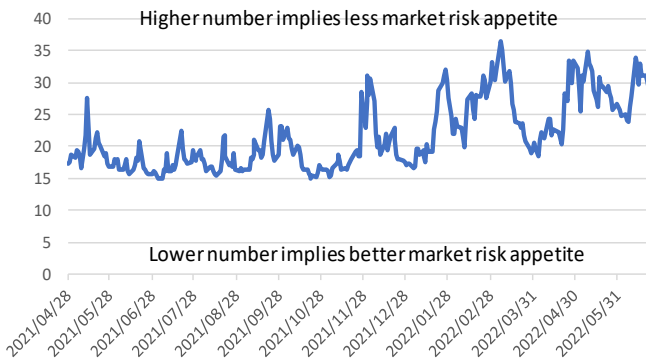
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



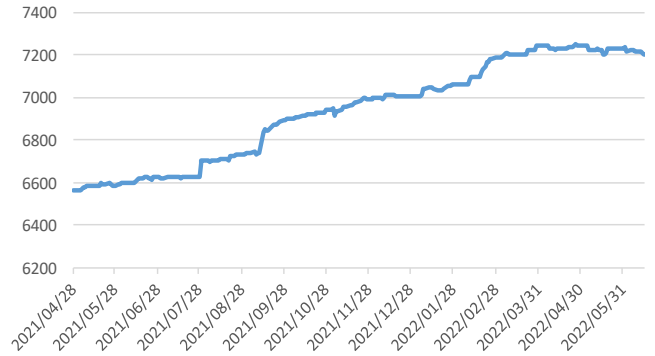
### Oil R\_Hand Axis - Gold L\_Hand Axis



### VIX Index - Risk appetite measure



### Local stockmarket performance



## Contacts

[nkatem@accessbankplc.com](mailto:nkatem@accessbankplc.com)  
[masalilap@accessbankplc.com](mailto:masalilap@accessbankplc.com)  
[kebaetsek@accessbankplc.com](mailto:kebaetsek@accessbankplc.com)  
[keseabetswem@accessbankplc.com](mailto:keseabetswem@accessbankplc.com)  
[thembaa@accessbankplc.com](mailto:thembaa@accessbankplc.com)  
[bogalet@accessbankplc.com](mailto:bogalet@accessbankplc.com)  
[davidp@accessbankplc.com](mailto:davidp@accessbankplc.com)

Mogamisi Nkate  
Phillip Masalila  
Kefentse Kebaetse  
Mompoloki Keseabetswe  
Amogelang Themba  
Tshwanelo Bogale  
Pearl David

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