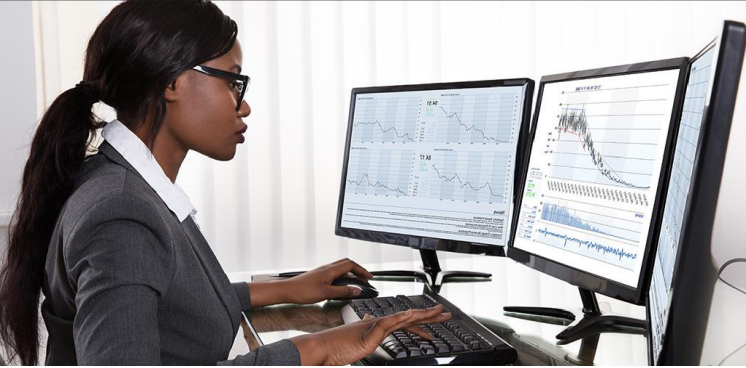


# Botswana Market Watch

## 11 July 2022



| GMT          | Country   | Data event or release   | Period | Market Exp | Previous |
|--------------|-----------|-------------------------|--------|------------|----------|
| -            | BW        | Empty data card         |        |            |          |
| <b>O/N</b>   | <b>JN</b> | M3 money stock y/y      | Jun    | 3,0% A     | 2,9%     |
| <b>O/N</b>   | <b>JN</b> | Machine orders y/y      | May    | 7,40% A    | 19,00%   |
| <b>06:00</b> | <b>JN</b> | Machine tool orders y/y | Jun P  |            | 23,7%    |

| Factors Overnight        | What happened?  | Relevance  | Importance               | Analysis   |
|--------------------------|---|--|--------------------------|--|
| <b>US Labour Data</b>    | Last week's US non-farm payrolls figures shot the lights out, calming fears that the world's largest economy is entering into a recession       | Although historical, the figures show that the US economy remains resilient at the moment  | <b>5/5</b><br>(economy)  | The figures suggest that demand will remain strong for now, but also speaks to higher inflation risks still and the possibility of the Fed tightening again by 75bp at the next FOMC meeting |
| <b>China COVID cases</b> | New COVID-19 cases continue to rise in Shanghai, raising concerns that more lockdown measures could be coming given China's zero-COVID policies | Markets remain attentive to China's COVID policies, given the impact on the global economy | <b>4/5</b><br>(economy)  | Stocks have opened weaker in Asia and commodities are under pressure as demand concerns out of China now are building with more lockdown measures looking imminent                           |
| <b>Japan Elections</b>   | Japan's ruling coalition has expanded its majority in the Upper House, winning 76 seats with just 56 needed to reach a majority                 | The win bolsters PM Kishida and his current economic policies are set to remain in place   | <b>4/5</b><br>(politics) | Kishida's party will continue to support the BoJ and its policy stance, while implementing cost-capping measures on certain goods, keeping pressure on the currency                          |

| Factors on the Radar     | What happened?  | Relevance  | Importance                               | Analysis  |
|--------------------------|---|--|--|---|
| <b>China Data</b>        | China will unveil several major data releases this week, including GDP, retail sales, fiscal data, and trade, all of which will give insight as to the country's policy direction | China's economy has suffered recently and the demand outlook has weakened which impacts global markets | <b>4/5</b><br>(fiscal policy, economy)   | If the numbers come out weak, we will see increased calls for more policy support, as the government has set out relatively ambitious growth targets. More policy support will help to bolster global risk appetite |
| <b>EU Recession Risk</b> | A Bloomberg poll shows that the risk of a recession in the EU has risen to 45%, while inflation forecasts continue to be revised higher   | Weaker growth risks the ECB turning less hawkish at a time when inflation remains so high              | <b>4/5</b><br>(economy, monetary policy) | A period of stagflation in the Eurozone will put immense pressure on the EUR, while keeping European stocks under pressure. The ECB will need to remain tough on inflation  |
| <b>UK Politics</b>       | The race to replace PM Johnson is heating up now, with Foreign Secretary Truss throwing her name into the ring alongside former Fin Min Sunak                                     | The UK remains set for a period of possible political uncertainty, keeping markets volatile            | <b>4/5</b><br>(politics)                 | Over 10 candidates have already chosen to be in the running, potentially complicating the race which the party will want to be decided as soon as possible  |

### Highlights news vendors

**CNBC** - [China factories are feeling some heat as US, Europe demand slows](#)

**BUSSINESS LIVE** - [Cost of living continues to rise beyond the means of many](#)

**FT** - [US banks set for lending earnings boost as Fed lifts rates](#)

**SOUTH CHINA POST** - [Should Nato be worried about China and Russia's influence in Africa?](#)

**REUTERS** - [Europe on edge as Nord Stream Russian gas link set for planned shut-down](#)

## Local and regional talking points

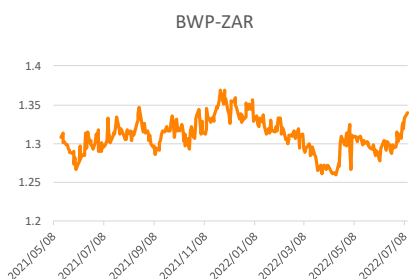
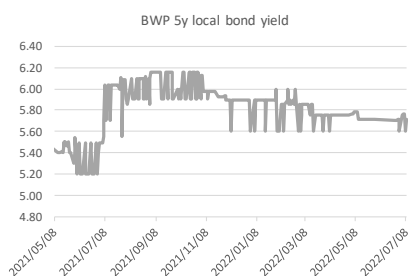
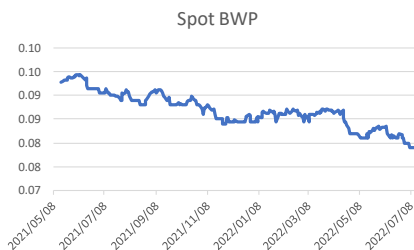
| Corporate Foreign Exchange |              |           |               |             |
|----------------------------|--------------|-----------|---------------|-------------|
|                            | CUSTOMER BUY |           | CUSTOMER SELL |             |
|                            | CASH         | TT        | CASH          | TT          |
| BWPZAR                     | 1.286016     | 1.288896  | 1.3107986     | 1.382878    |
| BWPUSD                     | 0.07584      | 0.093496  | 0.0773015     | 0.081473    |
| GBPWP                      | 15.756416    | 15.78564  | 15.415532     | 14.87493    |
| BWPEUR                     | 0.080912     | 0.081016  | 0.0764385     | 0.079458    |
| JPYBWP                     | 11.2528      | 11.2736   | 10.63065      | 11.0297     |
| USDZAR                     | 16.27824     | 17.652648 | 16.659761     | 17.27073975 |
| EURUSD                     | 0.974208     | 1.055808  | 0.997041      | 1.032966    |
| GBPUSD                     | 1.150464     | 1.247064  | 1.177428      | 1.22008425  |

| Interbank Spot Foreign Exchange |        |        | Forward Foreign Exchange |           |           |
|---------------------------------|--------|--------|--------------------------|-----------|-----------|
|                                 | Close  | Change |                          | BWPUSD    | BWPZAR    |
| BWPUSD                          | 0.079  | 0      | 1m                       | -2.34     | -72.54387 |
| BWPGBP                          | 0.0659 | 0.0002 | 3m                       | -6.318    | -111.0595 |
| BWPEUR                          | 0.0778 | 0.00   | 6m                       | -13.50375 | -174.2636 |
| BWPZAR                          | 1.34   | 0.0125 | 12m                      | -25.84725 | -316.5668 |

| Dollar Index |         |         |
|--------------|---------|---------|
|              | Close   | Change  |
| EURUSD       | 1.0148  | -0.0035 |
| GBPUSD       | 1.1986  | -0.0041 |
| USDJPY       | 137.02  | 0.94    |
| USDNGN       | 414.83  | 0       |
| USDZAR       | 16.9614 | 0.0989  |

| Local Fixed Income |       |        | International Fixed Income   |       |        |
|--------------------|-------|--------|------------------------------|-------|--------|
| Yield curve        | Close | Change |                              | Close | Change |
| 6m                 | 2.51  | 0.001  | SA 10y                       | 10.63 | 0.04   |
| 3y                 | 4.138 | -0.692 | US 10y                       | 3.101 | 0.093  |
| 5y                 | 5.713 | 0.113  | German 10y                   | 1.346 | 0.055  |
| 20y                | 8.525 | 0.012  | Spread SA 5y vs Bots 5y bpts |       |        |
| 22y                | 8.638 | -0.012 |                              | 331.2 | -6.8   |

| Equities      |          |         | Commodities   |                  |         |
|---------------|----------|---------|---------------|------------------|---------|
|               | Close    | Change  |               | Close            | Change  |
| VIX           | 24.64    | -1.44   | Gold          | 1741.82          | 2.2085  |
| Dow Jones     | 31338.15 | 346.87  | Brent Crude   | 107.02           | 2.37    |
| FTSE          | 7196.24  | 81.31   | 3m Copper     | 7805.5           | -17     |
| JSE All share | 68327.4  | 2152.93 | LME Index     | 3734.5           | -16.9   |
| Bots DCIBT    | 7175.11  | 1.43    | 1 carat index | Invalid field(s) | #VALUE! |
| Nigeria Index | 51557.41 | 7.19    |               |                  |         |



• The National Democratic Institute (NDI) and partners presented the Gaborone Declaration in Support of Constitutionalism and Democratic Consolidation on Friday, after concluding an international summit gathered in this city from July 6 to 8, 2022. The Government of Botswana and NDI co-hosted the summit in partnership with Open Society Foundations - Africa, Kofi Annan Foundation, Katiba Institute, Afrobarometer, Tournons la Page, Africivistes, African Network of Constitutional Lawyers, Presidential Precinct, and the University of Botswana. The vision for the Gaborone summit was to promote democratic progress and resilience while countering democratic backsliding and the erosion of constitutionalism across the continent.

• The Gaborone Declaration commends the peaceful transfer of executive power through credible and inclusive elections and the strengthening of democratic practices in several African countries. Participants expressed concerns that, instead of democratic growth and consolidation, the trend throughout the continent in recent years has been one of autocratic resurgence and democratic collapse. Participants pledged to uphold constitutionalist principles and strengthen democratic consolidation, support moral leadership and thriving societies, facilitate inclusive democratic processes and the renewal of political leadership, and support efforts to respect and reinstate presidential term limits, among other things.

• The event also honoured Botswana's initiatives to promote democracy in Africa. Through its participation in the global summit for democracy in December 2021 and the statement of pledges made there, Botswana has reaffirmed its dedication to a democratic government.

## Financial Market commentary

• It was a bullish end to a bullish week for the USD-BWP. The pair closed at 12.6346 in the week's final session after lacking the impetus to punch through the 12.700-handle. Nonetheless, the pair held a gain of more than 2%, the second-best performing African FX pair, trailing behind its Southern African peer, the USD-ZAR, up more than 3%. The dismal week for the BWP and the ZAR stemmed from a sharp reversal in commodity prices as most of them recorded multi-month lows amid economic growth fears and the broad USD strength.

• This morning, we start the week with the dollar on the front foot. Policy divergence remains a prominent feature of the currency markets, with the USD benefiting from the inability of the ECB and the BoJ to do much. The rotation to USDs affects the crosses and keeps a USD bid alive. This is the narrative for now and underpins the dollar, which is currently overbought against almost all the currency pairs on a technical basis.

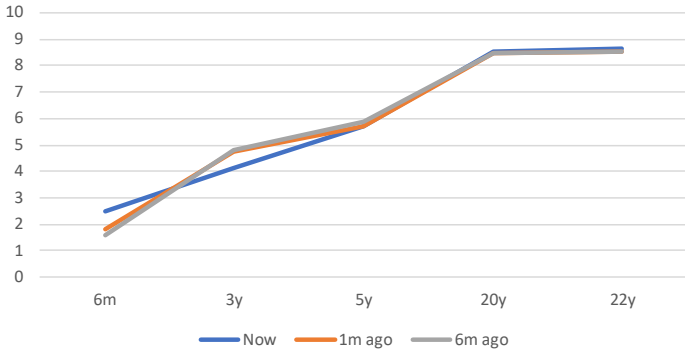
• The US Federal Reserve will likely hike by 75 bps as inflation runs red hot at its next meeting. Equally, the Non-Farm Payrolls data released on Friday supports this thought process as the payrolls increased by 372k jobs in June, against forecasts of around 268k jobs. This suggests that the economy can absorb another rate hike.

• As the mighty dollar achieves further gains and risk-off remains elevated, we see other asset classes stumbling. Emerging market currencies have taken a beating, base and precious metals are trading lower, oil is coming off, and equities are faltering. Under these conditions, it is not surprising to see South Africa's terms of trade dynamics under pressure which is helping those on the export side of the trade equation. We have the rand eyeing the R17.00 to the dollar level, which will likely be tested during today's trading session. Exporters would do well to take advantage of the current dollar strength and secure favourable hedging structures going forward.

• Global bond yields surged on Friday as the US posted strong jobs numbers to keep the market pricing in a hawkish Federal Reserve. Shorter-dated US Treasuries underperformed, with the 2yr yield rising above 3.100% and holding onto those levels in early trade today. Focus for the week will be on the CPI data, as any topside surprises there could see short-dated yields rise towards 3.25%, further inverting the yield curve as the Fed will be forced to plunge the economy into a recession.

• Oil prices have dipped this morning, kicking the new week off on the back foot as rising COVID cases in China bring back the risk of more draconian lockdowns in the Asian nation. Concerns that demand will take a hit in China are offsetting the tightness of the market this morning, although we still have Brent trading above \$105 per barrel following a robust rebound at the end of last week. The near-term demand outlook is driving direction for now, but the longer-term structural issues facing the energy markets will keep prices supported at least until we start to see greater signs that economies such as the US are heading into a recession.

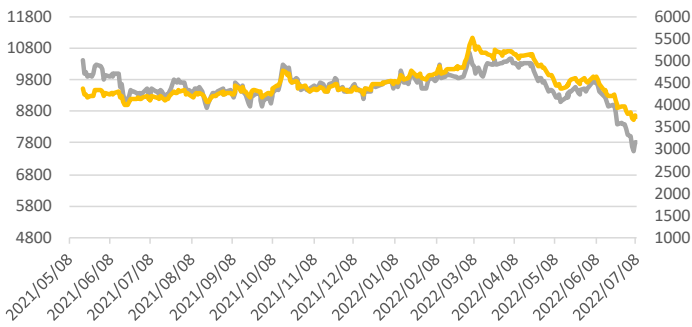
Botswana Yield Curve



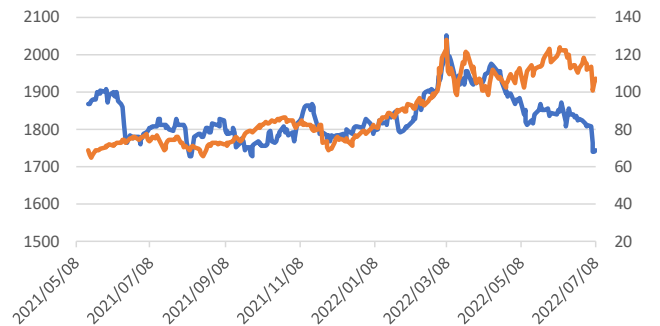
USD Index



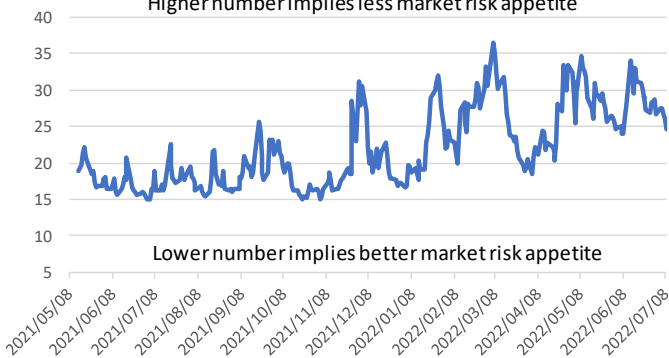
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



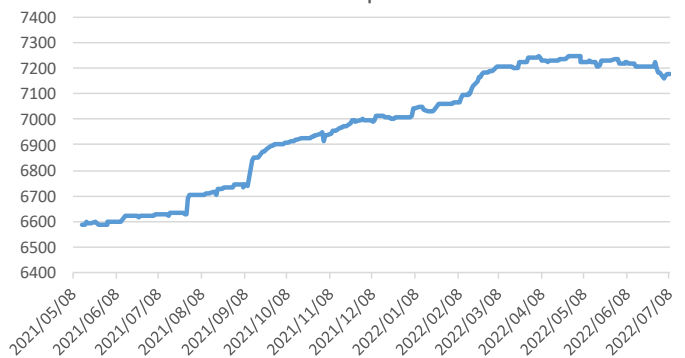
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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