

Botswana Market Watch 4 July 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
0/N	JN	Monetary base y/y	Jun	3.9% A	4.6%
08:30	EZ	Sentix investor confidence index	Jul	-20	-15,8
09:00	EZ	PPI y/y	May	36,5%	37,2%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Russian gains	The Ukrainian military has withdrawn from Lysychansk city, which Russia has claimed as a major victory. It was the last Ukrainian stronghold in Luhansk	Russia's war may not have gone to plan and has attracted sanctions, but it has made slow progress	5/5 (geopolitics)	As Russia gains a stronger foothold, so the world needs to brace for a very different geopolitical world where Russia has redrawn its borders and annexed an important strategic region for trade
New Fed Member	On Friday, Susan Collins started her new job as President of the Boston Fed. She will be replacing Eric Rosengren, who retired last year amid controversy	Her bias concerning monetary policy is not yet known, but she will be participating in the decision in 2 weeks	3/5 (economy)	Collins is an economist and policy professor and comes with a high pedigree in the field. Her views on rates are not well known, or whether she is also in favour of another 75bp hike
UK Confidence	The BCC published their latest findings which showed that 54% of companies surveyed expected a rise in turnover through the next 12m, down from 63% previously	Although still more than half, it reflects a sharp deterioration as the cost-of-living crisis bites	4/5 (economy)	UK confidence is on the slide and has further deteriorated as fuel and energy prices look set to remain elevated as Russia's initiative in Ukraine shows no signs of slowing

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US Holiday	Investors are reminded that the US will be celebrating Independence Day today and that most households will have used this to take a long weekend	It implies that liquidity conditions will be thinner, which could impact the way that markets trade	3/5 (market)	Thinner liquidity conditions can exacerbate volatility. However, as investors use Wall St as a compass for risk appetite, today could turn out to be a little calmer. Impact will be temporary
Recession fears	EZ bond yields have tumbled with investors looking through the current spike in inflation towards the prospect of a significant slowdown	There is much in the way of inflation and rate hikes priced in. Now recession must be considered	4/5 (economy, monetary policy)	Given the current pace of tightening and buoyant inflation, a recession is looking inevitable. Whether it is deep or not will depend on the commitment of global central banks to tighten
US Data and events	This week holds the latest payroll data together with the latest Fed policy minutes on Wed. The combination will give a great lead in to the Fed decision in two weeks' time	The Fed minutes in particular, will detail the thinking behind the bold 75bp hike and will likely point to more to come	4/5 (market, economy)	A tightening labour market will give the Fed the necessary room to lift rates without feeling that it will crater the economy. Another 75bp rate hike is looking like a distinct possibility despite recessionary indicators

Highlights news vendors

CNBC - [Recession fears flare and June jobs report looms as jittery markets head into Q3](#)

Mail & Guardian - ['Incredible growth' in rooftop solar in South Africa](#)

FT - [ECB to discuss blocking banks from multibillion-euro windfall as rates rise](#)

SOUTH CHINA POST - [Tourists are returning to Japan's Kyoto, but not everyone's happy to see them](#)

REUTERS - [China casts giant shadow over emerging nations' chase for debt relief](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.256064	1.265856	1.2802694	1.358158
BWPUSD	0.0768	0.093496	0.07828	0.083018
GBPWP	15.606448	15.7248	15.268809	14.8176
BWPEUR	0.079768	0.080392	0.0753578	0.078846
JPYBWP	11.2424	11.3256	10.620825	11.080575
USDZAR	15.700224	17.014296	16.068198	16.64619825
EURUSD	1.000992	1.084824	1.0244528	1.06135425
GBPUSD	1.16112	1.257984	1.1883338	1.230768

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.08	0	1m	-2.46675	-68.29702
BWPGBP	0.0661	0	3m	-6.69825	-106.5023
BWPEUR	0.0767	0.00	6m	-14.34225	-169.2384
BWPZAR	1.3086	-0.0061	12m	-27.573	-310.6208

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.08	0	1m	-2.46675	-68.29702
BWPGBP	0.0661	0	3m	-6.69825	-106.5023
BWPEUR	0.0767	0.00	6m	-14.34225	-169.2384
BWPZAR	1.3086	-0.0061	12m	-27.573	-310.6208

Dollar Index

	Close	Change
Dollar Index	105.114	-0.024
EURUSD	1.0426	-0.0002
GBPUSD	1.2092	-0.0002
USDJPY	135.1	-0.09
USDNGN	414.77	0
USDZAR	16.358	-0.0378

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	2.509	0	SA 10y	10.425	-0.13
3y	4.83	0	US 10y	2.904	-0.07
5y	5.713	0.113	German 10y	1.226	-0.142
20y	8.489	0	Spread SA 5y vs Bots 5y bpts		
22y	8.537	0		306.7	-20.8

International Fixed Income

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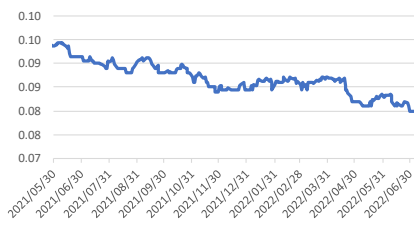
Equities

	Close	Change		Close	Change
VIX	26.7	-2.01	Gold	1810.18	3.293
Dow Jones	31097.26	-253.88	Brent Crude	111.63	-3.18
FTSE	7168.65	-143.04	3m Copper	8048	-210
JSE All share	65661.73	-1524.1	LME Index	3803.3	-75.3
Bots DCIBT	7182.51	-20.24	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51829.67	15.11			

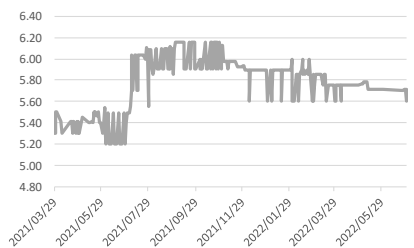
Commodities

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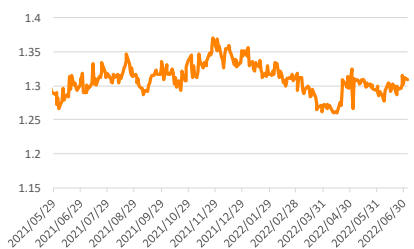
Spot BWP



BWP 5y local bond yield



BWP-ZAR

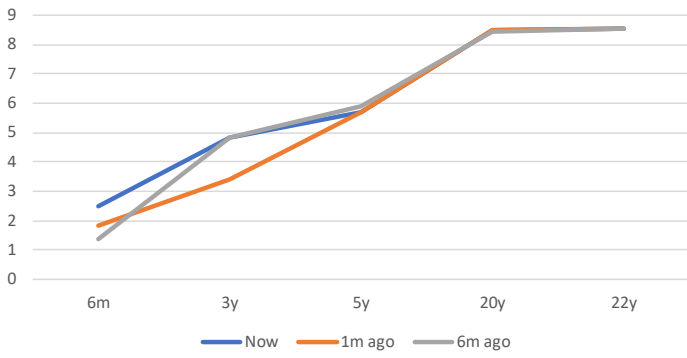


- Growth dynamics were at the forefront last week as Botswana, Egypt, Namibia, and Zambia released their Q1 economic growth readings. It was a mixed bag, with growth slowing in Egypt and Zambia while Botswana and Namibia saw their growth rates quicken.
- Egypt's GDP growth rate slowed to 0.8% q/q in Q1 from 4.6% q/q in Q4, reflecting the impact of the war in Ukraine. Meanwhile, economic growth in Zambia slowed to 2.4% y/y in Q1 from an upwardly revised growth rate of 5.0% y/y in Q4. This was the slowest pace of growth in the economy since Q1 2021 and was a result of negative contributions from sectors like mining, construction and manufacturing.
- Botswana and Namibia bucked the trend. Botswana's GDP rose to 7% y/y in Q1 from 5.6% in Q4. The strong growth was attributed to real value-added of mining & quarrying and manufacturing, which rose by 23.2% and 10.3%, respectively. Meanwhile, Namibia's economic growth rate accelerated to 5.3% y/y in the first three months of 2022 from a revised growth rate of 3.5% (prior: 3.3%) in Q4. The strong growth reading was mainly driven by the resurgent mining and quarrying sector, which registered a robust growth rate of 23.5%, while the manufacturing sector grew by 7.5%. The Q1 GDP reading means that this is the first time Namibia has recorded four consecutive quarters of growth since 2018. That said, it should be noted that low base effects played a role in the reading.
- Going forward, it remains to be seen whether this growth will be sustained amid headwinds such as the war in Ukraine, global supply chain disruptions, climatic swings, and higher food and oil prices. Moreover, the abrupt slowdown in China during Q2 and weakening global demand could hamper manufacturing output and harm the most vulnerable segments of the population.

Financial Market commentary

- After a long weekend, the Botswana pula (BWP) will be returning to a risk-averse trading environment and thinner than usual trading conditions with the US market shut for Independence Day celebrations today. As a result, price action is likely to be more volatile at the start of the week. Pulling back the lens, the BWP finished Q2 at 12.4691/USD, a loss of 7.7% and extended its year-to-date drop to 5.5%.
- A combination of external and idiosyncratic developments has weighed on the currency. Externally, lockdowns in China, high input prices, supply-side bottlenecks, demand-side inflation, tightening US monetary policy, and its impact on global growth and a stronger dollar, which has gained almost 7% on a QTD basis, have pressured currencies in Southern Africa.
- Asian equity markets are still on the defensive this morning which will keep overall risk appetite subdued. Meanwhile, global bond yields continued to plunge at the end of last week, with 10yr US yields touching 2.800% during intraday trade on Friday before recovering to some degree to close the week at 2.9040%. With the US markets shut for a holiday today, there will be no settlement for USTs. However, we have equity futures trading in the red ahead of the European open, suggesting that bonds may remain in favour in the session ahead, given that recession fears are still driving market action right now.
- On the commodity front, oil has opened the new week lower, with Brent futures trading near \$111 per barrel and WTI below \$108 per barrel this morning as recession fears continue to dominate market focus. Widening COVID outbreaks in China are also denting sentiment towards oil this morning. Several hundred new cases have been reported in some of the nation's eastern provinces, testing the government's zero-COVID protocols. This will keep traders on edge as any further lockdowns in the world's largest crude importer could see prices slide quite sharply, given how sensitive the markets are to recession concerns at the moment.
- However, beyond near-term demand concerns, the crude market remains fundamentally strong at the moment, with global inventories being slashed rapidly and refining margins still elevated. Uncertainty surrounding Russia's oil exports also remains a constant factor, suggesting that any price slide over the near term will be limited and potentially short-lived until we start seeing greater signs of demand destruction globally.

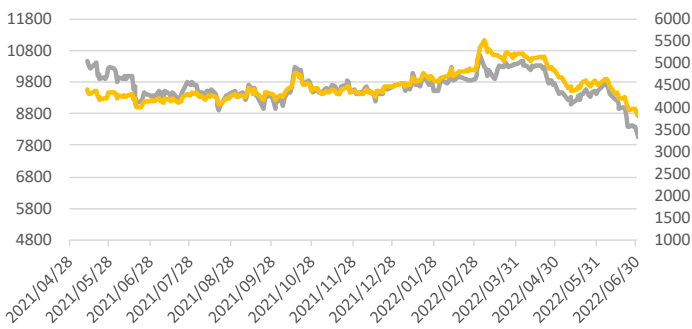
Botswana Yield Curve



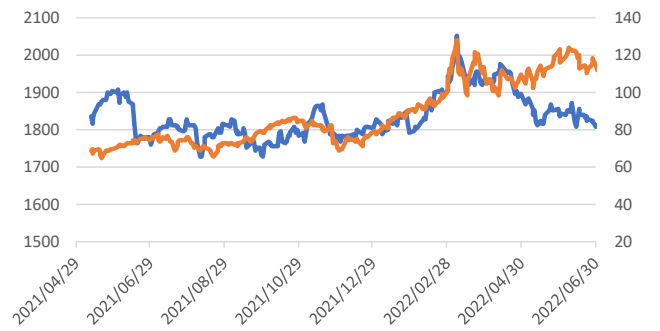
USD Index



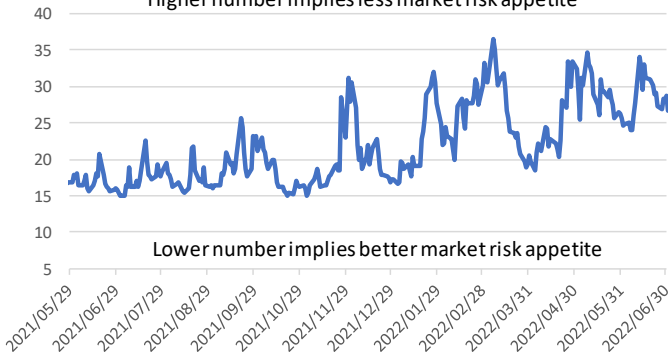
Base metals - Copper L_Hand axis LME Index R_Hand axis



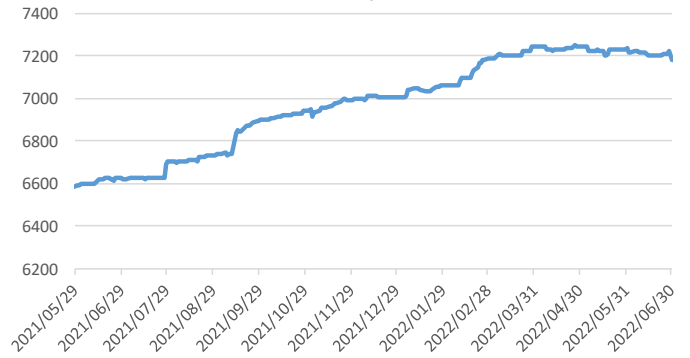
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

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

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