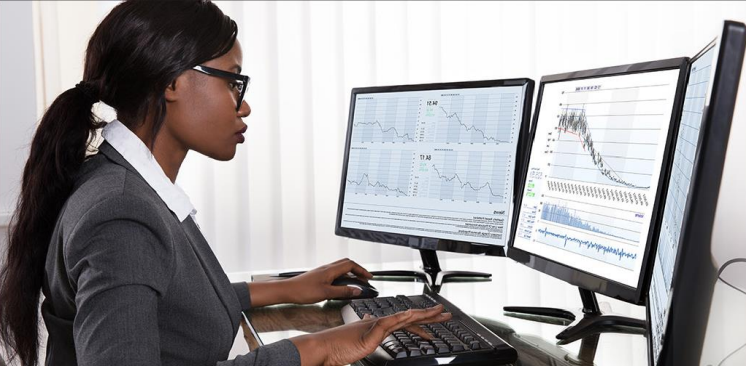


# Botswana Market Watch

## 28 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
11:00	EC	ECB's Panetta Speaks in Sintra			
12:30	US	Wholesale inventories m/m	May P		2,2%
12:30	US	Advance Goods Trade Balance	May	\$-101,7bn	\$-105,94bn
13:00	US	House price index m/m	Apr		1,5%
13:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Apr	21,2%	21,17%
14:00	US	Consumer confidence	Jun	100	106,4

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Russian default</b>	Russia has slid into a historic default on \$100mn in interest payments after the grace period of a month ended on Sunday at midnight	Russia contests this and says that the payments were made, but Euroclear blocked them	<b>4/5</b> (economy, markets)	The default is in some ways, a legislative default in that payments were rejected on the basis that they contravened the sanctions imposed. This will impact Russia's ability to raise capital
<b>NATO – Russia</b>	NATO has indicated that it will boost the number of troops on high alert to over 300k, in response to Russia's invasion	It is a clear signal that NATO is preparing itself for a Russian onslaught	<b>5/5</b> (geopolitics)	The build-up of troops will likely take a while and will stretch defence budgets but reflects an intention to counter any Russian aggression with equal force
<b>UK – N Ireland trade</b>	Legislation allowing Britain to scrap some of the rules governing post-Brexit trade has passed through parliament in a move that has angered the EU	The EU will likely challenge Britain's efforts to change the protocol unilaterally in international courts	<b>4/5</b> (politics)	This was always going to be the most difficult aspect of any Brexit deal, and the initial protocol agreed upon is not working satisfactorily. Tensions between the EU and Britain will escalate

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Russian gas – EU</b>	The EU is preparing for severe disruptions to gas supplies and asked member states to update their contingency plans to use alternative sources of energy	The EU remains exposed to Russian energy, and it is crucial to reduce its dependence	<b>4/5</b> (economy, geopolitics)	The strategy remains to diversify the EU's energy needs away from Russia, but that will take time. In the interim, some alternative contingency strategies will be necessary
<b>UK inflation expectations</b>	Britain's public inflation expectations in future years have receded to the lowest levels since January	This offers some relief and suggests that the BoE's efforts may be working	<b>3/5</b> (economy)	For inflation expectations to recede, the broader public believes that the BoE's current tightening will work, which is an early sign of success in curtailing prices
<b>Oil production</b>	Oil prices have found renewed support as major producers Saudi Arabia, and the UAE indicated that it was unlikely they would be able to boost production significantly	Capacity constraints were compounded by political unrest in Libya and Ecuador to limit supply options	<b>5/5</b> (market)	Without global growth slowing, it is unlikely that new investment into production will come on stream soon enough to curtail price pressures stemming from oil prices

### Highlights news vendors

**CNBC** - [Total shutdown of Russian gas pipelines to Europe 'is not inconceivable'](#)

**Mail & Guardian** - [Electricity for all in Africa in eight years a possibility but 'formidable' task](#)

**FT** - [China's pivotal role under scrutiny as Zambia seeks debt relief](#)

**SOUTH CHINA POST** - [6 ways China thinks it can offset zero-Covid impact to get its economy back on track](#)

**REUTERS** - [Australia commits to Pacific islands defence training as China plans rival meet](#)

## Local and regional talking points

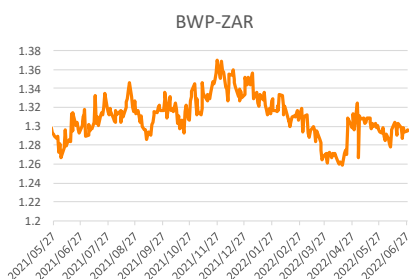
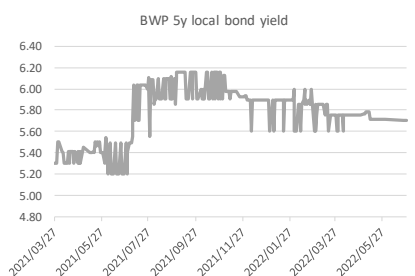
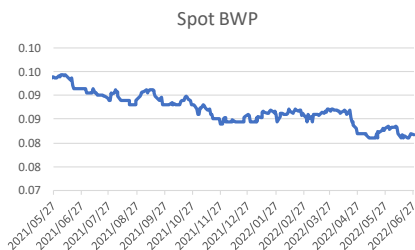
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.243968	1.254432	1.2679403	1.345901
BWPUSD	0.078528	0.093496	0.0800413	0.084666
GBPWP	15.490176	15.608944	15.155052	14.708428
BWPEUR	0.080392	0.081016	0.0759473	0.079458
JPYBWP	11.5128	11.596	10.876275	11.345125
USDZAR	15.207072	16.492008	15.563488	16.13520975
EURUSD	1.015584	1.10032	1.0393868	1.076515
GBPUSD	1.178208	1.276808	1.2058223	1.24918475

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0818	0.0001	1m	-2.5155	-64.08578
BWPGBP	0.0666	0	3m	-6.942	-102.6245
BWPEUR	0.0773	0	6m	-14.57625	-164.2487
BWPZAR	1.2957	-0.0028	12m	-27.56325	-305.5525

	Close	Change
Dollar Index	103.925	-0.014
EURUSD	1.0578	-0.0005
GBPUSD	1.2272	0.0008
USDJPY	135.25	-0.18
USDNGN	414.5	0
USDZAR	15.84	-0.0163

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	2.511	0.002	SA 10y	10.325	0.065
3y	3.388	0	US 10y	3.194	0.07
5y	5.7	0	German 10y	1.544	0.104
20y	8.494	0	Spread SA 5y vs Bots 5y bpts		
22y	8.538	0		312.5	7

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.95	-0.28	Gold	1822.73	-3.45
Dow Jones	31438.26	823.32	Brent Crude	115.09	1.97
FTSE	7258.32	188.36	3m Copper	8417.5	36.5
JSE All share	67826.78	1053.33	LME Index	3967.7	48.8
Bots DCIBT	7209.09	1.51	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51962.85	86.88			



- According to Segolo Lekau, Commissioner of Botswana's Unified Revenue Service (BURS), the country's tax revenue increased by 36% in the first two months of the fiscal year as a result of a recovery in the minerals sector. In particular, revenue streams grew to 8.6 billion pula for April and May, exceeding the target by nearly 12% or by 7.7 billion pula for the period concerned.

- In order to increase operational efficiency in tax revenue collection, the BURS is undertaking several initiatives. Recall that Peggy Serame, Minister of Finance and Economic Development, stated that one of these efforts is the examination of the tax laws. While a recent study by the BURS found a portion of taxpayers, up to 60% of those who should be contributing are not. These tax losses could measure up to 5% of the country's Gross Domestic Product (GDP). Most taxes being dodged are personal income tax where small businesses that employ people but do not register or pay tax while others include the withholding tax due on rentals as well as corporate taxes by businesses, including Value Added Tax by those that reach the 1 million pula threshold.

- The BURS should not focus its efforts on chasing after individual tax dodgers in small businesses and the semi-informal sectors but rather push for laws that will strengthen the need for tax clearance certificates at regulators such as the Deeds Registry and the various licensing authorities.

- For the 2022–2023 fiscal year, income taxes are anticipated to reach 14.3 billion pula, while VAT may reach 12 billion pula. The government's objective of 46.3 billion pula will be mostly funded by mining taxes and SACU earnings.

## Financial Market commentary

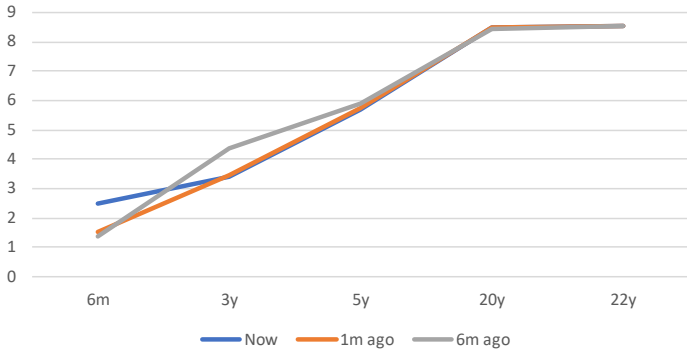
- Some caution is evident in financial markets this morning through the Asian session, with US Treasuries climbing alongside JGBs as equities struggle for traction. Rallies in risk assets have proved to be relatively fleeting in recent months as growth concerns have manifested. This has now led to a repricing of rate hike risk globally, which has helped bond yields come off their recent peaks. 10yr Treasury yields, for instance, reached a high of 3.47% earlier this year, but have since retreated to around 3.175% at the moment.

- FX traders are keeping a beady eye on the performance of equity markets. What looked like the start of a recovery phase has lost steam quickly, and now there are doubts over whether the end of the quarter will bring with it the recovery many anticipated. Without that recovery, risk appetite will remain subdued, and as it does, there is a natural bid that props up an expensive USD. This will undermine the BWP recent strength as it eyes a sustained rally past the 12.200/USD mark, which would open the way higher for the local currency to test the short-term 50DMA resistance just north of the 12.00/USD mark. This would inevitably cut some of the BWP's quarterly loss, currently amounting to more than 6%.

- Oil has kept up its bullish momentum seen of late this morning, with Brent rising above \$115 per barrel as threats to global supply have come into focus, outweighing any economic growth concerns. The political crisis in Libya is worsening, and disruptions to its output and exports are intensifying. The African nation said yesterday that it may suspend exports from a key shipping terminal, the Gulf of Sirte, while the National Oil Corp said it would declare force majeure within the next 72 hours. Libya's oil output had already halved since mid-April to around 600k barrels per day, with these latest developments likely to exacerbate that and pose a greater threat to global supply.

- These developments come just before OPEC+ members are set to meet again to determine output quotas for August. However, the cartel and its allies are increasingly looking more powerless to do anything about the global supply crunch. Saudi Arabia and the UAE have been highlighted as the two members that have spare capacity and could help ease some market pressures. However, a discussion between French President Macron and his counterpart from the UAE suggests that the spare capacity of these two nations may be overestimated and that they are already pumping as much as they can. Taking all of this into consideration, it is looking unlikely still that we will get any major correction in oil prices anytime soon.

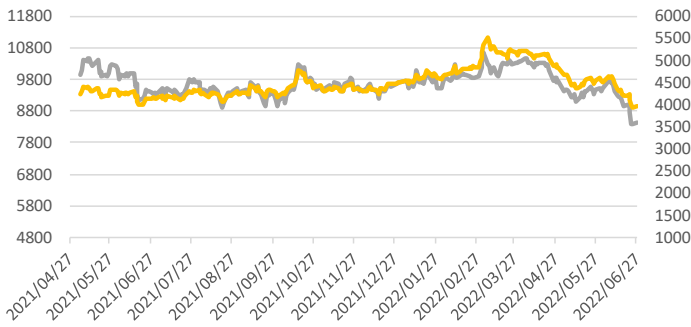
Botswana Yield Curve



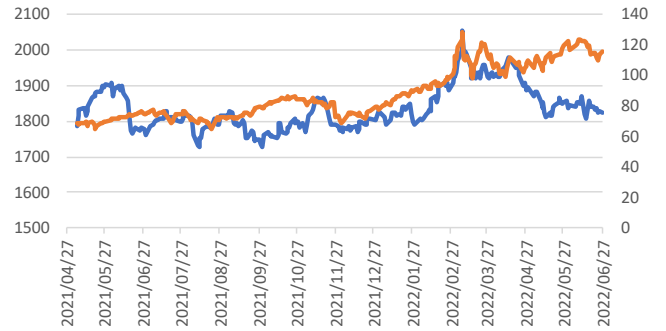
USD Index



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

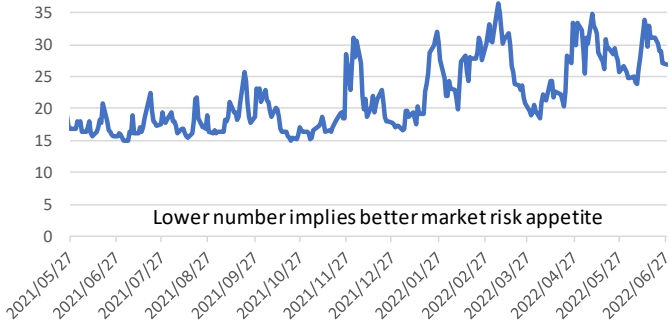


Oil R\_Hand Axis - Gold L\_Hand Axis

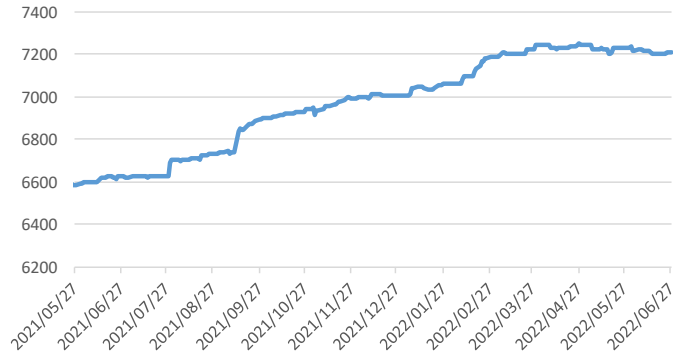


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Local stockmarket performance



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