

Botswana Market Watch

5 July 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
11:00	BW	Botswana to sell 7-day certificates			
04:30	AU	RBA rate decision	Jul 5	1,35% A	0,85%
07:55	GE	Markit services PMI	Jun F	52,4	52,4
08:00	EZ	Markit composite PMI	Jun F	51,9	51,9
08:00	EZ	Markit services PMI	Jun F	52,8	52,8
08:30	GB	Markit composite PMI	Jun F	53,1	53,1
08:30	GB	Markit services PMI	Jun F	53,4	53,4
14:00	US	Durable goods orders m/m	May F	0,7%	0,7%
14:00	US	Factory orders	May	0,5%	0,3%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Russia - Ukraine	In the process, Russia captured Lysychansk and secured its strongest foothold yet in the Luhansk region. This strengthens Russia's footprint in Ukraine	For this to be reversed will take an enormous effort, and any negotiation offers Russia options	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
Japan service sector	Japan's services sector PMI expanded at the fastest pace in eight years in June as the country eased Covid rules and helped boost sentiment	This comes as a relief to the world's third-largest economy and shows there is still some resilience left	3/5 (economy)	Although it is unlikely the jump will be sustained over the long term, the result shows just how much demand had been curtailed as the world battled the pandemic
Aussie floods	Torrential rains have continued to batter Australia's East coast, intensifying the floods in Sydney as more residents are evacuated as rivers rose past danger levels	Up to 50,000 residents may be affected by the floods and requested to evacuate	2/5 (economy)	Some places have received more than their annual rainfall in just three days. However, the storm is expected to move north from today, and the impact will therefore be temporary
Factors on the Radar	What happened?	Relevance	Importance	Analysis
EZ bailouts	The ECB's biggest shareholder – Germany – has laid out its requirements to allow the ECB to purchase more debt from countries with high debt burdens	Germany has long fought the temptation to do so due to the moral hazard it generates	4/5 (economy, market)	Germany believes that it will be difficult to ascertain whether the rise in yields is justified, thereby sending a signal to the authorities to reform their fiscal position to rectify the problem
German trade balance	Germany recorded its first trade deficit in more than 30 years in May, and this could worsen in the months ahead and impact productivity and growth	The sharp rise in power costs and the risk of insufficient supply has impacted export production	5/5 (economy)	Furthermore, it is reflective of the effects of sanctions and the overall softening of global growth on which Germany relies to export. The effects will be felt throughout the EZ
Turkey inflation	Turkey's inflation rate has risen to a 24yr high of 78.62% in June driven by commodity prices, the collapse of the lira and unorthodox monetary policy	Such high inflation holds the potential to cause instability in the region both politically and socially	4/5 (monetary policy, economy)	Massively negative real rates will ensure that inflation remains elevated in the run-up to the next elections in June 2023 and may result in rising social and political tensions

Highlights news vendors

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SOUTH CHINA POST - [Asia-Pacific leaders at Nato summit a sign of strategic shift amid Russia, China threats](#)

REUTERS - [Zelenskiy says Ukraine is in talks with Turkey, UN on grain exports](#)

Local and regional talking points

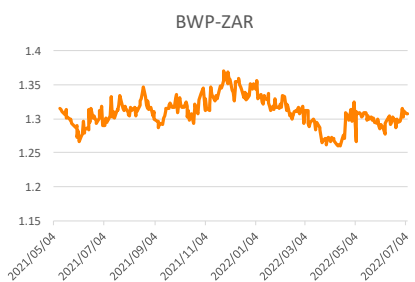
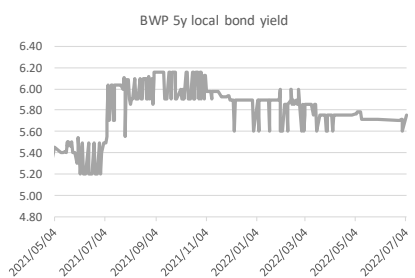
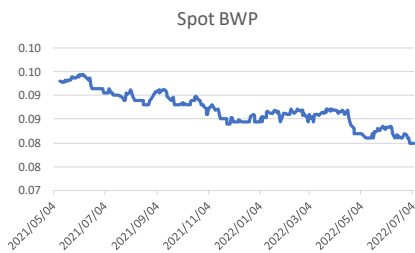
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.254048	1.271808	1.2782146	1.364544
BWPUSD	0.0768	0.093496	0.07828	0.083533
GBPWP	15.52564	15.744352	15.189749	14.836024
BWPEUR	0.079768	0.080808	0.0753578	0.079254
JPYWP	11.3256	11.4816	10.699425	11.2332
USDZAR	15.675744	16.9884	16.043144	16.6208625
EURUSD	1.001568	1.08524	1.0250423	1.06176125
GBPUSD	1.162272	1.259544	1.1895128	1.23229425

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.08	0	1m	-2.500875
BWPGBP	0.0661	0	3m	-6.69825
BWPEUR	0.0767	0.00	6m	-14.34225
BWPZAR	1.3067	0.0049	12m	-27.573

Dollar Index	105.142	0.004
EURUSD	1.043	0.0009
GBPUSD	1.2106	1E-04
USDJPY	136.16	0.47
USDNGN	414.77	0
USDZAR	16.3333	0.0031

Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	2.509	0	SA 10y	10.425
3y	4.15	-0.68	US 10y	2.904
5y	5.75	0.15	German 10y	1.226
20y	8.5	0.011	Spread SA 5y vs Bots 5y bpts	
22y	8.65	0.113		304

Equities	Close		Change	
	Close	Change	Close	Change
VIX	26.7	0	Gold	1809.1166
Dow Jones	31097.26	321.83	Brent Crude	113.5
FTSE	7232.65	-0.63	3m Copper	8006
JSE All share	67024.82	-561.58	LME Index	3822.6
Bots DCIBT	7161.58	0	1 carat index	Invalid field(s)
Nigeria Index	51791.45	12.08		#VALUE!

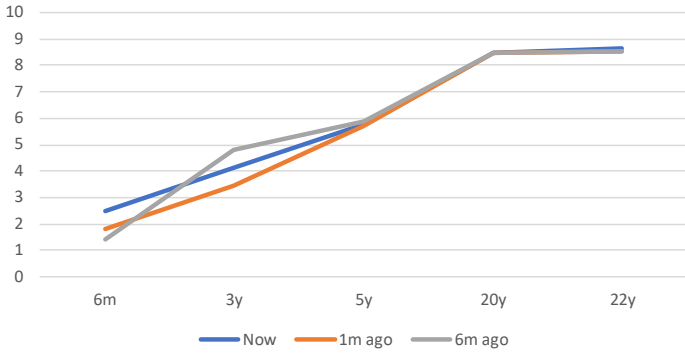


- At the Commonwealth Heads of Government Meeting, Canada announced key projects in Botswana with investment partners, including Process Research Ortech's (PRO) mining project estimated to be valued at CAD129 million (\$100 million), as announced by Prime Minister Justin Trudeau. The investment aims to extract and process the minerals from the copper and nickel mines for the development of batteries. As noted by the Government of Canada, this investment will advance Canada's global leadership on critical minerals by ensuring leading Canadian companies, like PRO, work with innovative research institutions to develop and secure supply chains for the critical minerals. This will enable a transition to a low-carbon economy and support advanced technology and manufacturing. In the near future, PRO will sign a memorandum of understanding to bring numerous partners, including the Canadian government, together for investment in copper and nickel mines in Botswana.
- It is another quiet day in the domestic economy regarding economic data. Meanwhile, Botswana plans to sell BWP4bn (\$3233.6mn worth) worth of zero-coupon certificates due on July 13 in today's auction.

Financial Market commentary

- Yesterday was a public holiday in the US, keeping market participation relatively subdued. The USD index consolidated through the trading session and again showed signs of running out of steam just below prior highs. Equity markets performed slightly better, and the strong rotation back to safe havens eased somewhat.
- In the first Q3 session for the BWP, the local currency rallied against the USD, gaining as much as 0.75% to lead African markets higher on the session before settling at 12.3793/USD. The local currency is beginning to show early signs of a bearish reversal, which would see it target the 23.6% Fibon retracement level just above 12.2100. But confirmation will be needed to see the BWP maintain its bullish start to Q3.
- Meanwhile, its Southern African trading partner, the Rand, followed closely on the session. Trading behaviour yesterday was typical of a market that is looking to reverse. However, it remains exceedingly difficult to be overly optimistic on the country or the ZAR when it continues to struggle with heavy bouts of load shedding that are seriously disrupting industry and business. Although SA has become adept at finding mitigating technologies to assist in minimising the negative impact, it comes at a cost and only offsets the impact at the margin.
- A rebound in risk appetite this morning has seen US Treasuries reopen with some losses. Short-end notes have led the sell-off, with yields on the 2yr rising by more than 10bp so far to 2.94%. This has come off the back of news that the US may be looking to roll back some of the tariffs imposed on China during the Trump era. This will be positive for economic growth and thus has helped drive a push higher for yields at the front-end of the curve. Longer-dated yields have also risen but not to the same extent, indicating that recession risks are still being priced in. 10yr US yields have risen by just over 7bp on the session thus far, with the 2v10 spread actually inverting once again in early trade this morning.
- This is the second brief inversion since mid-June, and we could see another occur shortly with inflation pressures still the focal point of financial markets. The next CPI release out of the US is on July 13, and we could see front-end yields remain supported leading up to the release, while any weak economic activity data could compress longer-dated yields further relative to the short-end.
- Oil is holding onto yesterday's gains this morning, with Brent crude trading near \$113.45 per barrel, just below its 50DMA of \$114.18 following its bounce last week Friday off the 100DMA support level at \$110.53. The usual factors are still driving market direction, with investors assessing still-robust demand and tightening supplies with fears over a looming recession. The near-term outlook, therefore, is still relatively bullish if timespreads are anything to go by, with Brent's prompt timespread at more than \$4 per barrel this morning, up sharply from around \$2.50 per barrel a month ago.
- Another factor to consider is that Russia's shipments to its Asian clients that are still buying its crude fell in the week to July 1. The fact that Russia was still shipping crude out to Asia helped to keep prices from exploding higher. If the declining shipments are due to weakening demand, then we could start to see this filter through to global prices. However, if it is due to logistical or any other reasons, then demand for non-Russian crude will rise and keep global benchmark prices elevated.

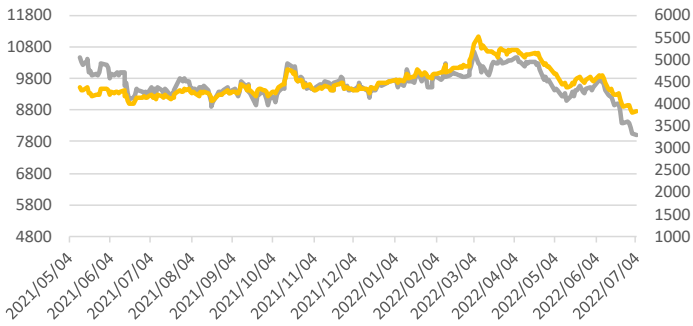
Botswana Yield Curve



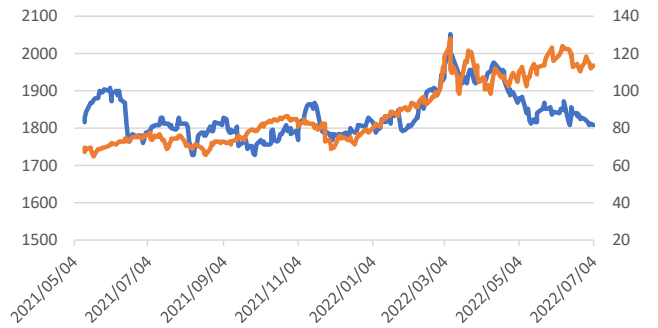
USD Index



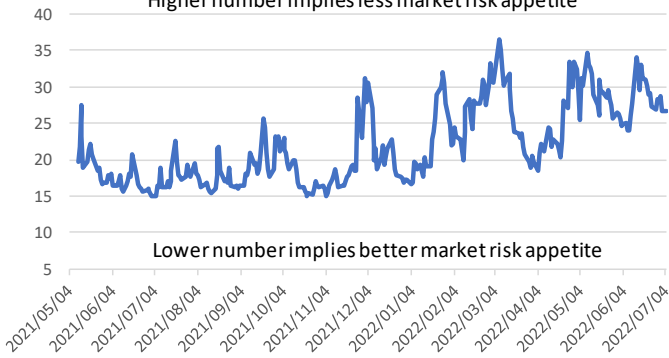
Base metals - Copper L_Hand axis LME Index R_Hand axis



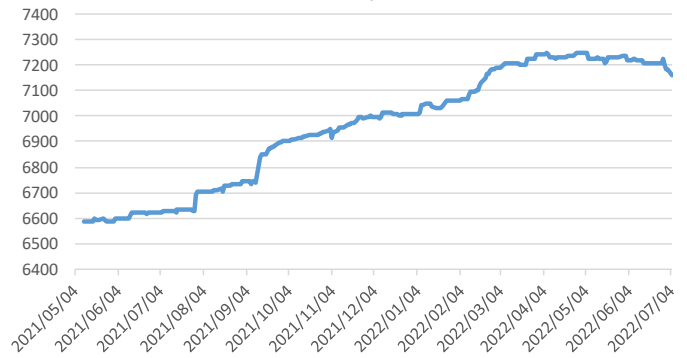
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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