

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
06:00	GE	CPI y/y	Jun F	7,6%	7,6%
06:00	GB	Industrial production y/y	May	-0,5%	0,7%
09:00	EZ	Industrial production (wda) y/y	May	0,1%	-2,00%
11:00	US	MBA mortgage applications	Jul 8		-5,4%
12:30	US	CPI y/y	Jun	8,8%	8,6%
12:30	US	Real ave weekly earnings y/y	Jun		-3,9%
13:15	UK	UK OBR's Richard Hughes testifies			
14:00	CA	Canada central bank rate decision	Jul 13	2,00%	1,5%
18:00	US	Monthly budget statement	Jun		\$-66,2bn
18:00	US	U.S. Federal Reserve Releases Beige Book			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Oil	Oil prices are steadying this morning after tumbling below \$100 per barrel yesterday and increasing US recession risk	Sliding oil prices may provide some reprieve to importers and ease inflation	4/5 (commodity markets)	A tight market structure suggests that oil may not decline much further from current levels, but even the recent drop could ease global inflation pressures
RBNZ	New Zealand's central bank hiked rates by 50bp for the third straight meeting this morning and signalled more aggressive hikes are still to come	The global tightening of monetary policy continues as the massive stimulus is scaled back	3/5 (monetary policy)	The RBNZ is viewed as the canary in the coal mine and investors will be watching to see if the recent rate hikes plunge the economy into a recession, providing a warning for other major economies
BoE	BoE Governor Bailey believes that global interest rates will fall back to historically low levels in the near future, once the current bout of inflation is under control	Bailey suggests that the current lifting of rates will end soon and be reversed quickly	3/5 (monetary policy)	Low interest rates will create the same problems that were evident in the past, including over-leveraged sovereigns. Central banks will also have less scope to support growth in times of stress

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fed Beige Book	The Fed will release its latest edition of the Beige Book today, providing some anecdotal insight into the growth outlook for the US economy from multiple Fed districts	Given the focus on the possible recession, any negative sentiment from the beige book could move markets	4/5 (monetary policy, economy)	The last edition suggested signs of an economic slowdown, and today's release could see this view bolstered. This could lead to repricing of rate hike risk and support a further rally for US Treasuries
BoC	The BoC will be holding its July MPC meeting today and it looks as if the bank may follow the Fed and increase the pace of its hikes to 75bp	Such a hawkish move will help the CAD outperform many of its currency peers against the USD	4/5 (monetary policy)	Canada's economy remains strong while inflation expectations are elevated, giving the BoC room to hike 75bp and keep the rates differential with the US relatively stable
Corporate Earnings	Corporate earnings season kicks off this week with major banks such as JPMorgan and Citi due to report	Equities will be looking to get some support from the earnings picture	5/5 (equities, risk sentiment)	General risk appetite may struggle if earnings figures disappoint and companies flag growing concerns on higher rates and inflation

Highlights news vendors

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BUSSINESS LIVE - [Public servants turn up the heat in their bid for 10% wage hike](#)

FT - [PepsiCo warns of more price rises as consumers stomach gains](#)

SOUTH CHINA POST - ['One country, two systems' lets Hong Kong have own Covid policies without copying mainland](#)

REUTERS - [IMF again cuts U.S. 2022 growth forecast to 2.3%](#)

Local and regional talking points

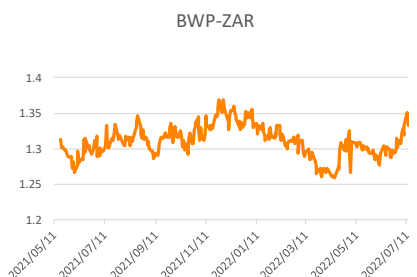
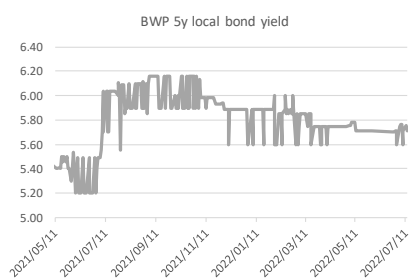
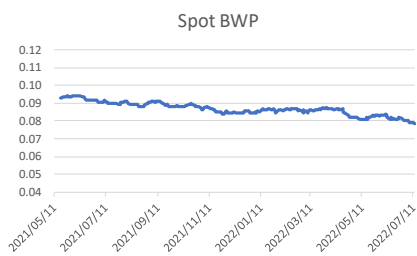
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.276608	1.287552	1.3012093	1.381436
BWPUSD	0.075168	0.093496	0.0766166	0.081576
GBP/BWP	15.694952	15.816528	15.355398	14.904036
BWP/EUR	0.08112	0.081744	0.076635	0.080172
JPY/BWP	11.1592	11.2528	10.542225	11.00935
USDZAR	16.30416	17.67844	16.686289	17.29597375
EURUSD	0.96336	1.044056	0.9859388	1.02146825
GBPUSD	1.143072	1.238432	1.1698628	1.211639

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0783	-0.0007	1m	-2.34975	-74.37485
BWPGBP	0.0659	-0.0005	3m	-6.162	-112.3681
BWPEUR	0.078	0.00	6m	-13.54275	-177.8748
BWPZAR	1.3329	0.0134	12m	-26.3835	-318.2722

	Close	Change
Dollar Index	108.146	0.074
EURUSD	1.0036	0
GBPUSD	1.1908	0.0023
USDJPY	137.08	0.22
USDNGN	414.82	0
USDZAR	16.9799	-0.0397

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	2.511	0.002	SA 10y	10.855	0.09
3y	4.83	0.69	US 10y	2.958	-0.033
5y	5.713	-0.047	German 10y	1.134	-0.116
20y	8.489	-0.041	Spread SA 5y vs Bots 5y bpts		
22y	8.537	-0.103		354.2	16.7

Equities			Commodities		
	Close	Change		Close	Change
VIX	27.29	1.12	Gold	1725.806	-7.8666
Dow Jones	30981.33	-164.31	Brent Crude	99.49	-7.61
FTSE	7209.86	0.35	3m Copper	7354	-230.5
JSE All share	67163.71	-1100.65	LME Index	3591.7	-77.8
Bots DCIBT	7227.02	48.94	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51557.41	0			



- Inflation in Africa has quickened in recent months as supply-side cost pressures increase. Weaker exchange rates have also contributed to the acceleration in inflation in Africa. To assess the degree to which inflation in Africa has accelerated, we have averaged inflation out of some key African economies, including Kenya, Ghana, Mozambique, Nigeria, Zambia and Egypt. Since the start of the year, average inflation in Africa has risen by 4 percentage points to 14.49% in June, levels not seen since 2017. The acceleration in inflation in Africa has resulted in many central banks hiking interest rates in an attempt to get inflation under control. Central banks will have to play a delicate balancing act of reining in inflation while not putting too much pressure on their respective economies, which are still recovering from the devastating effects of the Covid-19 pandemic.

- Staying with inflation, investors in Botswana will have to contend with the June CPI reading on Friday. The May CPI reading of 11.9% shocked the market, but we are not out of the woods yet. The Bank of Botswana has forecast that inflation will breach 12% in June before starting its downward trend in the final quarter of 2022. The bank sees upside risks to the inflation outlook being global supply bottlenecks, the war in Ukraine, and the second-round effects of increases in local prices.

Financial Market commentary

- The USD-BWP bulls took a breather yesterday, with the pair closing on the back foot at 12.7311 after it lacked the impetus to punch through the key 12.800-handle. Nonetheless, the pair maintains its underlying bullish bias. Turning to this morning, trading has been cautious as investors prepare for the all-important US CPI figures due later today. That said, Asian stocks have recorded mild gains, and US equity futures are pointing to a better start for US stock markets. Risk appetite has improved, which is evident in emerging market currencies with the likes of the rand recording gains, currently marking time around the R17.00 handle as we head into the EU open. COVID-19 remains a concern in China, however, steadier trends in the bigger cities and the potential for loose Hong Kong quarantine rules have underpinned the positive sentiment seen thus far today.

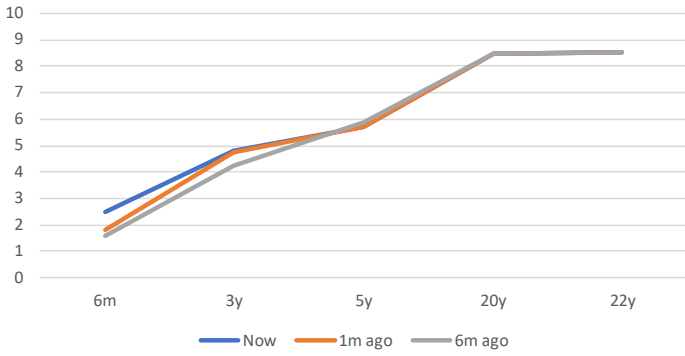
- Concerning bonds, yields continued to tumble yesterday on growing recession fears. The benchmark 10yr UST yield fell below 3.00% to 2.97% as a result, while German and UK benchmark bonds saw their yields decline by more than 10bp each on the session. This momentum seems to be stalling this morning, with UST and bund futures flat on the day so far, but there will be a host of market-moving events today that could reignite the rally for fixed income.

- The main event will be the US CPI figures, but we also have the release of the latest edition of the Fed Beige book, which could provide some anecdotal evidence that the US economy is slowing. Couple this with a strong CPI print, as is expected, and the US yield curve should continue with its inversion. The 2v10 spread is already at its most inverted since 2007, and it could head even lower, suggesting a recession is looming.

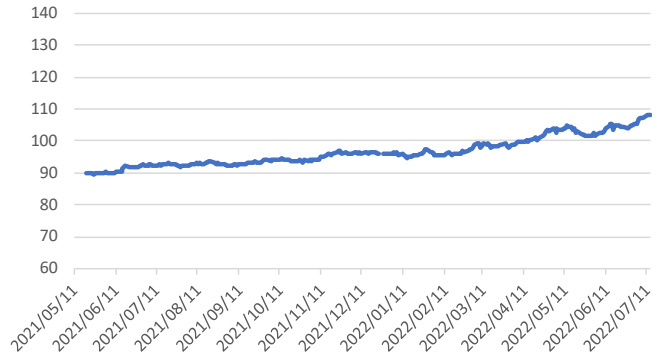
- Oil prices plunged yesterday, with both the Brent and WTI front-month contracts dropping below \$100 per barrel. Escalating recession fears continue to move through the markets and have dragged most commodities lower, with even oil unable to escape despite the supportive supply side of the equation. The weakening macro picture is driving the market at the moment and this may continue over the next few days, given the release of the US CPI figures and Fed Beige Book today, which will likely affirm that the US is hiking rates into a global economic slowdown.

- However, the medium-term outlook remains relatively bullish for oil as supply issues persist and the structural deficit is expected to remain. This view was supported by OPEC's first assessment of the market outlook for 2023 released yesterday. The cartel estimates that global oil demand growth will exceed the increase in supply by 1mn barrels a day next year, with demand growing by 2.7mn barrels a day. To balance this, OPEC will need to produce more than 30mn barrels of crude a day, 1.38mn barrels more than what the cartel managed to pump last month. Given the constraints and disruptions seen for several key members, it is currently looking quite unlikely that such an increase will be possible. The only way for oil prices to return to more normal levels will, therefore, be through demand destruction.

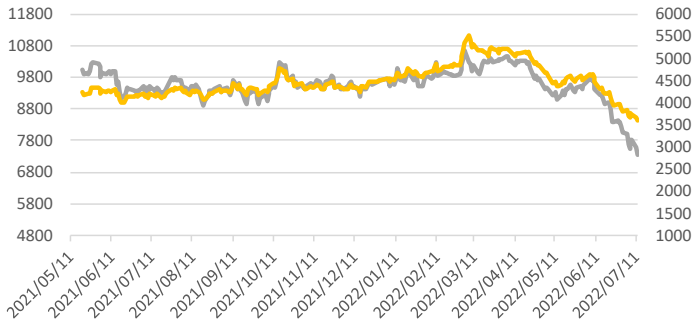
Botswana Yield Curve



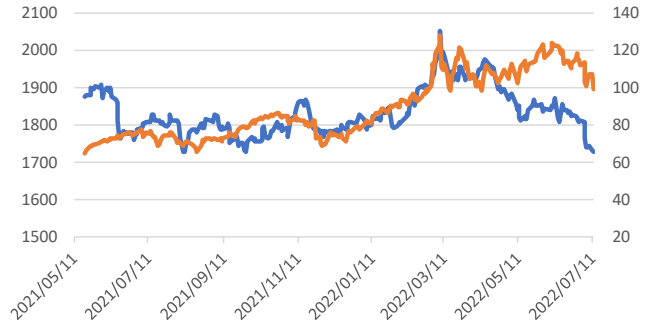
USD Index



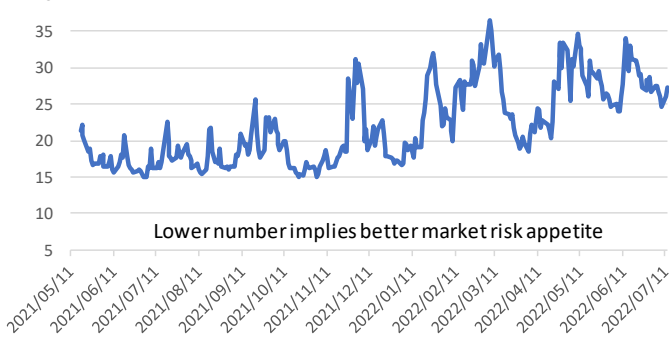
Base metals - Copper L_Hand axis LME Index R_Hand axis



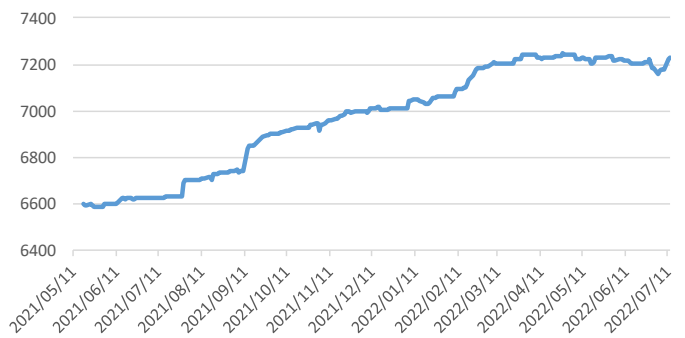
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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