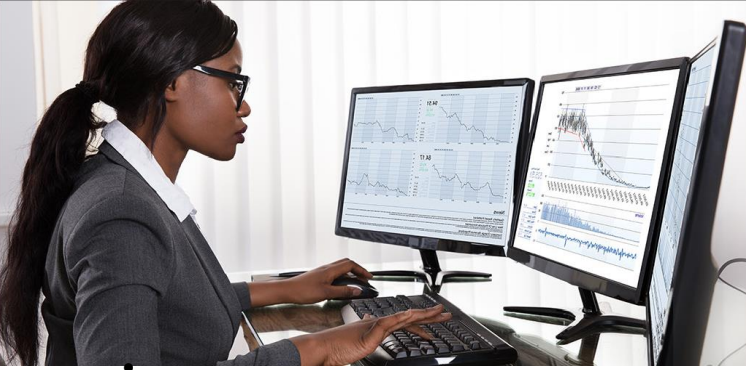


Botswana Market Watch

6 July 2022



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
09:00	EZ	Retail sales y/y	May	-0,3%	3,9%
11:00	US	MBA mortgage applications	Jul 1		0,7%
13:00	UK	BOE's Cunliffe speaks on CBDC			
13:00	US	Fed's Williams Makes Remarks at Event on Bank Culture			
13:45	US	Markit composite PMI	Jun F		51,2
13:45	US	Markit services PMI	Jun F	51,6	51,6
14:00	US	ISM non-manufacturing composite PMI	Jun	54,5	55,9
18:00	US	FOMC Meeting Minutes			

Factors Overnight	What happened?	Relevance	Importance	Analysis
US yield curve	The US yield curve has inverted again, in one of the clearest signals that the US economy is headed for a recession in the quarters ahead	Although curve inversion is not deep, it will intensify recessionary expectations	5/5 (markets, monetary policy)	The business cycle has turned due to the aggressive tightening stance by the Fed. Although it may not be sustained, for now the Fed has reversed the course of the economy, with more to come
Stock markets	After initially tumbling yesterday, US stock markets staged a late recovery to finish slightly higher on the trading session	Strong bargain hunting suggests there is resilience to this market	3/5 (markets)	Investors are using the current sell-offs as good entry points for the longer term. Whether that is enough to ward off a full-blown collapse remains to be seen
Oil prices	Growth concerns escalated, and oil prices tumbled yesterday to test levels closer to \$101pb on the front-month Brent contract	Oil prices have since recovered slightly but are well off their highs to offer relief	4/5 (markets)	Oil prices have singularly been one of the biggest drivers of global inflation, and while prices tumbled due to growth concerns, they will offer some relief

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK political uncertainty	PM Johnson will face questions in parliament on Wednesday, followed by another grilling by lawmakers on his ability to govern following a slew of resignations	Just how fractured his party is will be laid bare today amid increasing pressure on him to resign	4/5 (politics, markets, policy)	Brexit has not yet fully completed, with the Northern Irish border still being disputed while a number of scandals have plagued his tenure. It appears as though he is losing his party's support
Fed minutes	The Fed will release the latest round of its FOMC minutes today, and more details will be released on the thinking behind the aggressive tightening guidance	The minutes will help shape expectations going forward and are, therefore, market-moving	5/5 (economy, monetary policy)	Fed speakers have been united in their calls for further tightening to tackle inflation. However, recessionary fears are building, and investors will look out for signs the Fed might soften its stance
BoE warning	The BoE issued a warning to commercial banks that the outlook for the global economy had darkened, and they should increase their capital buffers	The BoE is pre-empting a collapse in property prices that will impact bank capital ratios	4/5 (monetary policy, economy)	Armed with the wisdom of hindsight, the CB is taking a precautionary stance to avoid a repeat of the credit crunch that followed the sub-prime crisis which then morphed into a banking liquidity crisis

Highlights news vendors

CNBC - [Putin may propose a cease-fire after taking all of the Donbas](#)

Business Live - [Putin's disinformation drive over food crisis in Africa alarms Europe](#)

FT - [ECB's crisis-fighting scheme risks being tied up in legal and political knots](#)

SOUTH CHINA POST - [Singapore health minister says current Covid-19 wave 'will not be as severe' as earlier Omicron outbreak](#)

REUTERS - [Biden still weighing China tariff options as requests to keep them pile up](#)

Local and regional talking points

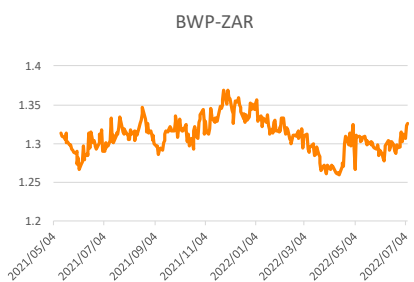
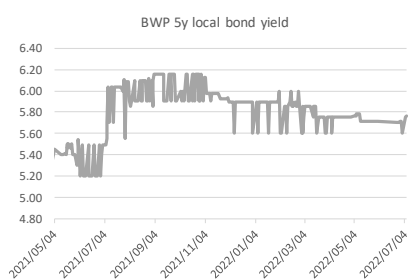
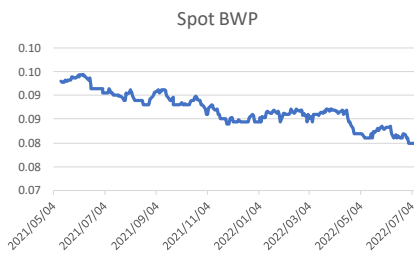
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.272288	1.276032	1.2968061	1.369076
BWPUSD	0.0768	0.093496	0.07828	0.082606
GBP/BWP	15.470312	15.510352	15.135618	14.615524
BWPEUR	0.08112	0.081432	0.076635	0.079866
JPY/BWP	11.2528	11.2736	10.63065	11.0297
USDZAR	15.903072	17.236856	16.2758	16.86394325
EURUSD	0.983808	1.066208	1.006866	1.043141
GBPUSD	1.14528	1.240824	1.1721225	1.21397925

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.08	0	1m	-2.50575	-70.11274
BWPGBP	0.0671	0.0002	3m	-6.5325	-107.8007
BWPEUR	0.078	0.00	6m	-14.30325	-172.1056
BWPZAR	1.3258	0.0141	12m	-27.93375	-312.316

Dollar Index		
	Close	Change
EURUSD	1.0248	-0.0018
GBPUSD	1.1929	-0.0028
USDJPY	135.22	-0.65
USDNGN	414.8	0
USDZAR	16.5722	0.0439

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	2.511	0.002	SA 10y	10.625	0.2
3y	4	-0.15	US 10y	2.811	-0.093
5y	5.762	0.012	German 10y	1.187	-0.039
20y	8.512	0.012	Spread SA 5y vs Bots 5y bpts		
22y	8.625	-0.025		317.8	13.8

Equities			Commodities		
	Close	Change		Close	Change
VIX	27.54	0.01	Gold	1764.3528	-44.7638
Dow Jones	30967.82	0	Brent Crude	102.77	-10.73
FTSE	7025.47	64	3m Copper	7670	-336
JSE All share	65005.81	1363.09	LME Index	3696.8	-125.8
Bots DCIBT	7171.54	-20.93	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51586.5	-38.22			

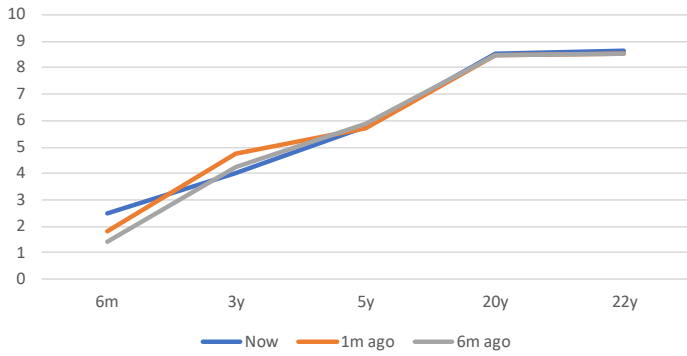


- A wave of PMI data has been released over the past few days. The Sub-Saharan Africa PMI average edged lower in June, falling to 50.5 in June from 50.6 in May. Note that PMI is a diffusion index. Therefore a reading above 50 indicates improving business conditions, and a reading below 50 points to a deterioration. The major takeout from the regional PMI releases is that near term growth risks remain elevated as global recession risks intensify, inflation pressures persist, and monetary conditions tighten. While growth risks have increased, commodity prices remain elevated, and Covid restrictions have been removed, which should continue to underpin the regional economic recovery.
- South Africa's economy-wide PMI rose for the second consecutive month in June, showing that business conditions in the private economy continued to improve. Specifically, the headline PMI gauge jumped from 50.7 in May to 52.5 in June, its highest level in thirteen months. However, the private economy continues to face considerable pressures from rising input costs due to surging global fuel prices and supply-chain bottlenecks, as well as the unprecedented load shedding faced in recent weeks.

Financial Market commentary

- The USD-BWP spiked to 12.5238 yesterday to trade its strongest level on Bloomberg's record, dating back to 1999. The main driver of the move was the strength in the USD that was in turn assisted by the EUR and the GBP succumbing to recessionary fears and expectations of a policy adjustment. The rotation out of the EUR and GBP into the USD drove the greenback firmer across all the crosses in a brutal move that caught many by surprise. This simply builds the asymmetrical risk of the USD retreating once investors start to price in the realisation that the Fed will struggle to hike in line with its guidance.
- Meanwhile, the ZAR suffered heavier losses, with the currency also succumbing to the USD's advances. The USD-ZAR rallied to 16.60 before retreating off its best levels. The rolling blackouts in SA and the drop in commodity prices will likely prompt the ZAR to consolidate these weaker levels for a little while.
- Looking at the trading session ahead, the direction will be driven by the performance of equity markets and the movement in US Treasuries. US Treasuries have stabilised this morning following yesterday's rally, which took the benchmark 10yr yield down to 2.800% as global recession fears swept through the markets once again. Other core markets couldn't escape the rally either, with UK 10yr yields down to around 2.05% and Bund yields closing yesterday at 1.175%. The tug-of-war between recession fears and expectations for more policy tightening globally has generated some notable volatility in the fixed-income market, with the MOVE Index, a measure of 30-day implied Treasury volatility, rising to its highest since March 2020. This speaks to just how strong each conflicting force is at the moment, and we may not see volatility subside yet as we have the latest Fed minutes due for release tonight and the monthly payrolls report on Friday.
- These opposing forces are, however, still driving a flattening of yield curves, with the 2v10 spread for US Treasuries sinking below 0.00% once again. The spread between the 10yr yield and that of the 3-month bill has also narrowed sharply to below 95bp and is at its lowest since late 2020. This is viewed as a more reliable precursor to recessions and will be watched closely over the near term. Oil is recovering this morning following yesterday's sharp plunge, which sent Brent benchmark futures back down towards \$101 per barrel. WTI, meanwhile, has stabilised below \$100 per barrel this morning when looking at the front-month contract. Commodities took a battering yesterday amid growing recession fears and a surging USD, with oil unable to escape even though market fundamentals remain very tight at the moment.
- As we have noted before, thinner than usual trading conditions in the oil space have increased volatility in the market, which would have contributed to yesterday's notable price slump. However, the balance of supply and demand still favours higher crude prices; thus, once this bout of risk-off eases, we could see oil recover. There are still significant supply concerns coming from Africa, while OPEC struggles to meet its production targets. Russian exports may also come under further pressure now as a local court has ordered a halt of Black Sea oil loadings for 30 days due to violations of a spill prevention plan. However, it is not clear when this pause will occur. Demand from China is also starting to improve following its exit from strict lockdown measures, with oil and gas consumption for June at 90% of 2019 levels.

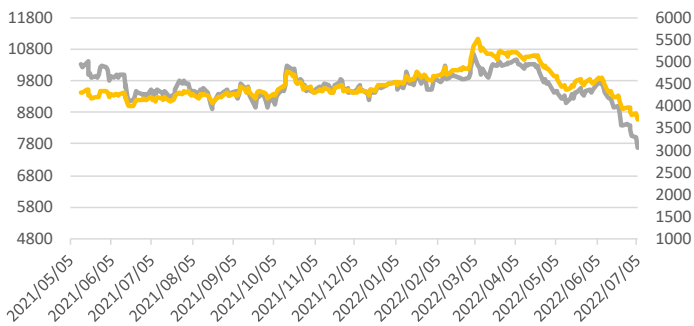
Botswana Yield Curve



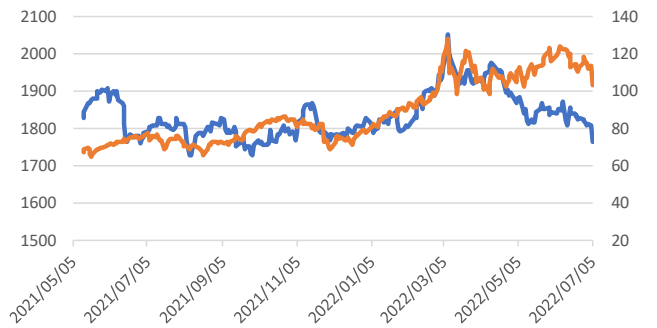
USD Index



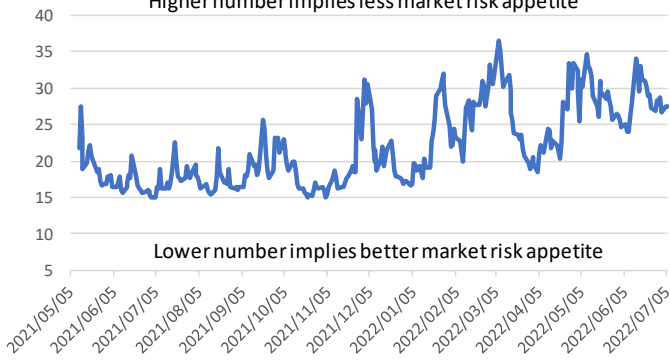
Base metals - Copper L_Hand axis LME Index R_Hand axis



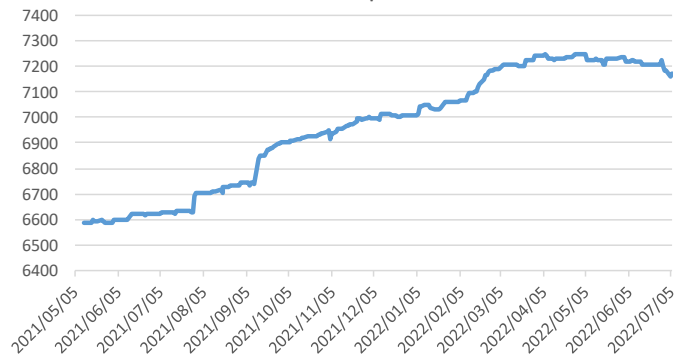
Oil R_Hand Axis - Gold L_Hand Axis



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

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Acces Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.