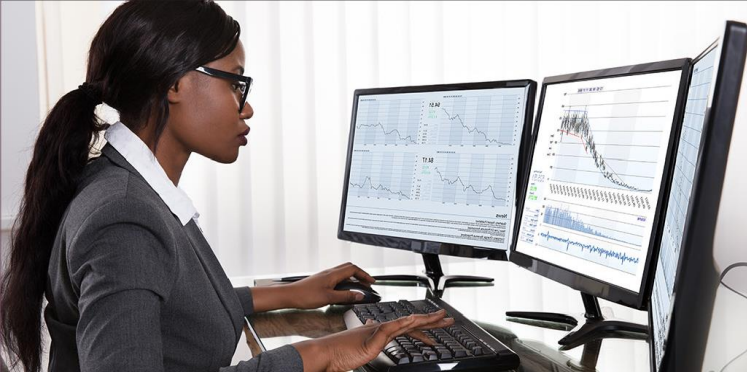


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	Empty data card			
<b>05:00</b>	<b>JN</b>	Leading index	Jun P	100,6 A	101,2
<b>06:00</b>	<b>GE</b>	Industrial production wda y/y	Jun	-1,2%	-1,5%
<b>11:15</b>	<b>UK</b>	BOE's Huw Pill speaks			
<b>12:30</b>	<b>US</b>	Change in nonfarm payrolls	Jul	250k	372k
<b>12:30</b>	<b>US</b>	Unemployment rate	Jul	3,6%	3,6%
<b>19:00</b>	<b>US</b>	Consumer credit	Jun	\$25bn	\$22,35bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>BoE</b>	The BoE hiked rates as expected yesterday by 50bp, the most since 1995 in a bid to try and regain control over inflation. Despite recession warnings	Central banks have decided that the threat of price instability is higher than that of recession	<b>5/5</b> (economy, Monetary policy)	Further rate hikes will likely be announced as central banks do what they can to crimp the monetary space available for inflation to take hold. A recession is now more likely in Q4
<b>RBA</b>	The RBA this morning warned that inflation was headed to a three-decade high and warned that more rate hikes would be necessary that would slow GDP	Forecasts for inflation were raised in its quarterly statement, pointing to further monetary tightening	<b>4/5</b> (economy, monetary policy)	The RBA joins the rest of the world in tightening monetary policy. It is one more central bank that is now actively seeking to reduce the ability of inflation to take hold at the expense of growth
<b>Oil market</b>	Oil prices have retreated to their lowest levels since Feb this year, just above \$94 pb. Investors are responding to the cratering demand outlook	As central banks respond to the inflation outlook, weaker demand conditions will arise	<b>4/5</b> (market, economy)	Oil prices retreating sharply will act as a shock absorber to households battling higher interest rates and will help ease the cost of living crisis through H2 2022, albeit at the expense of GDP.

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>China - Taiwan</b>	Tensions continue to run high, with Taiwan condemning their "evil neighbour" as China continued firing missiles into surrounding waters with some missiles flying overhead	Airlines have halted flights to the region, and the waterway will not be used while such military drills are undertaken	<b>5/5</b> (geopolitics)	China's strong arm and bullying tactics have been condemned worldwide. China maintains its "one-China" policy and has made it clear that it seeks reunification. Taiwan sees itself as an independent sovereign
<b>US Payrolls</b>	All eyes will be on the non-farm payroll data later today. While the labour market remains tight, any sign of weakness will prompt a reassessment of the rate outlook	How shallow the downturn will depend in part on how well the labour market holds up	<b>4/5</b> (monetary policy)	Any sign of weakness and the USD will likely correct as bond yields continue sliding. This will be an important driver of markets, if not today, then in future publications
<b>Ukraine exports</b>	Three more grain ships with a total of more than 58k tonnes of grain are scheduled to leave Ukrainian ports on Friday as part of a deal to unlock exports	At the margin, this will help reduce grain prices and ease some of the food inflation pressures	<b>4/5</b> (markets)	Although it is unclear whether the exports will continue long-term, this is welcome news and will help reverse or at least stall the rise in commodity and food prices slightly

## Highlights news vendors

**CNBC** - [Taiwan's trade with China is far bigger than its trade with the U.S.](#)

**BUSSINESS LIVE** - [Zelensky condemns SA's neutral stance on the Russian invasion](#)

**FT** - [Europe and Asia intensify battle to secure gas supplies](#)

**SOUTH CHINA POST** - [Taiwan's marine shippers, airlines re-route to avoid China's military exercises, and costs will rise](#)

**REUTERS** - [Global rice supplies at risk as harsh weather hits top exporters](#)

## Local and regional talking points

### Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.262592	1.273152	1.2869232	1.365986
BWPUSD	0.076032	0.093496	0.0774972	0.081988
GBPGBP	15.817672	15.944032	15.475463	15.024184
BWPEUR	0.080496	0.08112	0.0760455	0.07956
JPYBWP	10.972	11.0552	10.365375	10.816025
USDZAR	15.94128	17.283968	16.314904	16.910036
EURUSD	0.982368	1.064648	1.0053923	1.04161475
GBPUSD	1.165152	1.262768	1.1924603	1.2354485

### Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0792	0.0004	1m	-1.989	-38.37236
BWPGBP	0.0651	0.0002	3m	-6.669	-151.339
BWPEUR	0.0773	0.00	6m	-13.83525	-415.6714
BWPZAR	1.3155	-0.0023	12m	-29.0355	-1265.545

### Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0792	0.0004	1m	-1.989	-38.37236
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BWPZAR	1.3155	-0.0023	12m	-29.0355	-1265.545

### Dollar Index

	Close	Change
Dollar Index	105.863	0.17
EURUSD	1.0236	-0.0007
GBPUSD	1.214	-0.0017
USDJPY	133.2	0.35
USDNGN	416.69	0
USDZAR	16.6013	-0.0049

### Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.22	-0.13
3y	4.23	0.03	US 10y	2.676	-0.072
5y	5.77	-0.18	German 10y	0.809	-0.065
20y	8.54	0.04	Spread SA 5y vs Bots 5y bpts		
22y	8.61	-0.04		304.5	-3

### International Fixed Income

Yield curve	Close	Change		Close	Change
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### Equities

	Close	Change		Close	Change
VIX	21.44	-0.51	Gold	1791.94	0.8587
Dow Jones	33800.00	0	Brent Crude	94.4	0.28
FTSE	7448.06	36.57	3m Copper	100.54	#VALUE!
JSE All share	68717.02	608.34	LME Index	96.78	#VALUE!
Bots DCIBT	7261.04	-3.95	1 carat index	94.4	#VALUE!
Nigeria Index	50582.3	-31.07			

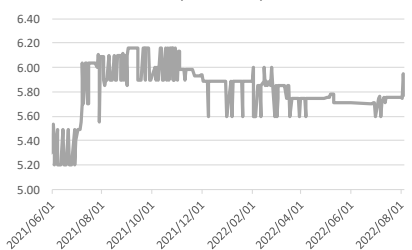
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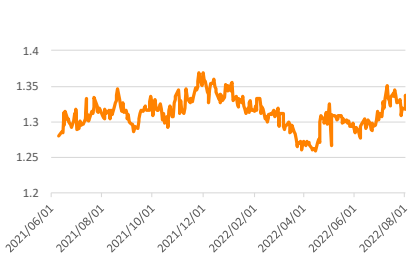
### Spot BWP



### BWP 5y local bond yield



### BWP-ZAR



- In other mining developments, Botswana Diamonds PLC announced yesterday that drilling at its Thorny River diamond project in South Africa had found more kimberlite. The firm reported that a mining permit application is being prepared, and a plan is nearing completion. This finding was made during the company's most recent drilling program at the project, which included completing 12 reverse circulation holes. This drilling campaign's goal was to increase the area of kimberlite that could be mined.

- Turning to bilateral trade news. Botswana President Mokgweetsi Masisi stated that the southern African country continues to work tirelessly to improve exports to South Africa in addressing the Botswana-South Africa Business Forum Roundtable held on the 28th anniversary of the establishment of diplomatic relations between the two countries in Gaborone yesterday. President Masisi said the country wants to correct imbalances in its economic relations with South Africa. *"The trade landscape between Botswana and South Africa remains skewed in favour of the latter and should drastically improve toward stabilisation,"* said Masisi.

- For context, Botswana imports 42bn pula while exporting only 6bn pula worth of goods per annum, on average, according to figures from Botswana's statistical agency. More importantly, Botswana benefits from regional economic integration and the facilitation of duty-free movement of goods with a standard external tariff on goods entering any of the countries from outside the Southern African Customs Union, an African regional economic organisation.

## Financial Market Commentary

- Amidst the positive developments locally and a generally subdued USD yesterday, the USD-BWP retreated to close in the red at 12.6128. Increased trade flows between SA and Botswana, and more broadly, Southern Africa will continue to favour the local currency and its overall resilience to global headwinds. Heading into the weekend, the pair is on course for a weekly gain of 0.8%.

- While sentiment has steadied after another turbulent week, all the focus will shift to the US jobs report, which may keep trading conditions relatively thin up and until the release later this afternoon. The trade-weighted DXY is holding steady near the 106.00 mark this morning as investors are preparing for a key monthly jobs report that could guide the outlook for US monetary policy. The US non-farm payrolls is expected to come in at 250,000, and a surprise on either side could impact expectations on the Federal Reserve's next policy move.

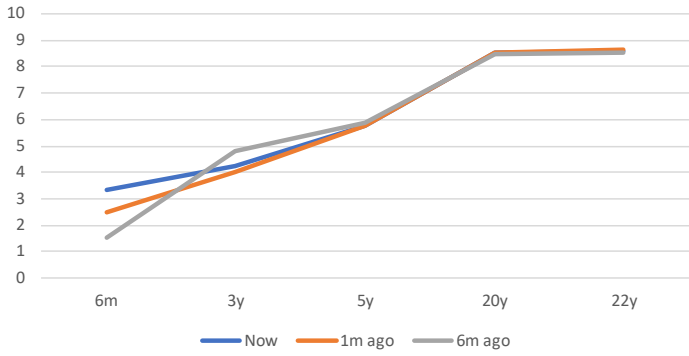
- In the fixed income market, bond yields continued their declines yesterday, with Treasury yields giving back all of Tuesday's gains as declining oil prices are alleviating some inflationary pressures, while the economic outlook continues to deteriorate. The curve bull steepened through the day, with all tenors gaining on the session. Nevertheless, the curve remains exceptionally inverted, with the 2v10 spread at more than -30bp. The gains for USTs did, however, help to end a run of 18 straight weeks of cash outflows from the high-grade US corporate market, which has seen fund inflows this week for the first time since March.

- Meanwhile, UK front-end yields climbed marginally yesterday on the back of the BoE meeting, which saw 50bp rate hike and quite a hawkish tone with regards to the outlook for interest rates. However, the growth outlook from the BoE has weakened significantly. As a result, the curve briefly inverted yesterday before some of the gains at the long end were pared. The spread is still at its narrowest since mid-February and is pointing to looming recessionary conditions in the UK.

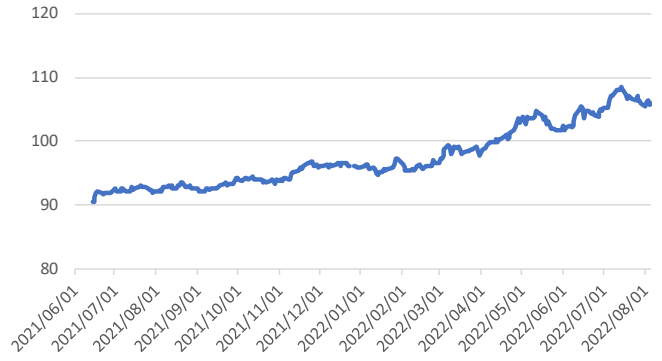
- Oil prices look set for a weekly drop of almost 15% for Brent and 10% for WTI as the demand outlook continues to deteriorate and global stockpiles are rebuilt. The front-month Brent contract is trading just below \$95 per barrel this morning, just off yesterday's intraday lows which were the weakest since February. Widely watched differentials across the futures curve are also narrowing sharply now, with the prompt spread back down to around \$1.65 per barrel in backwardation, down from over \$6 per barrel last week. The 24v1m spread has also narrowed sharply to around \$13 per barrel from levels over \$40 per barrel when it was at its widest.

- This notable decline for oil suggests that we could start to see global inflation pressures ease once the effects filter through. Just yesterday, the BoE forecast that inflation in the UK could peak at more than 13%, but if we see oil prices continue their declines, it will prompt a re-evaluation of expected inflation which will take the pressure of central banks to keep hiking rates so aggressively.

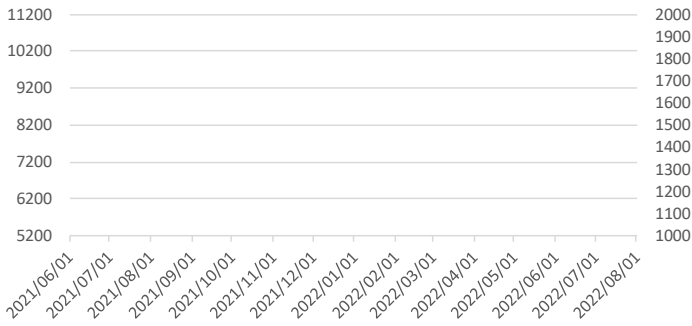
### Botswana Yield Curve



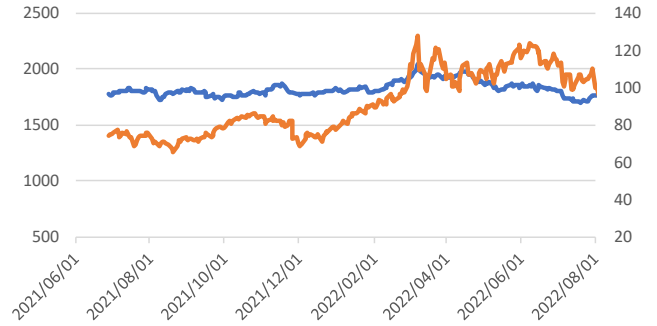
### USD Index



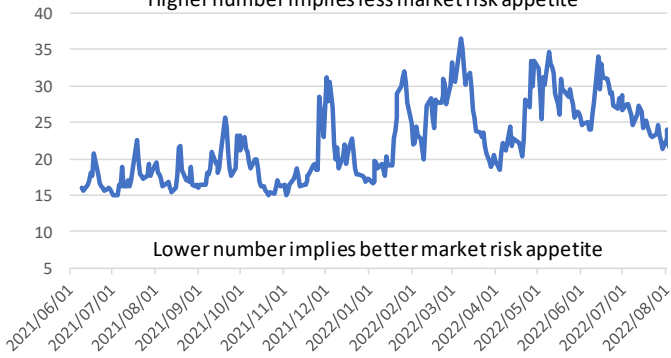
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



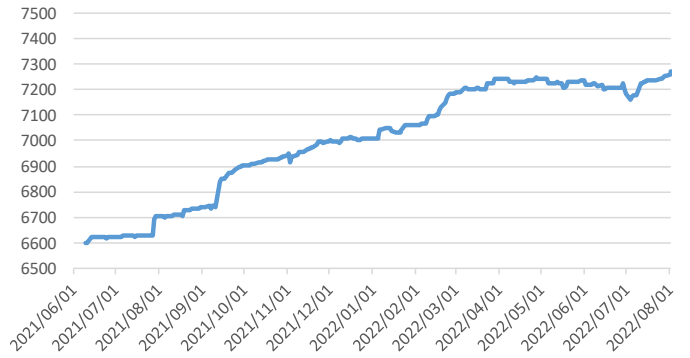
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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