

# Botswana Market Watch

## 8 July 2022



| GMT   | Country | Data event or release                | Period | Market Exp | Previous  |
|-------|---------|--------------------------------------|--------|------------|-----------|
| -     | BW      | Empty data card                      |        |            |           |
| 11:55 | EC      | ECB's Lagarde Speaks                 |        |            |           |
| 12:30 | US      | Change in nonfarm payrolls           | Jun    | 275k       | 390k      |
| 12:30 | US      | Unemployment rate                    | Jun    | 3,6%       | 3,6%      |
| 14:00 | US      | Wholesale inventories m/m            | May F  | 2,00%      | 2,00%     |
| 14:00 | US      | Wholesale sales m/m                  | May    |            | 0,7%      |
| 15:00 | US      | Fed's Williams Speaks in Puerto Rico |        |            |           |
| 16:45 | EC      | ECB's Villeroy speaks                |        |            |           |
| 19:00 | US      | Consumer credit                      | May    | \$30,9bn   | \$38,07bn |

| Factors Overnight  | What happened?   | Relevance  | Importance  | Analysis  |
|--------------------|--|--|---|---|
| <b>UK Politics</b> | PM Johnson stepped down as PM yesterday after his cabinet ministers resigned en masse to leave him with no alternative   | GBP bounced as a result to reflect relief that some stability might return                             | <b>5/5</b><br>(politics)                            | One too many scandals and a combative approach that alienated many, alongside Brexit problems in N Ireland, proved too much to ignore   |
| <b>Fed speak</b>   | Two Fed speakers in Fed Governor Waller and St Louis President Bullard, both supported calls for a further 75bp hike at the next meeting but to slow the pace of tightening after that | Much of this is priced in. What happens after the next meeting will determine whether markets readjust | <b>4/5</b><br>(monetary policy)                     | With the market so fully priced, any indications that the Fed might scale back tightening faster than expected could impact the USD, stocks, and the yield curve. Investors are actively questioning the hawkish stance |
| <b>EUR slide</b>   | The EUR has remained on the defensive this morning as investors continue to focus on policy divergence between the Fed and the ECB   | This leaves the ECB with some difficult choices as a weaker EUR will only compound inflation           | <b>4/5</b><br>(markets, monetary and fiscal policy) | The weakness in the EUR now reflects the impact of war and the negative growth effects it has exerted across the region, including the heavy burden it has imposed on fiscal policies                                   |

| Factors on the Radar    | What happened?   | Relevance   | Importance                             | Analysis   |
|-------------------------|--|---|--|--|
| <b>Chinese stimulus</b> | China's finance ministry is considering allowing local governments to sell \$220bn worth of special bonds in H2 2022 in a bid to boost GDP                 | The stimulus efforts will be cheered around the globe as China is an influential economy                  | <b>4/5</b><br>(fiscal policy, economy) | Against the backdrop of rapidly tightening monetary policies, this is some growth positive news that may assist market sentiment and risk appetite heading into the weekend    |
| <b>BoE Speak</b>        | According to BoE policymaker Catherine Mann, central banks should be moving more rapidly to raise interest rates or risk persistent inflationary pressures | If pushed too far, the hawkish talk will drive a major correction in markets and induce major instability | <b>4/5</b><br>(central bank)           | Instability in financial markets is not always conducive to restoring price stability, other than through cratering demand which in itself is not the most productive approach |
| <b>US labour market</b> | Today, the latest payrolls data will be released and will be influential following yesterday's rise in jobless claims and layoffs                          | A tight labour market has contributed to inflation, so any softening is key                               | <b>5/5</b><br>(economy)                | The outcome could well erode the USD if the data misses expectations and highlights a turn in the cycle towards weaker labour market dynamics                                  |

### Highlights news vendors

**CNBC** - [Beijing walks back plan to tighten Covid vaccine requirements](#)

**BUSSINESS LIVE** - [State steps in to stop truck protests spreading](#)

**FT** - [Japan's former prime minister Shinzo Abe shot on campaign trail](#)

**SOUTH CHINA POST** - [After UK PM Boris Johnson resigns, potential leaders prepare](#)

**REUTERS** - [China military says holds combat exercises around Taiwan as US senator visits island](#)

## Local and regional talking points

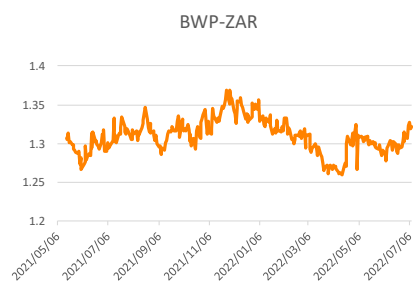
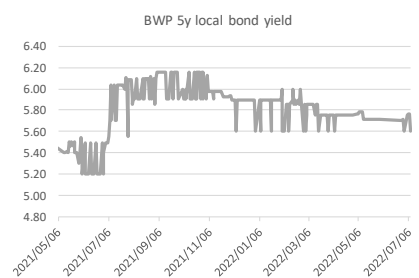
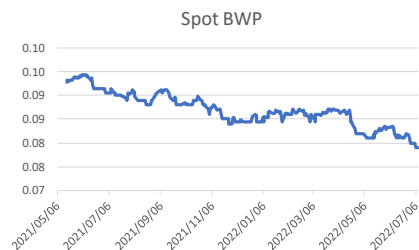
| Corporate Foreign Exchange |              |               |              |               |
|----------------------------|--------------|---------------|--------------|---------------|
|                            | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|                            | CASH         | CASH          | TT           | TT            |
| BWPZAR                     | 1.270368     | 1.281216      | 1.2948491    | 1.374638      |
| BWPUSD                     | 0.07584      | 0.093496      | 0.0773015    | 0.081988      |
| GBPWP                      | 15.687568    | 15.811952     | 15.348174    | 14.899724     |
| BWPEUR                     | 0.081016     | 0.08164       | 0.0765368    | 0.08007       |
| JPYBWP                     | 11.1488      | 11.232        | 10.5324      | 10.989        |
| USDZAR                     | 16.080576    | 17.436432     | 16.457465    | 17.0592015    |
| EURUSD                     | 0.97344      | 1.054976      | 0.996255     | 1.032152      |
| GBPUSD                     | 1.152672     | 1.249144      | 1.1796878    | 1.22211925    |

| Interbank Spot Foreign Exchange |        | Forward Foreign Exchange |        |          |
|---------------------------------|--------|--------------------------|--------|----------|
|                                 | Close  | Change                   | BWPUSD | BWPZAR   |
| BWPUSD                          | 0.079  | 0                        | 1m     | -2.3595  |
| BWPGBP                          | 0.0657 | 0                        | 3m     | -6.32775 |
| BWPEUR                          | 0.0778 | 0.00                     | 6m     | -13.6305 |
| BWPZAR                          | 1.3219 | -0.0009                  | 12m    | -26.4615 |

|              | Close   | Change  |
|--------------|---------|---------|
| Dollar Index | 107.085 | -0.045  |
| EURUSD       | 1.015   | -0.0009 |
| GBPUSD       | 1.2018  | -0.0003 |
| USDJPY       | 135.68  | -0.3    |
| USDNGN       | 414.76  | 0       |
| USDZAR       | 16.7329 | 0.031   |

| Local Fixed Income |       |        | International Fixed Income   |       |        |
|--------------------|-------|--------|------------------------------|-------|--------|
| Yield curve        | Close | Change |                              | Close | Change |
| 6m                 | 2.509 | -0.001 | SA 10y                       | 10.59 | -0.125 |
| 3y                 | 4.83  | 0.83   | US 10y                       | 3.008 | 0.097  |
| 5y                 | 5.6   | -0.163 | German 10y                   | 1.291 | 0.133  |
| 20y                | 8.513 | 0      | Spread SA 5y vs Bots 5y bpts |       |        |
| 22y                | 8.65  | 0.025  |                              | 338   | 2.8    |

| Equities      |          |        | Commodities   |                  |         |
|---------------|----------|--------|---------------|------------------|---------|
|               | Close    | Change |               | Close            | Change  |
| VIX           | 26.08    | -0.65  | Gold          | 1739.6115        | 1.308   |
| Dow Jones     | 31384.55 | 69.86  | Brent Crude   | 104.65           | 3.96    |
| FTSE          | 7189.08  | 82.3   | 3m Copper     | 7822.5           | 302     |
| JSE All share | 67909.29 | 750.55 | LME Index     | 3751.4           | 105.2   |
| Bots DCIBT    | 7178.9   | 5.93   | 1 carat index | Invalid field(s) | #VALUE! |
| Nigeria Index | 51563.73 | -29.96 |               |                  |         |

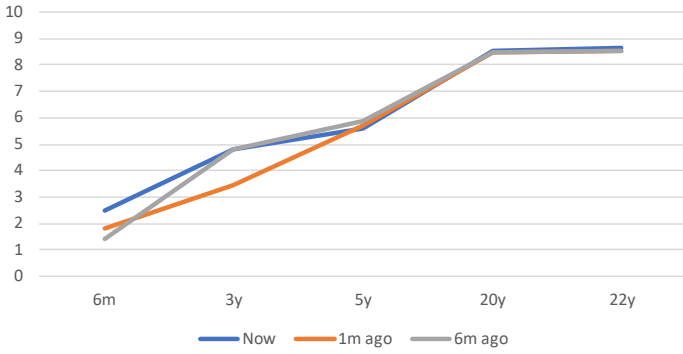


- Botswana's real interest rates (CPI – Inflation) continue to fall, standing at negative 9.75% at the end of May, and that could pose a problem for the central bank. It can be viewed as the central bank being behind the inflation curve. For many African and emerging market countries, high import fuel and food prices are a key driver of the elevated inflationary pressure, which extends to the current account and currency pressure. With these pressures expected to remain and recession bets becoming quite popular, Botswana's real interest rates risk falling to historic lows.
- In an extensive interview with Bloomberg, Akinwumi Adesina, President of the African Development Bank, said that African countries require \$424bn this year to help them cope with the devastation caused by the coronavirus pandemic. Adesina was quoted as saying, "We should not minimize the impact of the coronavirus pandemic on African economies. We have to expand the fiscal space for African countries. Secondly, we must tackle the whole issue of debt. You cannot run up a hill while carrying a backpack of sand on your back." On the International Monetary Fund's reserves, Adesina acknowledged that while special drawing rights have helped, "Africa still needs to have \$150bn channelled to it." Regarding the continent's debt burden Adesina said, "A lot of the debt in Africa is infrastructure-related debt, but if we are able to get a sustainable way to do this, that would be much better. That sustainable way is that the private sector has to have a role, it shouldn't just fall on the government."
- Metal prices witnessed a sharp recovery yesterday. LME copper rallied by more than 4% after reports that China is planning a large stimulus package for the economy. Reports suggest that China's Ministry of Finance is planning to allow local governments to borrow an additional \$220bn through special bonds over the second half of the year to boost infrastructure spending. A demand slowdown in China has been a major concern for metal markets this year as Covid-related lockdowns weighed on demand. A further boost to infrastructure spending should be supportive of base metal demand prospects over the latter part of the year.

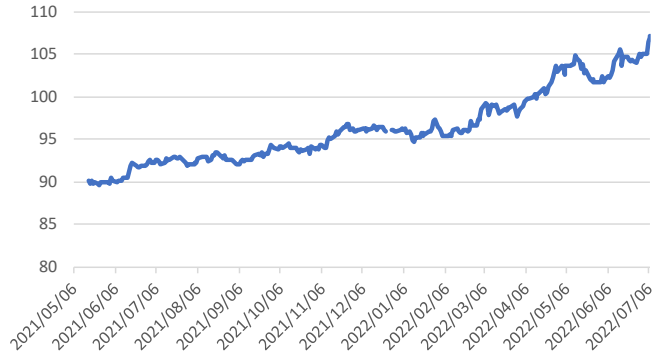
## Financial Market commentary

- The USD-BWP's topside bias came to a halt at 12.6067 yesterday due to an improvement in risk sentiment across financial markets. While the pair catches its breath after a rally to record highs and a year-to-date advance of more than 6.8%, the underlying bias remains firmly tilted to the topside. Into the week's final trading session and the volatility might extend a little further as investors turn their attention to the upcoming US payroll data.
- The consensus expectation for non-farm payrolls is for a gain of 268 thousand jobs, a bit down from the 390 thousand gain last month, but still a decent increase. The unemployment rate is expected to remain flat at 3.6%. How the market will react to deviations from this expectation is debatable. You could argue that a stronger figure will mean the Fed has more work to do, raising the prospects of a harder landing.
- This morning we have seen a bit of a rebound for UST futures, while bonds in Asia, such as those in Australia, are playing catch-up to yesterday's bond sell-off. JGB yields, meanwhile, are still fairly contained, and we don't expect this to change anytime soon, given that the BoJ is buying record amounts of government bonds to cap benchmark yields at 0.25%. The focus will now be on the US jobs numbers, and after yesterday's miss for jobless claims, we could see the data potentially surprise to the downside. This will support lower yields into the weekend as traders will price out more Fed rate hike risk owing to a cooling economy.
- Although oil recovered Wednesday's losses yesterday, the commodity is still heading for another weekly loss as global economic growth fears outweigh supply tightness. Brent is trading just below \$105 per barrel, down over 6% on the week after recovering from lows below the \$100 per barrel handle. Helping the recovery has been news out of China that the Ministry of Finance will allow local governments to sell up to \$220bn worth of special bonds to fund infrastructure spending, propping up the economy following the anti-virus lockdowns that damaged growth prospects earlier this year. This has driven a broader recovery for commodities as we end the week.
- With China's stimulus buttressing the demand outlook to some degree, the physical market for oil has remained extremely tight, pricing in scarcity as global supply issues remain prevalent. Brent's prompt spread is still elevated at around \$3.60 per barrel in backwardation, up almost \$1 per barrel from a month ago. This suggests that even though economic growth concerns may continue to manifest, oil prices could remain elevated over the near term.

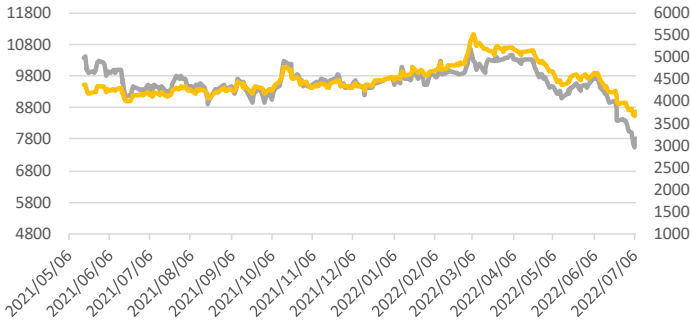
Botswana Yield Curve



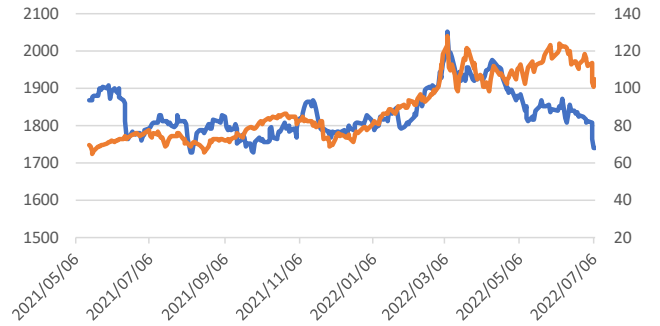
USD Index



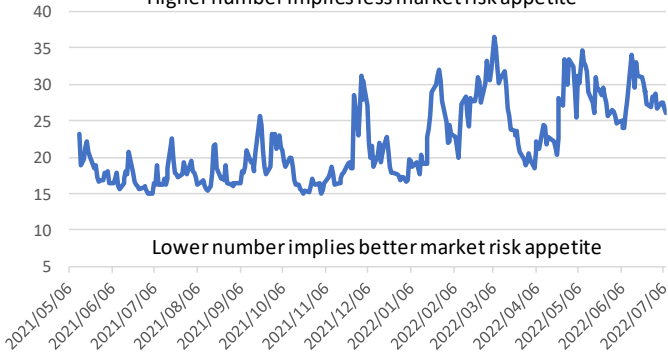
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



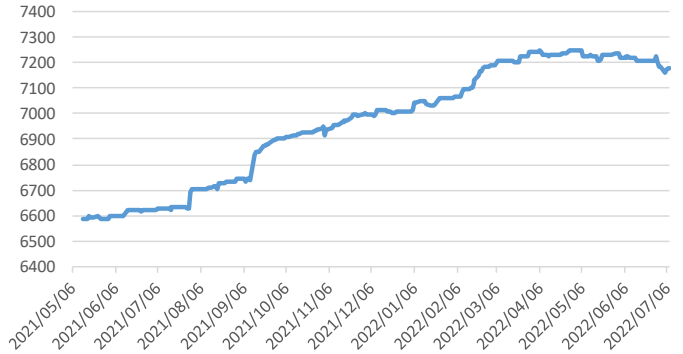
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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