

Botswana Market Watch

24 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
11:00	BW	91, 182 Bills on offer			
11:00	BW	2027, 2031 and 2043 bonds on offer			
11:30	US	Fed's Bullard Discusses Central banks and Inflation			
12:30	UK	BOE's Huw Pill speaks			
13:45	UK	BOE's Haskel speaks			
14:00	US	Michigan consumer confidence	Jun F	50,2	50,2
14:00	US	New home sales	May	595k	591k
20:00	US	Fed's Daly Speaks at Shadow Open Market Conference			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Germany gas warning	Germany triggered the "alarm" stage of its emergency gas plan, warning of possible gas rationing as I accused Russia of waging an "economic attack."	Europe will face a tremendous challenge heading into winter as gas supplies dwindle	4/5 (economy)	The real effects of Russia's war on Ukraine are not yet fully understood, and given the war's trajectory, which could extend for quite some time. The negative growth impact will be large
Fedspeak	Fed Chairman Powell told lawmakers yesterday that the Fed's fight to reign in 40yr high inflation is "unconditional."	Such aggressive talk will only elevate the risk of a recession in the US	4/5 (monetary policy)	Powell added that it was not the Fed's objective to induce a recession but that it was a certain possibility as the Fed targeted price stability
UK Consumer Confidence	Consumer confidence in Britain has sunk to a record low as households battled against the soaring cost of living. The GfK reading fell to -41 in June	Prices are soaring faster than wages, and disposable income is drying up quickly	5/5 (economy)	Add to that, the BoE is raising interest rates to impact further those that are more leveraged, and it is a perfect storm that will likely translate into a recession later this year
Factors on the Radar	What happened?	Relevance	Importance	Analysis
China liquidity conditions	China injected CNY60bn through a 7-day repo in a bid to keep liquidity stable at the end of the quarter, month and first half. Only CNY10bn was maturing	It is interesting that the PBoC is concerned about tight liquidity conditions	4/5 (economy, monetary policy)	This is something to keep an eye on, given the easing monetary policy in China against the backdrop of tightening monetary policy and finance conditions everywhere else on the globe
EM rate hikes	Even though Banxico has been raising rates steadily, it still felt the need to raise by a record 75bp yesterday and warned of even more to come	Other EM central banks are looking to follow suit as inflation continues to surprise to the topside	5/5 (economy, monetary policy)	This is a common theme not just throughout the DM world but amongst EMs as well. Property markets will likely be in the firing line as central banks raise rates to tackle inflation
UK politics	The ground is shifting under PM Johnson and the conservatives as they lose two by-elections. Although he won his vote of no-confidence, his tenure is fragile	A shift in UK politics and a change in economic strategy would further inject uncertainty	4/5 (politics)	Britain is facing a difficult time, with challenging conditions, Brexit and uncertain politics muddying policy making. Equities, bonds and FX will experience heightened volatility

Highlights news vendors

CNBC - [China's steel mill owners are in a bad mood as demand takes a hit](#)

ALL AFRICA - [IMF Calls for Good Governance, Stronger Anti-Corruption Measures on the Continent](#)

FT - [Pan-Atlantic recession 'increasingly likely', warn economists](#)

SOUTH CHINA POST - [Hong Kong's Jumbo Floating Restaurant has not 'sunk', company insists](#)

REUTERS - [Ukraine's EU candidacy will strengthen Europe as Russia threatens freedom - Zelenskiy](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.240416	1.250112	1.2643199	1.341266
BWPUSD	0.077952	0.093496	0.0794542	0.08446
GBPWP	15.608944	15.730624	15.271251	14.823088
BWPEUR	0.08008	0.080704	0.0756525	0.079152
JPYBWP	11.3776	11.4608	10.74855	11.21285
USDZAR	15.276096	16.55576	15.63413	16.1975825
EURUSD	1.011648	1.096056	1.0353585	1.07234325
GBPUSD	1.178592	1.277328	1.2062153	1.2496935

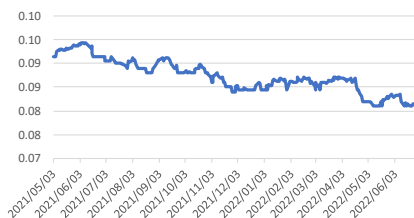
Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0816	0.0002	1m	-2.5155	-62.88911
BWPGBP	0.0664	0	3m	-7.01025	-101.3377
BWPEUR	0.0774	0	6m	-14.65425	-163.5389
BWPZAR	1.2982	0.0086	12m	-27.60225	-303.8689

	Close	Change
Dollar Index	104.292	-0.139
EURUSD	1.0536	0.0013
GBPUSD	1.2276	0.0016
USDJPY	134.74	-0.19
USDNGN	414.59	0
USDZAR	15.9117	-0.041

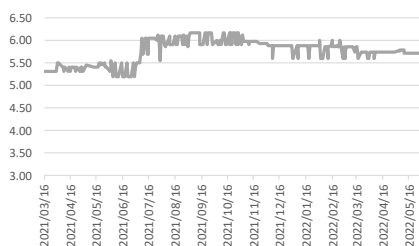
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	1.825	0	SA 10y	10.095	-0.04
3y	4.75	1.325	US 10y	3.0888	-0.0711
5y	5.713	0	German 10y	1.427	-0.193
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts		
22y	8.55	0.012		286.7	-0.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	29.05	0.1	Gold	1822.4293	-14.9571
Dow Jones	30677.36	-47.12	Brent Crude	110.05	-1.69
FTSE	7020.45	-62.83	3m Copper	8409	-364
JSE All share	65295.42	-1034.55	LME Index	3994.8	-120.7
Bots DCIBT	7205.6	0.6	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51618.73	285.46			

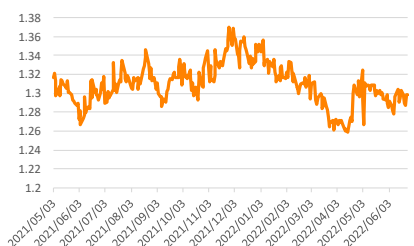
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- President of the African Development Bank, Akinwumi Adesina, has said that Africa must wean itself off dependence on food and medicine imports as the bank approved the creation of a pharmaceutical tech foundation and began processing requests for food relief. Last month, the bank approved a \$1.5bn financing facility for emergency food production, aiming to prevent a looming food crisis. Meanwhile, the bank's board this week approved the creation of a new Africa Pharmaceutical Technology Foundation, which will allow Africa to leverage intellectual property rights, protected technologies, and innovations to expand Africa's pharmaceutical and vaccine manufacturing sectors. Given that Africa imports around 80-90% of its medicines, the approval is potentially a game-changer and could help the continent deal better with future pandemics.

- Locally the debt capital markets will be a busy place today. We have the standard month end bond auction to contend with where 2027, 2031 and 2043 bonds will be on offer. Investor appetite will be monitored closely given that the bonds are in a negative real yield position given inflation. We expect the shorter duration bonds to be the most favoured.

Financial Market commentary

- It has been a rather unremarkable week for the USD, and the same might be said for the ZAR and by extension the BWP. Without any directional momentum from the USD, the BWP and ZAR have traded in range bound fashion

- And for all the escalating fears of a recession in the US and elsewhere, stock markets have not yet collapsed. Stronger Asian equity markets this morning will likely assist the ZAR in ending the week on a firmer footing if the gains help boost overall risk appetite levels. Other than the Ifo data out of Germany today, there is only New Home Sales out of the US that will hold much interest. The Michigan consumer confidence data is the final reading and will be priced in by now. Therefore, it is shaping up to be a calmer end to the week.

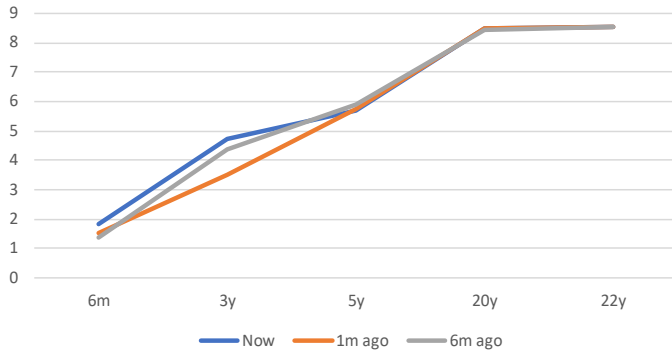
- Moving over to the rates markets, Global bond yields have stabilised this morning it seems, if what is happening in the UST market is anything to go by. Treasury yields are up a couple of bp this morning following a sharp rally for bonds yesterday, which took US yields back to around 3.00% and German and UK yields down by more than 20bp.

- With growth concerns now so elevated and some weak data coming out from several jurisdictions, it is not surprising to see such a strong rotation into bond markets, even though equities managed to post some decent gains on the session yesterday. The market is reducing its priced-in risk for sharp rate hikes through 2023, which has offered some support to equities but has also made bonds look more attractive once again, especially at the longer end of the curves.

- Oil prices are heading for the first back-to-back weekly losses since April, with both Brent and WTI down by more than 5% over the last few sessions. Concerns over an economic recession and tighter US monetary policy have battered commodity markets this week and see Brent for August delivery drop back below \$110 per barrel, while WTI at one point was trading well below \$100 per barrel. We are seeing some signs of stabilisation this morning for both benchmarks, with \$108 looking to be the floor for Brent at the moment.

- This floor is provided by persistent inherent tightness in the crude market, despite the rising demand concerns. Oil producers still cannot pump enough to meet demand, especially given that many traders are still effectively self-sanctioning Russian crude which takes out a significant portion of global supply. Crack spreads have also widened out sharply this week, making it more profitable for refiners, which will continue to drive their appetite for barrels. Therefore, any further downside for the market at the moment is looking more limited.

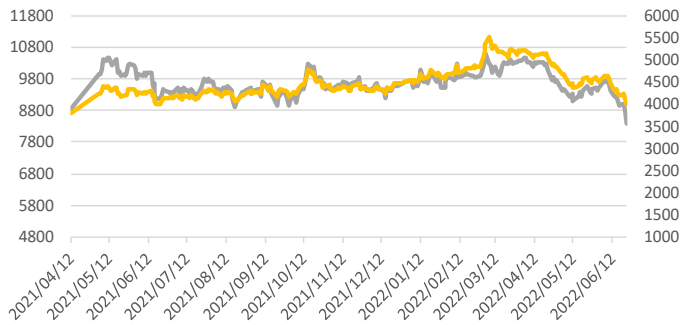
Botswana Yield Curve



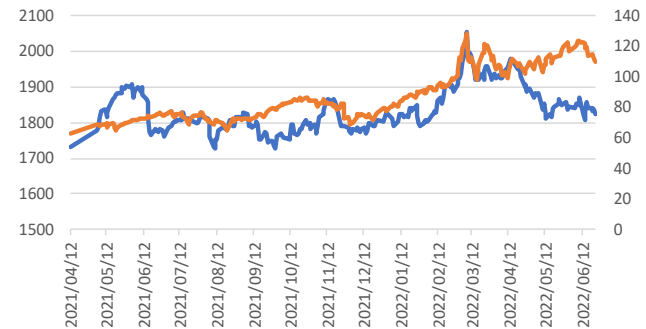
USD Index



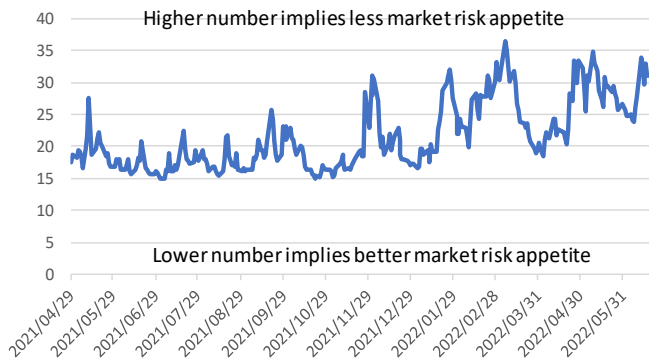
Base metals - Copper L_Hand axis LME Index R_Hand axis



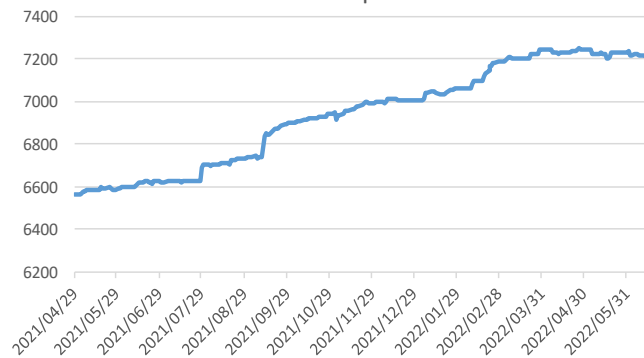
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



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