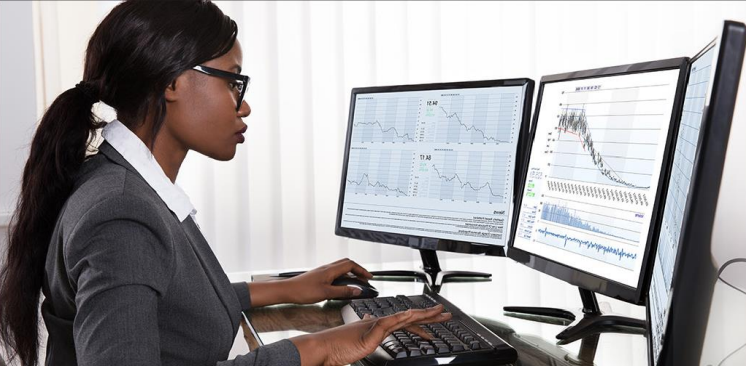


# Botswana Market Watch

## 29 June 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
08:00	EZ	M3 money supply sa y/y	May	5,8%	6,00%
08:00	EC	ECB's Guindos Speaks in Sintra			
09:00	EZ	Consumer confidence	Jun F		-23,6%
10:00	EC	ECB's Schnabel Speaks in Sintra			
12:00	GE	CPI y/y	Jun P	7,9%	7,9%
12:30	US	GDP q/q annualised	1Q T	-1,4%	-1,5%
12:30	US	Personal consumption	1Q T		3,1%
13:30	EC	BOE Governor Bailey speaks at ECB forum			
15:00	EC	ECB's Lagarde Speaks at Sintra			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>UK shop prices</b>	British retailers raised prices by the most since 2008, according to data from the BRC. Average prices were 3.1% higher than a year ago and accelerating	Food prices, in particular, were accelerating upwards and averaged 5.6% higher y/y	4/5 (economy)	Any monetary policy action will have a lagged effect on prices. At the moment, underlying momentum remains strong and will only reverse much later in the year as base factors exert influence
<b>ECB bond market remarks</b>	Spreads between periphery countries and Germany tightened after an ECB policymaker said the Bank should offer unlimited support to EZ members facing an unjustified rise in borrowing costs	This would amount to unlimited ECB QE programmes to contain bond yields as fiscal positions deteriorate	5/5 (monetary policy, markets)	The pandemic was unkind to government fiscal positions; similarly, the war and the consequences for inflation and interest rates have not helped. Clearly, this is becoming a point of concern for investors and the ECB
<b>NATO expansion</b>	NATO and Turkey have come to an agreement that will allow the organisation to admit Sweden and Finland in a move that will offer protection to the Nordics and up the ante for Russia	Russia's actions in Ukraine have led to the very outcome it has sought to prevent and, in the process, raised tensions	5/5 (geopolitics)	This powerful geopolitical move will ensure that Russia cannot invade other countries without feeling the full force of NATO. This comes alongside the build-up of troops which will further build defences against Russian aggression

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>G7 oil price cap</b>	The G7 has agreed to look into the possibility of a price cap for oil agreed to by all countries banning the purchase of any oil above a particular price	While it is aimed at curtailing Russia's revenues, it could also generate scarcity in the market	4/5 (economy, market, geopolitics)	Energy producers will need to accept lower prices despite high levels of demand and may become reluctant to do so at prices they do not deem to be a fair reflection of market value
<b>Fedspeak</b>	San Fran Fed President Daly and NY Fed President Williams both supported further bold rate hikes to curb inflation but pushed back against recession expectations	From the two speakers, the debate at the next FOMC will likely be between a 50bp and 75bp hike	4/5 (monetary policy)	The Fed remains committed to reigning in inflation, and the communication in favour of tightening remains strong and unambiguous. The real economy is already starting to respond
<b>GBP and Brexit</b>	The GBP is not expensive relative to other major currencies but still came under some pressure vs the USD yesterday as Brexit concerns escalated once more	Britain unilaterally began the process of changing the trading protocol in N Ireland and angered the EU	4/5 (market, geopolitics)	Britain's move will be challenged in the courts and again highlights some of the real economic costs of splitting from the EU. Retaliation from the EU would be unwelcomed and growth negative

### Highlights news vendors

**CNBC** - [ECB's chief economist sees double-sided risk of spiraling inflation and an economic slowdown](#)

**Mail & Guardian** - [Eskom wage deadlock ends, setting SA back on course to fewer blackouts](#)

**FT** - [Cyril Ramaphosa has fallen short in rooting out ANC corruption](#)

**SOUTH CHINA POST** - [G7 infrastructure plan to rival Belt and Road Initiative to 'match global standards'](#)

**REUTERS** - [Heat wave and fires damaging Tunisia's grain harvest](#)

## Local and regional talking points

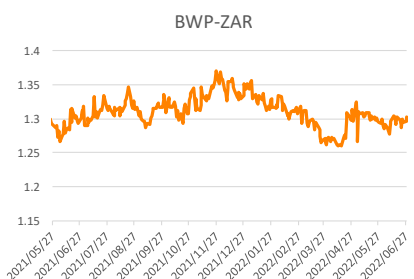
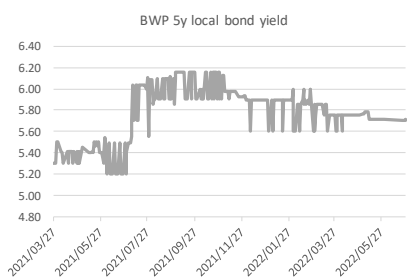
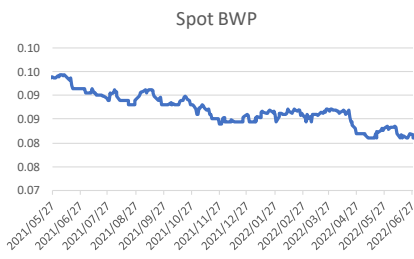
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.249536	1.262784	1.2736156	1.354862
BWPUSD	0.07776	0.093496	0.0792585	0.084254
GBPWP	15.513576	15.668016	15.177946	14.764092
BWPEUR	0.079976	0.080808	0.0755543	0.079254
JPYBWP	11.4712	11.5856	10.836975	11.33495
USDZAR	15.426144	16.723512	15.787694	16.36170525
EURUSD	1.010208	1.094808	1.0338848	1.07112225
GBPUSD	1.171296	1.26932	1.1987483	1.24185875

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.081	0	1m	-2.3205	-64.08578
BWPGBP	0.0664	-0.0001	3m	-7.756125	-102.6245
BWPEUR	0.0769	0.00	6m	-14.4495	-164.9594
BWPZAR	1.3013	0.0074	12m	-27.261	-306.3954

	Close	Change
Dollar Index	104.402	-0.104
EURUSD	1.053	0.0012
GBPUSD	1.2206	0.0024
USDJPY	136.16	0.04
USDNGN	414.64	0
USDZAR	16.065	-0.0234

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	2.51	-0.001	SA 10y	10.435	0.11
3y	4.83	1.442	US 10y	3.207	0.013
5y	5.713	0.013	German 10y	1.635	0.091
20y	8.489	-0.005	Spread SA 5y vs Bots 5y bpts		
22y	8.537	-0.001		318.2	5.7

Equities			Commodities		
	Close	Change		Close	Change
VIX	28.36	1.41	Gold	1819.6949	-3.0351
Dow Jones	30946.99	-62.42	Brent Crude	117.98	2.89
FTSE	7323.41	49.51	3m Copper	8365.5	-52
JSE All share	68058.12	1478.03	LME Index	3955.3	-12.4
Bots DCIBT	7222.04	1.98	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51803.98	257.24			

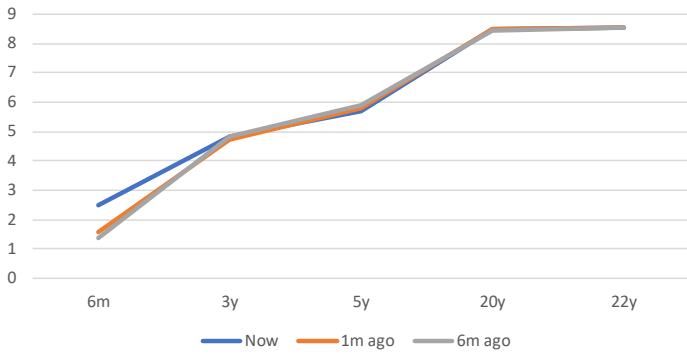


- South Africa's oil refinery woes have resulted in Botswana seeking new buffers. According to Nchena Mothebe, the Deputy Permanent Secretary in the Energy Ministry, Botswana will start using storage facilities at Mozambican and Namibian ports next month to build its strategic oil reserves due to declining refinery capacity in South Africa. While the country's existing strategic facilities could carry demand for 15 days without additional supply, Mozambique and Namibia's supply would collectively hold 30-day stock, said Mothebe. "We will be leasing out the storage facilities, not building, and we expect agreements in place by the end of next month," Mothebe said.
- Botswana consumes approximately 100 million litres (26.4 million gallons) of various fuels a month and gets most of its supplies from South Africa. The government maintains strategic reserves as a cushion for emergencies, which have occurred in the past when stock from South Africa has been disrupted by protests along supply routes.
- Africa's most-industrialized nation's refinery capacity has been hit by a range of obstacles such as unplanned closures. The shutdown of the Engen Ltd. oil refinery, a lack of feedstock for state-owned PetroSA's gas-to-liquids plant and an explosion at Glencore Plc's Cape Town refinery have all affected capacity already curtailed by the pandemic and the Russia-Ukraine war. Gamu Mpofo, senior manager at state-owned Botswana Oil, stated last month at an infrastructure conference in Gaborone that refining capacity more than halved in South Africa to 303,000 barrels per day in March compared to a year earlier.

## Financial Market commentary

- Since weakening in early June, the Botswana Pula (BWP) has been contained within tight but choppy ranges. The overall reversal in risk appetite is weighing on the local currency and is set to close out the month amongst some of the worst African currencies, including the likes of the Rand. Yesterday, the BWP advanced strongly to 12.2778/USD after lacking the impetus for a breakthrough what is becoming a key resistance level at 12.00/USD. A dip below 12.300/USD would, however, signal more losses to come.
- Meanwhile, the USD has firmed up around 104.5 this morning after jumping half a percent in the previous session, underpinned by remarks from central bank officials who indicated support for continued aggressive monetary tightening ahead.
- Bonds have rebounded this morning, with UST and JGB yields heading lower in early morning trade. Growth concerns are back at the forefront, with core markets also likely tracking gains for Chinese bonds that are being supported by the PBoC's liquidity injections into month-end, and slowing inflation in a key region of Germany that are driving bund futures higher. Portfolio adjustment flows owing to the month's end will likely remain a factor over the next few sessions, especially given that this month brings with it the end of the second quarter.
- Oil prices rallied for a third straight session yesterday but are on the defensive this morning as the focus is shifting back towards the weaker growth narrative. The front-month Brent contract is trading just above \$117 per barrel this morning, while WTI futures are trading near \$111 per barrel. Interestingly, reports have emerged that corporates across the globe have ramped up their hedging activity against another possible surge in oil prices. Several traders and brokers are reporting the busiest spell of hedging activity they have seen in several years. This suggests that corporates are anticipating another surge in oil prices, while it may also explain some of the gains we have seen recently in the market that has come despite a relatively worrisome growth outlook.
- As we have noted before, this weakening growth outlook is against a backdrop of still very tight supply for crude, which has been exacerbated recently by disruptions in Libya and Ecuador. US data released yesterday from the API also showed another major draw in stockpiles at the key Cushing storage hub, while OPEC+ members will rubberstamp only another modest supply increase for August. Therefore, the supply situation suggests that oil prices are set to remain supported over the near term, as evidenced by timespreads across the futures curve, which are widening further out in backwardation.

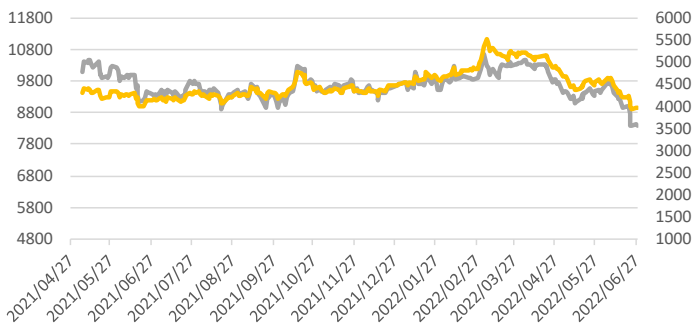
Botswana Yield Curve



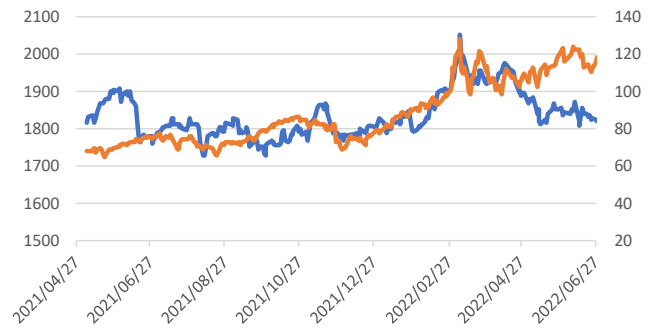
USD Index



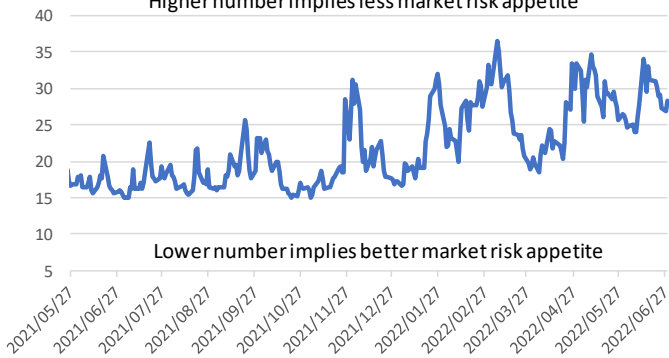
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



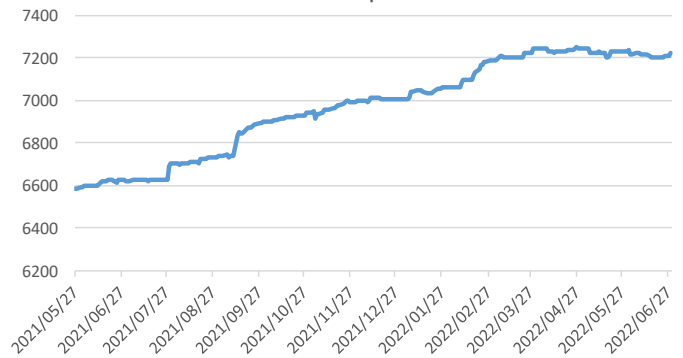
Oil R\_Hand Axis - Gold L\_Hand Axis



VIX Index - Risk appetite measure Higher number implies less market risk appetite



Local stockmarket performance



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