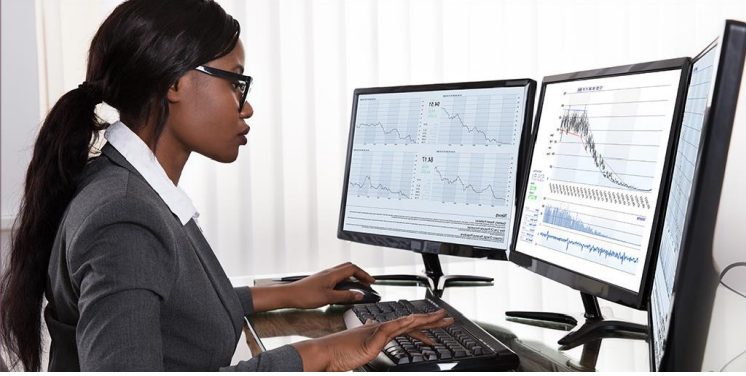


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	CPI y/y	Jun		11.9%
02:00	CH	Real GDP y/y	2Q	0,40% A	4,8%
02:00	CH	Retail sales y/y	Jun	3,1% A	-6,7%
09:00	EZ	Trade balance nsa (EUR)	Apr		-32,4bn
12:30	US	Empire manufacturing	Jul	-2,6	-1,2
12:30	US	Retail sales ex. auto and gas	Jun	0,2%	0,1%
13:15	US	Industrial production m/m	Jun	0,00%	0,2%
13:15	US	Manufacturing production m/m	Jun		-0,1%
14:00	US	Michigan consumer confidence	Jul P	49	50
14:00	US	Business inventories m/m	May	1,1%	1,2%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Dollar</b>	The US dollar continued to surge yesterday, with Bloomberg's Dollar Index reaching an all-time as traders bet on more aggressive Fed tightening	A stronger USD will continue to weigh on commodity markets as well as pressure EM assets	<b>4/5</b> (fx markets)	Although the USD is highly overvalued, it is unlikely that we will see a major correction until the Fed starts to signal that it will need to walk back some of its policy tightening to support growth
<b>Oil</b>	Oil had a volatile session yesterday with Brent reaching lows of \$95 per barrel before recovering most of the losses to currently trade back near \$100	Oil has given up most of its post-war gains which could help aid in easing global inflation pressures	<b>4/5</b> (commodity markets)	Traders will continue to weigh global growth concerns with tight supply, while low liquidity conditions mean that intraday swings for oil will continue to be erratic and notable in size
<b>China GDP</b>	Chinese GDP data for Q2 came in weaker than expected, showing that the economy expanded at the slowest pace seen since the initial COVID outbreak in 2020	This adds another layer to global recession fears and will keep markets in risk-off conditions	<b>5/5</b> (economy)	China's growth target for the year now looks unobtainable, although we have seen some signs that growth improved in June as the virus cases eased. Risks to the outlook remain to the downside

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Italian Politics</b>	Italian PM Draghi resigned yesterday, although the President rejected it, increasing political tension in the country that was already on fragile ground	Political turmoil and an uncertain way forward could be the catalyst to a full-blown debt crisis	<b>4/5</b> (politics, fixed income markets)	Political uncertainty will weigh on Italian bonds and could increase pressure on the ECB to agree on and implement their new tool for preventing yield spreads from blowing out
<b>Corporate Earnings</b>	Corporate earnings season continues today. So far, we have seen some mixed results from major banks which point to tougher conditions ahead	Equities will struggle to get some support from earnings if the results continue to disappoint	<b>5/5</b> (equities, risk sentiment)	General risk appetite may also struggle if earnings figures continue to disappoint and companies flag growing concerns on higher rates and inflation
<b>UK Politics</b>	Those running to succeed Johnson as UK PM will take part in a TV debate tonight, while MPs will begin to make their deals behind the scenes	The field is being narrowed and we will have the final two contenders by the end of next week	<b>4/5</b> (politics, fiscal policy)	Former Fin Min Sunak is currently the favourite and a win from him could usher in more consistent policymaking, suggesting a victory by him will be the most market-positive

## Highlights news vendors

**CNBC** - [JPMorgan CEO Dimon sums up US economy in one paragraph — and it sounds bad](#)

**BUSSINESS LIVE** - [Over half of municipalities are bankrupt or insolvent](#)

**FT** - [EU cuts down Russian coal imports ahead of bloc-wide ban](#)

**SOUTH CHINA POST** - [China Q2 GDP plunges to lowest in 2 years after missing expectations](#)

**REUTERS** – [Former finance minister Sunak cements lead in race to be Britain's PM](#)

## Local and regional talking points

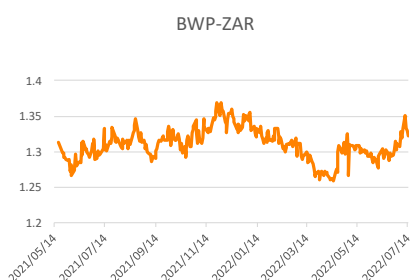
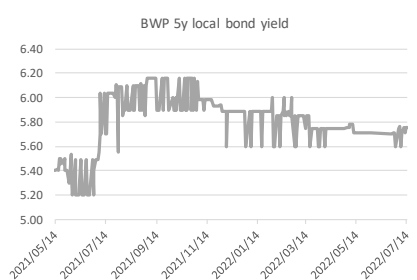
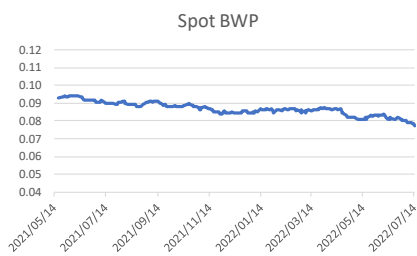
	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.266336	1.288416	1.2907394	1.382363
BWPUSD	0.07392	0.093496	0.0753445	0.080649
GBP/BWP	15.71024	15.980848	15.370355	15.058876
BWP/EUR	0.079872	0.081224	0.075456	0.079662
JPY/BWP	11.128	11.3256	10.51275	11.080575
USDZAR	16.445568	17.825704	16.831011	17.44005175
EURUSD	0.9624	1.042704	0.9849563	1.0201455
GBPUSD	1.135488	1.230528	1.162101	1.203906

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.077	-0.0016	1m	-2.223	-200.1831
BWPGBP	0.0651	-0.001	3m	-5.56725	-239.0091
BWPEUR	0.0768	0.00	6m	-11.98275	-302.6812
BWPZAR	1.322	-0.0294	12m	-24.05325	-445.9053

	Close	Change
Dollar Index	108.567	0.023
EURUSD	1.0024	0.0008
GBPUSD	1.1829	0.0007
USDJPY	138.99	0.09
USDNGN	414.83	0
USDZAR	17.1277	-0.0446

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	2.51	0	SA 10y	11.01	0.215
3y	4.83	0.69	US 10y	2.959	0.053
5y	5.76	0	German 10y	1.179	0.034
20y	8.53	0	Spread SA 5y vs Bots 5y bpts	1.179	
22y	8.64	0		366.5	24.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.4	-0.42	Gold	1709.4491	-25.7823
Dow Jones	30630.17	-208.54	Brent Crude	99.1	-0.47
FTSE	7039.81	-53.49	3m Copper	7170	-155.5
JSE All share	64712.88	-1021.02	LME Index	3473.1	-98.7
Bots DCIBT	7232.76	3.76	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51338.27	10.28			

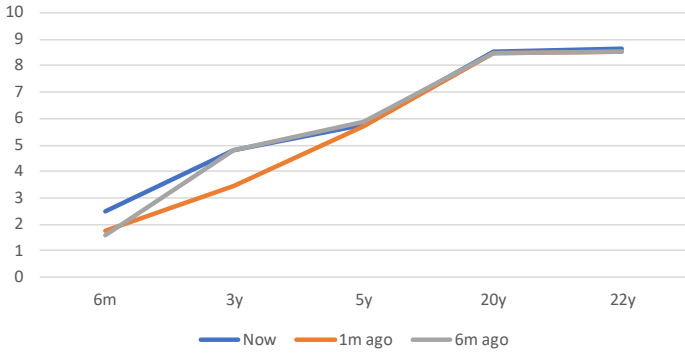


- Domestic inflation data for June will be published today, giving investors a lot to consider heading into the weekend. Recall that May's CPI reading surprised the market after surging to 11.9% y/y – the highest level of consumer prices since January 2009. The rising consumer price growth stemmed from global supply bottlenecks, the war in Ukraine, and the second-round effects of increases in local prices. Local currency weakness has worsened the situation, with the Botswana pula losing more than 5.5% of its value against the greenback during the first half of the year.
- With this currency weakness persisting into the second half of the year due to a worsening overall current-account position as import demand for fuel and food price increases, and tighter global financial market conditions, the outlook for inflation remains tilted to the topside. Although the exact timing of the inflation peak is unknown, it is certain that inflation will probably last longer than previously anticipated. According to the Bank of Botswana, inflation is expected to surpass the 12% threshold in June before declining in the last quarter of 2022.
- The central bank recently increased the bank rate for the first time in 14 years, explaining the need to manage inflation expectations in the local market. For consumers, the rising prices of goods and services, combined with the higher cost of debt brought by the bank rate adjustment, add to the troubles they have been experiencing since the pandemic began. On balance, persistent inflation will remain a drag on overall economic activity.

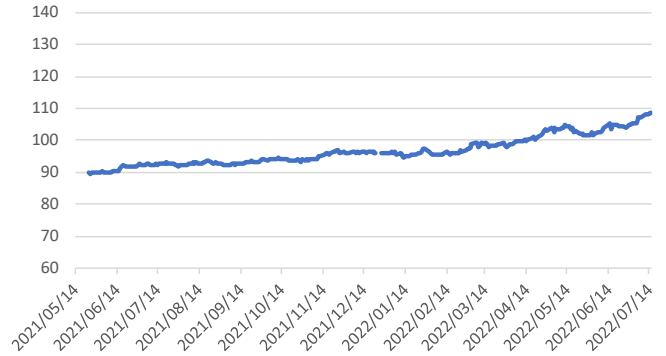
## Financial Market commentary

- Risk aversion continues to dominate emerging FX markets. Yesterday, the USD-BWP regained its footing to punch through the psychological 12.800 mark to close at 12.8373 – a daily move of more than 0.9%. This move tracked the Rand, which fell more than double that as it continues to flirt with the R17.00/USD mark. The expectation is that we hold in this Rand oversold position for at least the near term. The mighty USD looks poised to record a third weekly gain after the stronger than expected CPI print drove markets to reprice interest rate bets higher. The USD, meanwhile, is massively overbought against all currencies, but we are in fresh territory here as the US Fed's aggressive stance props up the USD.
- Both Botswana and South Africa will start the final day of trading, with several factors adding to the stagflation argument. Locally, the CPI figures will be eyed and hold significant impetus for the FX market and monetary policy going forward.
- Over in the bond market, the US Treasury yield curve inversion continued to deepen at one point yesterday, which saw other key sectors of the curve, such as the 5v30 spread, turn negative. This was then walked back towards the end of the session as Fed speakers looked to ease rate hike fears. Both Governors Waller and Bullard said yesterday that a 75bp rate hike was appropriate, leading to a widening of spreads as some near-term rate hike risk was priced out after comments from earlier this week that pointed to a possible 100bp rate hike. Even so, the yield curve remains inverted through the 2yr to 10yr sectors, and we could still see this deepen further as economic data starts to weaken while inflation pressures remain.
- Meanwhile, the spread between Italian and German yields is widening out as a political crisis engulfs Italy, threatening a new debt blowout. The spread between the two 10yr benchmarks is around 207bp, its widest since the June surge. If this spread continues to rise, we will see pressure increase on the ECB to agree on and implement its new bond-buying tool to try and calm the markets once again. Therefore, this crisis could have wide-reaching consequences for European debt markets.
- Oil prices plunged in intraday trade yesterday, with Brent touching a low of \$94.50 per barrel as risk-off market conditions and a stronger USD weighed on the commodity space. Most of the losses were pared, however, indicating that market liquidity is still thin and supply concerns remain a major factor, which will limit the losses for the crude over the near term. These thin trading volumes do, however, suggest that oil may be subjected to more erratic price swings over the coming weeks, especially if global markets are whipsawed by Fed tightening and growth concerns. Prices look set to tend the week lower.
- Meanwhile, the focus today will be on US President Biden's arrival in Saudi Arabia. Biden will be looking to repair the relationship with the Middle-Eastern nation to get them to pump for crude and bring down oil and gasoline prices. Expectations are that we may get another token increase in production to appease Biden and make it seem as if the relationship is improving. Such an increase will not have much of an effect on the markets, especially given the supply disruptions that continue to plague other members of OPEC.

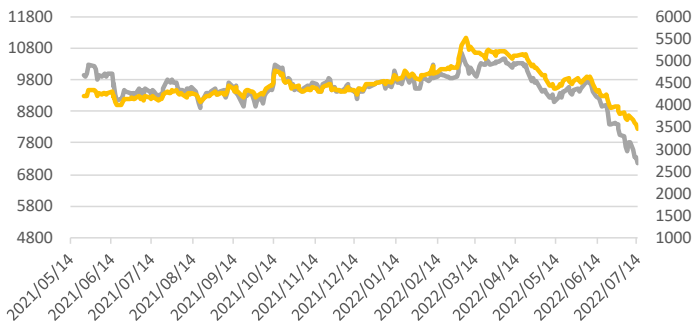
### Botswana Yield Curve



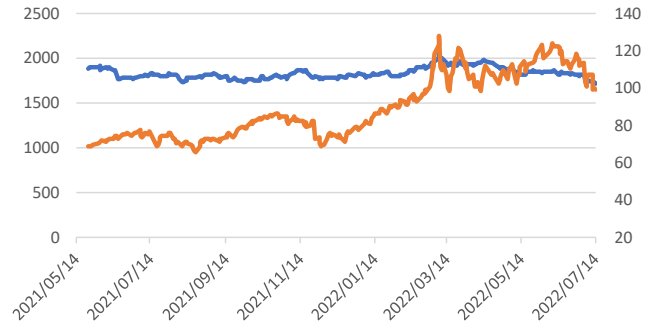
### USD Index



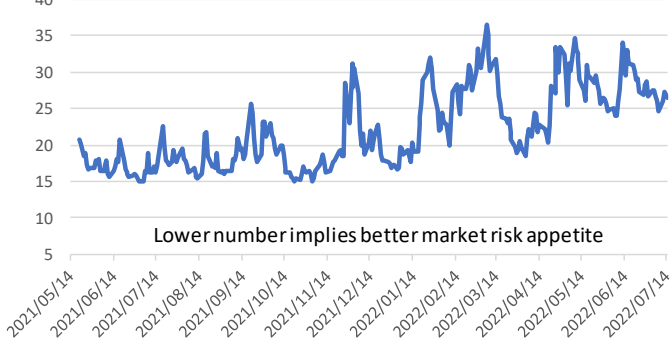
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



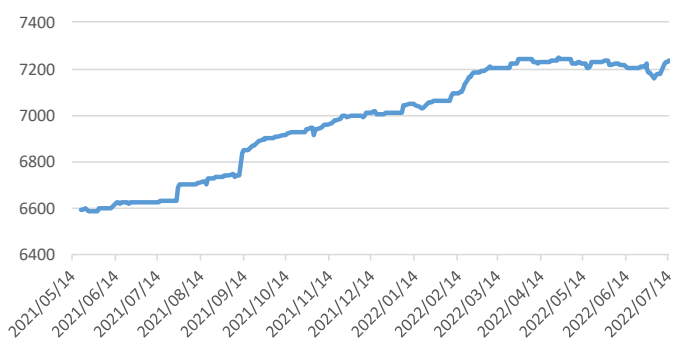
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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