

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
04:30	JN	Industrial production y/y	May F	-3,1% A	-2,8%
12:30	US	PPI final demand y/y	Jun	10,4%	10,8%
12:30	US	Initial jobless claims	Jul 9		235k
14:00	EC	ECB's Centeno Speaks at Parliamentary Hearing in Lisbon			
15:00	US	Fed's Waller Discusses the Economic Outlook			

Factors Overnight	What happened?	Relevance	Importance	Analysis
US CPI	US inflation surged in June, coming in at over 9.00% y/y. The report sparked a flurry of hawkish comments from Fed officials, with Daly suggesting a 100bp hike is a possibility	The CPI data affirms that aggressive tightening from the Fed is still to come despite rising growth concerns	5/5 (economy/ monetary policy)	The base case is for a 75bp hike at the July meeting, but the markets will now price in the possibility of a 100bp hike, keeping shorter-dated bonds under pressure and the markets in a generally risk-off stance
Fed Beige Book	The Fed's Beige Book showed that several districts of the US showed signs of a slowing economy, with high inflation dragging down discretionary spending	The anecdotal evidence confirms that the US economy is going to slow further as the Fed hikes rates	4/5 (economy/ monetary policy)	Businesses in the US are growing more concerned over a possible recession while still planning on raising prices to keep their margins. This supports the view that the US economy is entering into a period of stagflation
BoC	The BoC surprised the market last night with a 100bp rate hike, higher than the 75bp expected, while signalling that more are to come to keep inflation contained	The unexpected hike highlights how central banks are still being surprised by inflation. More are to come	4/5 (monetary policy)	While central banks globally are hiking at a staggering pace, the duration of these cycles will likely be much shorter than previous periods of rate hikes given the economic damage they will do

Factors on the Radar	What happened?	Relevance	Importance	Analysis
EU Growth	Draft projections by the European Commission show that growth for the regional economy will be slower than expected, while inflation will be higher	This report will do very little to ease fears that a recession is on the way for the European Union	4/5 (economy)	Energy supply remains the main factor impacting Europe right now, and there are no signs to suggest that the pressure from this will be easing anytime soon
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
Commodity Markets	Extremely hawkish central banks and weakening growth outlooks across the globe will keep commodity prices under pressure over the near term	Weaker commodity prices will help to ease inflation pressures over the longer-term	4/5 (commodity markets)	Metals in particular have slumped this year and the downside may not be limited just yet as rates could rise further and growth could slow more sharply

Highlights news vendors

CNBC - [Copper prices are signaling that investors are bearish on the economy](#)

BUSSINESS LIVE - [Numsa says automotive sector can afford its demand for 20% wage hike](#)

FT - [Soaring inflation puts pressure on Fed to abandon guidance again](#)

SOUTH CHINA POST - [Oil price rise offers China chance to upgrade new energy strategy as petrol price squeezes economy](#)

REUTERS - [Breakthrough at Ukraine grain export talks as heavy shelling continues](#)

Local and regional talking points

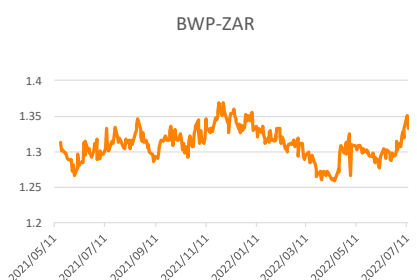
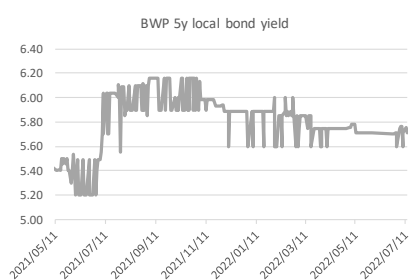
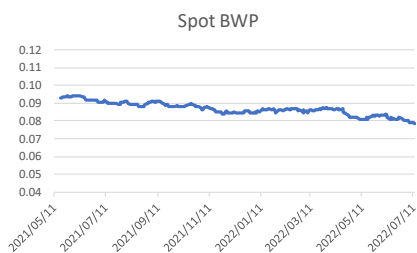
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.278336	1.284096	1.3029706	1.377728
BWPUSD	0.075456	0.093496	0.0769101	0.081267
GBP/BWP	15.63952	15.708472	15.301165	14.802214
BWPEUR	0.081432	0.081848	0.0769298	0.080274
JPY/BWP	11.284	11.3256	10.660125	11.080575
USDZAR	16.263648	17.631744	16.644827	17.250288
EURUSD	0.962976	1.043328	0.9855458	1.020756
GBPUSD	1.13904	1.234688	1.1657363	1.207976

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0783	-0.0007	1m	-2.25225	-74.37485
BWPGBP	0.0659	-0.0005	3m	-6.24	-114.3364
BWPEUR	0.078	0.00	6m	-13.0845	-177.8748
BWPZAR	1.3329	0.0134	12m	-25.59375	-320.8358

	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			

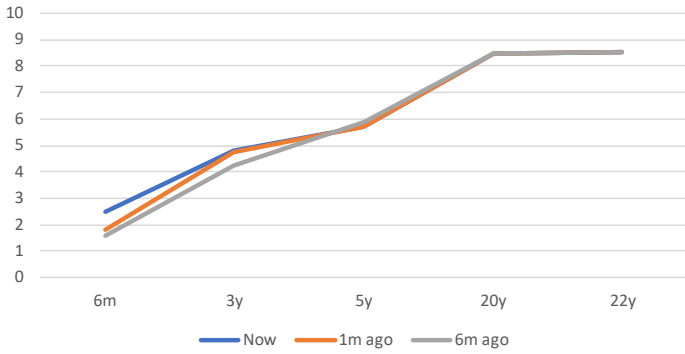


- The Bank of Botswana, the Non-Bank Financial Institutions Regulatory Authority, the Financial Intelligence Agency, and the Finance Ministry make up the Financial Stability Council (FSC), which released the results in its most recent report for the year ending in March 2022.
- As of March 2022, household borrowers owed commercial banks P33.3 billion in unsecured debt out of the P45.9 billion in total outstanding debt they owe. The figure of 72.5% for local household borrowers has been consistent since the third quarter of last year, before which it ranged between 70.6% and 72.4%
- In contrast, the FSC discovered that unsecured loans made up 24.4% and 30.8%, respectively, of all household loans in South Africa and Namibia during the same time period. Previously, the central bank stated that while the ratio. The central bank has previously said while the ratio of unsecured loans is high, the risk to the financial sector is mitigated by the fact that a high proportion of this debt comprises scheme loans which are underwritten to a certain extent by employers. However, with inflation expected to rise in the near term due to runaway fuel prices, the central bank is expected to further raise interest rates, which will pile pressure on most borrowers' repayments at a time when wages have been stagnant. Rising inflation is also expected to further worsen household borrowers' ability to settle loans due to declining disposable incomes.

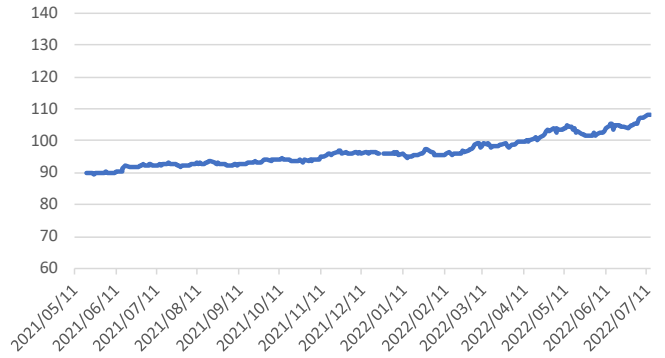
Financial Market commentary

- The USD-BWP's topside bias stalled yesterday, with the pair retreating from its recent highs of 12.800 to close at 12.7150. But a near 7% depreciation in the Botswana pula versus the US dollar since June 9 still favours a more convincing break of this significant level in the near term.
- Emerging and commodity currencies have weakened significantly this week as investors move to the safety of the US dollar, driven by global recession fears. If June's US inflation numbers are anything to go by, the flight to safety would have been compounded.
- The shock CPI print for the US released yesterday means that Fed officials will potentially be discussing a historic 100bp rate hike at this month's FOMC meeting. As a result, we have seen the US yield curve continue with its inversion, with the 2v10 spread now trading near -25bp. Front-end yields are unsurprisingly rising at a faster clip than longer-dated yields, given the growth impact that such a massive will have on the economy. The 2yr tenor is now trading near 3.200%, its highest since mid-June, while the market is pricing in at least 150bp of rate hikes over the next three months.
- The US CPI release and 100bp hike from the BoC saw wagers on ECB rate hikes raised as well, with money markets now pricing in 155bp worth of rate hikes for this year versus 138bp seen on Tuesday. Bets on the BoE hiking, meanwhile, were raised to 160bp for the year-end, up from 145bp seen by the close of trade on Tuesday. It is clear then that the global market is expecting a more aggressive front-loading of rate hikes, which should keep the broader flattening trend in place for now.
- The benchmark front-month Brent futures contract is still hovering around the \$100 per barrel level, finding a bit of support from a still tight market as recent growth concerns and a stronger USD have weighed heavily on the price of crude. Recent market snapshots have corroborated the view that the supply situation for oil remains concerning, with OPEC suggesting that it will be well behind demand in terms of its output for 2023, while the IEA has suggested that the tightness of the market could persist for longer than initially thought.
- However, we are starting to see some signs that demand is faltering amid surging prices. US gasoline demand fell last week to the lowest since 1996 for this time of year, while the four-week rolling average was the lowest since 2000 when seasonally adjusted. This demand destruction caused by high prices suggests that the market will start to become a little more reactive to any positive supply news. Therefore, Biden's visit to Saudi Arabia will be closely watched this week.

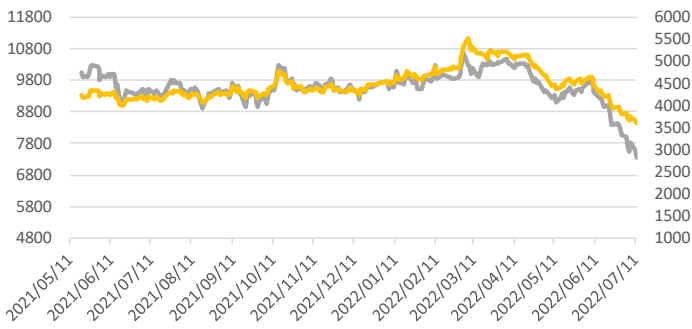
Botswana Yield Curve



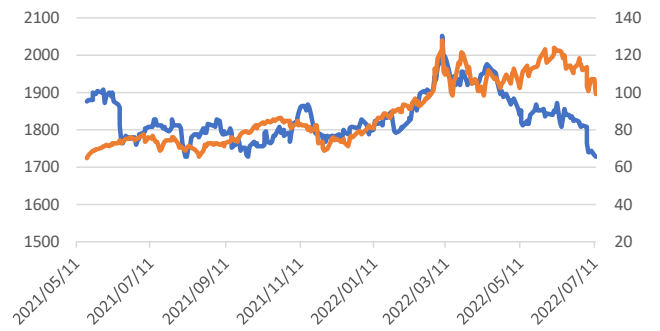
USD Index



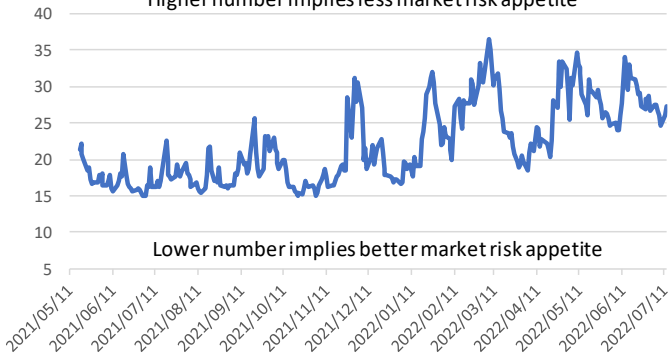
Base metals - Copper L_Hand axis LME Index
R_Hand axis



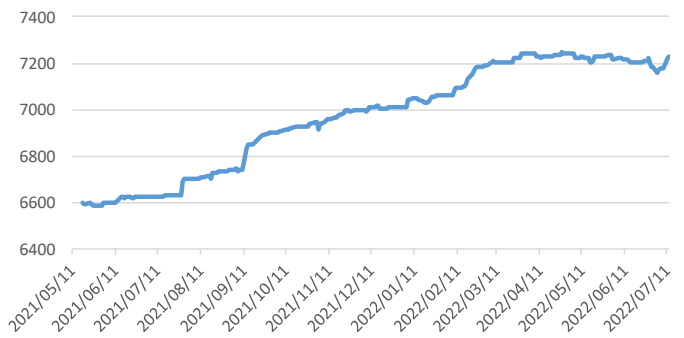
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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