

# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	Empty data card			
-	<b>JN</b>	<b>BOJ Policy Rate</b>	Jul 21	-0,1% A	-0,1%
<b>06:00</b>	<b>GB</b>	Public sector net borrowing	Jun	21,2bn	13,2bn
<b>12:15</b>	<b>EZ</b>	<b>ECB deposit facility rate</b>	Jul 21	-0,25%	-0,5%
<b>12:15</b>	<b>EZ</b>	<b>ECB rate announcement</b>	Jul 21	0,25%	0,00%
<b>12:30</b>	<b>US</b>	<b>Initial jobless claims</b>	Jul 16		244k
<b>12:30</b>	<b>US</b>	Philadelphia Fed index	Jul	1,7	-3,3
<b>14:00</b>	<b>US</b>	<b>Leading Indicators</b>	Jun	-0,5%	-0,4%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>BoJ</b>	The BoJ surprised no one this morning, holding rates steady while revising its growth forecasts lower and inflation estimates higher.	The BoJ remains the policy outlier, which will continue to drive depreciation for the JPY	<b>4/5</b> (monetary policy)	Global growth concerns have eased some pressure on the BoJ to consider when to start tightening, suggesting that a policy pivot is still quite a long way away
<b>Global Inflation</b>	UK and Canadian inflation continued to surge in June, according to data released yesterday	Global inflation pressures remain high, keeping CBs on high alert	<b>4/5</b> (monetary policy, economy)	Major central banks, barring the BoJ, are expected to continue to hike rates, keeping markets under pressure as inflation has yet to top out
<b>Italian Politics</b>	Italy's governing coalition is now on the verge of collapse after three partners withdrew their support last night, leaving no alternative but a snap election barring any last-minute deals	Italy's political crisis could be the catalyst for a new European debt crisis given just how large their debt pile is	<b>4/5</b> (politics, fixed income)	Draghi is likely to announce his resignation again today, with the President likely to accept this time. Elections in October are now likely which will keep investors very nervous and pressure high in the bond market
Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>UK Politics</b>	Former Fin Min Sunak will face up against Foreign Secretary Truss after she topped Penny Mordaunt in the race for PM, with the final vote to be announced in early September	Installing a new PM will provide some stability to UK politics, something that has been lacking in recent months	<b>4/5</b> (politics)	The Sunak-Truss deal was widely expected to be the final leg of the race. A Truss win will most likely lead to the most economic policy changes and institutional disruption. A Sunak win will allow for some stability
<b>Nord Stream</b>	Gas flows from the Nord Stream pipeline into Europe are expected to restart today, but at a reduced amount of around 20% according to Russia	Reduced natural gas flows will have a significant impact on Europe's economic recovery	<b>4/5</b> (geopolitics, energy)	Putin will be using this pipeline as leverage and thus may want to allow flows to resume for now. However, any reduction pushes Europe closer to recession
<b>ECB</b>	It's the big day for the ECB with it looking to be one of the most eventful policy meetings in years as rates will be hiked and more details provided on the new emergency bond-buying tool	Today's meeting holds two-way risks for the EUR and European debt, given the relatively high level of uncertainty	<b>5/5</b> (monetary policy)	Although consensus according to BBG is for a 25bp hike, many are expecting a larger move. Therefore, there is scope for the ECB to disappoint, especially if details also remain thin on the new emergency debt crisis measures

## Highlights news vendors

**CNBC** - [Bank of Japan raises inflation forecast, keeps policy steady](#)

**BUSSINESS LIVE** - [The economic dominoes are starting to fall](#)

**FT** - [Tesla profits jump despite production turmoil and China shutdowns](#)

**SOUTH CHINA POST** - [Slowing growth shows China's old playbook of property and infrastructure investment needs an update](#)

**REUTERS** - [China's Shenzhen vows to 'mobilise all resources' to curb COVID spread](#)

## Local and regional talking points

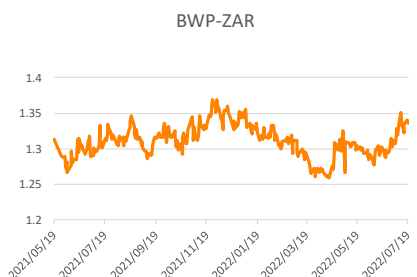
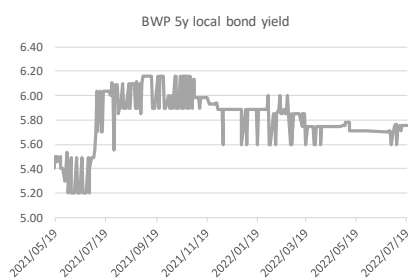
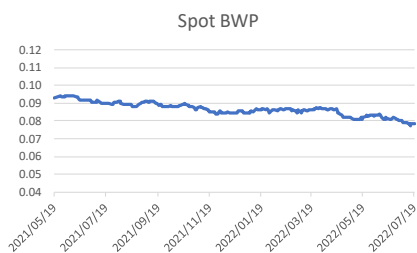
	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.284864	1.290912	1.3096244	1.385041
BWPUSD	0.075264	0.093496	0.0767144	0.081473
GBP/BWP	15.85376	15.919696	15.51077	15.001252
BWPEUR	0.079768	0.08008	0.0753578	0.07854
JPY/BWP	11.2632	11.3048	10.640475	11.060225
USDZAR	16.391808	17.767464	16.775991	17.38307175
EURUSD	0.981312	1.063504	1.0043115	1.0404955
GBPUSD	1.151712	1.248104	1.1787053	1.22110175

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0782	-1E-04	1m	-2.11575	-30.48239
BWPGBP	0.0652	-0.0003	3m	-5.7525	-118.9546
BWPEUR	0.0765	0.00	6m	-12.519	-309.5154
BWPZAR	1.3357	0.0137	12m	-25.116	-913.1765

	Close	Change
Dollar Index	106.543	-0.139
EURUSD	1.0243	0.0019
GBPUSD	1.2028	0.0033
USDJPY	138.02	-0.16
USDNGN	414.9	0
USDZAR	17.0944	0.0113

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.35	0	SA 10y	11.115	0.03
3y	4.83	0	US 10y	3.019	0.059
5y	5.76	0	German 10y	1.278	0.064
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		376.5	-0.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.5	-0.8	Gold	1711.0656	2.0538
Dow Jones	31827.05	-215.65	Brent Crude	107.35	1.08
FTSE	7296.28	64.23	3m Copper	7277.5	-149
JSE All share	67785.04	1927.24	LME Index	3557.2	-55.8
Bots DCIBT	7234.74	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52308.88	104.82			



• While there is little news flow in Botswana, headlines in Sub-Saharan Africa continue to focus on rising inflation brought on by weak currencies, the ripple effects of Russia's war on Ukraine on the rest of the global economy, and ongoing supply chain disruptions which have resulted in interest rate hikes becoming commonplace.

• To cushion against elevated food prices and inflation caused by the war in Ukraine, climate change, and the coronavirus pandemic, the Africa Development Bank (AfDB) has approved \$1.13bn in funding for 24 African countries. According to the lender, the funding will target 20mn small-holder African farmers to end reliance on food imports from Russia and Ukraine. The AfDB added that the war had left the continent with a food deficit of at least 30mn tons. If the African Emergency Food Production Facility is successful, African farmers are set to produce about 11mn tons of wheat, 18mn tons of maize, 6mn tons of rice and 2.5mn tons of soybeans over the next two years exceeding imports from Russia and Ukraine.

• The main focus in Southern Africa today will be SA's monetary policy decision. Price growth in SA continued its upward trend in June, accelerating to 7.4% y/y – a level last seen in May 2009 and the second consecutive month that inflation has held above the upper limit of South African Reserve Bank's (SARB) target rate of 3% - 6%. This figure topped economists expectations for a less pronounced increase of 7.3% y/y and bolsters the case for an aggressive interest rate hike by SARB today. The base case is for a 50bps rate hike, with the balance of risks skewed in favour of 75bps. Yet, given the risk of economic slowdown, both domestically and globally, the potential for the SARB to start walking back its hawkishness through the final months of the year should be considered. Much will depend on the direction of oil prices and the ZAR, with fuel prices already at record highs and the ZAR threatening to weaken further when looking at technical indicators.

## Financial Market commentary

• In the first session of the shortened trading week, the Botswana Pula strengthened against the USD, closing the session at 12.723/USD. But even so, the local currency continues to trade at its weakest level, according to records from the Bank of Botswana and Bloomberg, dating back more than 20 years. The trade-weighted USD has reversed some of yesterday's gains this morning as traders lock in their final positions ahead of the ECB's monetary policy and interest rate decision today. Given this backdrop and the level of event risk on the cards, we expect the rand market to consolidate around current levels with risk appetite for directional trading low. Expect the USD-ZAR to hold above the R17.00 handle while the EUR-ZAR should maintain levels above R17.40.

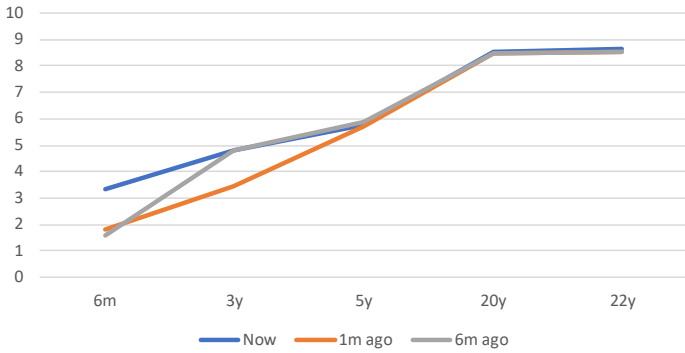
• In the fixed income market, US Treasury futures are edging higher this morning ahead of the ECB meeting, the main event for the day ahead. This puts 10yr yields just above the 3.000% level, which as we have noted before, seems to be a key buying level. The market will be focused on the ECB and Europe today, with the central bank making its latest policy announcements, while we have the reopening of the Nord Stream pipeline and the political crisis going on in Italy.

• The ECB meeting holds some notable two-way risk for the markets as many have built up their expectations for a stronger than 25bp rate hike today. Therefore, if we see Lagarde and co disappoint, bonds could sell off in the core and peripheral markets, with the latter likely to experience some notable volatility due to the ongoing crisis in Italy.

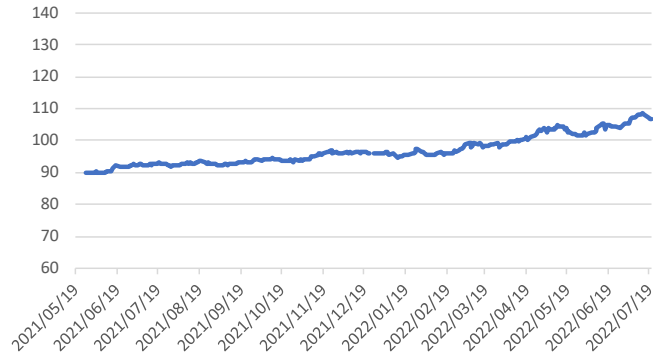
• Oil prices are edging lower this morning as the market focuses on weaker gasoline demand out of the US, and downwardly revised growth expectations for China, which have dented the demand outlook. Data released yesterday by the EIA showed that stockpiles of gasoline in the US climbed by more than expected last week, while the use of gasoline dropped to its lowest since 2020 and below the four-week average for this time of year for any previous going back as far as 2000. The fact that the US is still in peak driving season shows just how much high prices have crimped demand. This also suggests that we should see inventories continue to build over the coming weeks as the driving season comes to an end. For now, Brent is trading just north of \$106 per barrel, while WTI has slipped back below \$99 per barrel this morning.

• Meanwhile, today will see the reopening of the Nord Stream Pipeline, delivering natural gas to Europe. Russia has already announced that the flows of gas will be reduced sharply, but there is some uncertainty as to just how much they will be reduced by. This could generate some volatility within the energy markets today and could lead to a jump in crude if the flows are below what was expected, meaning that more crude will be needed as a substitute for gas. The opposite also holds true, and greater-than-expected gas flows could pressure crude prices into the weekend, as well as narrow the spread between Brent and WTI.

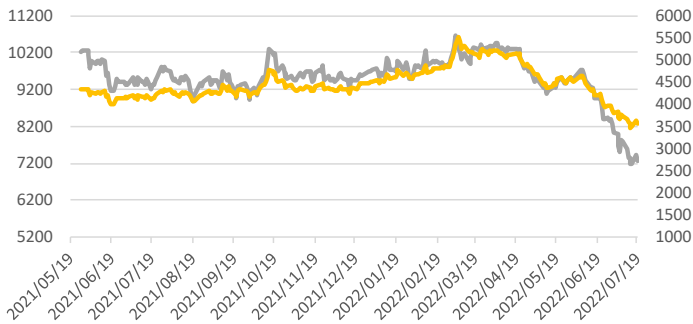
### Botswana Yield Curve



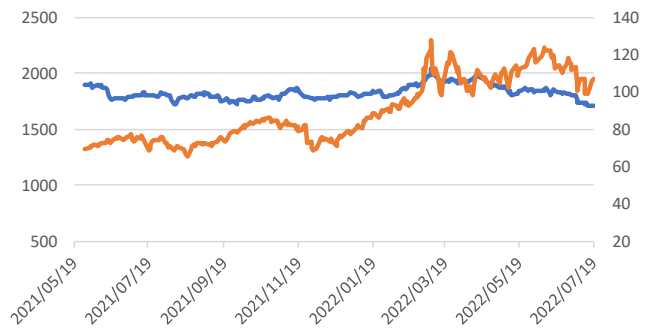
### USD Index



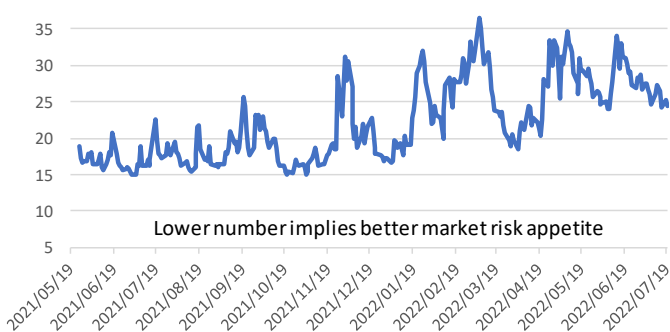
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



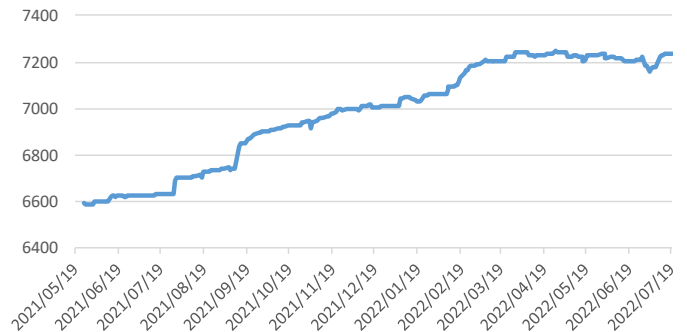
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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