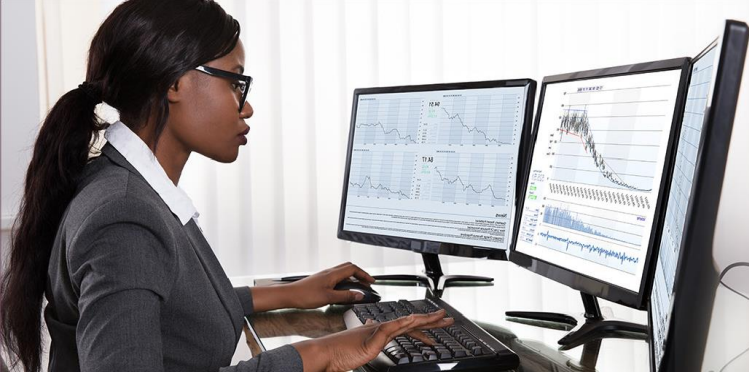


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	No Data			
<b>0/N</b>	<b>JN</b>	Current account total	Mar	¥2278.1bn (a)	¥2197.2bn
<b>01:30</b>	<b>CH</b>	CPI y/y	Apr	0.1% (a)	0.7%
<b>11:00</b>	<b>GB</b>	BoE bank rate	May 11	4.50%	4.25%
<b>11:30</b>	<b>UK</b>	BOE governor press conference			
<b>12:30</b>	<b>US</b>	PPI final demand y/y	Apr	2.4%	2.7%
<b>12:30</b>	<b>US</b>	Initial jobless claims	May 6		242k
<b>14:15</b>	<b>US</b>	Fed's Waller Discusses Financial Stability and Climate...			
<b>14:45</b>	<b>EC</b>	ECB's De Cos Speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US CPI data</b>	US CPI data showed headline inflation slowed from 5.0% y/y to 4.9% y/y in April, while core inflation moderated from 5.6% y/y to 5.5 y/y	Falling inflation and recent banking sector stress support the case for a Fed policy pause	<b>5/5</b> (inflation, monetary policy)	Notwithstanding the drop in headline and core inflation, underlying details in the April CPI report were far from reassuring; still, the data are unlikely to jolt the Fed into signalling another rate hike in June
<b>US debt ceiling</b>	Political showmanship around the US debt ceiling continued as President Biden warned of rising recession risk unless Republicans back his debt ceiling plan	Republicans are vowing to support raising the debt ceiling only if Biden agrees to retroactive reductions in government spending	<b>4/5</b> (fiscal policy)	The government and lawmakers have three weeks to break the deadlock over raising the \$31.4trln US debt limit before an unprecedented default happens, with negotiations set to go down to the wire
<b>China inflation</b>	CPI inflation in China eased to a Feb 2021 low of 0.1% y/y in April, while PPI inflation declined to -3.6% y/y to suggest domestic demand following the country's reopening has not yet rekindled upstream sectors	Inflation in China continues to lag the rest of the world, providing authorities with room for more policy support	<b>4/5</b> (inflation, monetary policy)	While the cost of living in China will pick up over the coming months now that its zero-COVID policy has been abandoned, inflation is unlikely to get out of hand, meaning additional policy support can be expected through the months ahead

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>G7 conference</b>	The finance chiefs of the G7 nations will meet at the end of this week to discuss their nations' trade dependence on China and its scope for economic coercion	As China and Russia challenge the US hegemony, Washington is calling on its allies for support	<b>3/5</b> (geopolitics)	The meeting between the finance ministers of the G7 nations will set the stage for next week's G7 leaders summit, where China and Russia will once again be the focal points of the agenda
<b>UK monetary policy</b>	The BoE is expected to hike its benchmark rate by 25bps today as it continues with the fastest pace of tightening in decades amid sticky core inflation and persistently high wage growth	The BoE is lagging the Fed in its rate-hike cycle, meaning it has further to go as the Fed considers a pause	<b>5/5</b> (monetary policy)	The BoE remains intent on fighting inflation and will likely stick to hawkish forward guidance even as it awaits fresh data to provide policy direction through the months ahead
<b>UK GDP</b>	UK GDP data for Q1 scheduled for release this week are expected to show another quarterly advance as economic confidence improves and the jobs market remains tight	The UK economy's recent resilience may help it dodge a technical recession in the near term	<b>4/5</b> (economy)	A resilient economy and tight labour market increase the BoE's scope to continue hiking interest rates through the months ahead

## Highlights news vendors

**BUSINESS LIVE** - [Treasury splurged R2.4bn on inactive financial system, MPs told](#)

**FT** - [Eskom chief visits China as South Africa seeks to shore up ailing power monopoly](#)

**REUTERS** - [Battles shake Sudan's capital, ceasefire talks reported to make progress](#)

**SOUTH CHINA POST** - [Japan PM Kishida's Africa tour lays groundwork for G7 summit, as China and Russia concerns loom large](#)

## Local and regional talking points

- We have another busy day ahead of us in terms of regional data releases. The focus will be on the National Bank of Rwanda's interest rate decision. At the end of 2022, the NBR delivered a 50bps hike, bringing its policy rate to 7.00%. The NBR delivered a total of 200bps worth of hikes in 2022, and with inflation still elevated at 17.8% y/y, it is likely that we will see the NBR deliver another interest rate hike today.
- We also have Namibia's April CPI figure. In contrast to many of its regional peers, inflation in Namibia has not shown signs of turning lower yet. However, CPI growth did remain unchanged from the previous month in March at 7.2% y/y. The figure was however above the market forecast of 6.8%.
- Lastly, we have Egypt's production index, which declined to -0.2% m/m in February from 2.8% m/m in March. Elevated inflation and tight monetary conditions have been weighing on Egypt's productive sector. The major risk to production is the potential of a currency devaluation which will keep the price of inputs elevated and weigh on production. The slowdown in growth in the productive sector is a concerning sign that economic growth is starting to slow in Egypt.
- Locally, the BPC has said that it expects power cuts to ease today as more units from Morupule A and B come back online. The BPC is still investigating what it suspects to have been an issue on the Phokoje-Matimba transmission line. At the time of the outage, demand was well below generation, suggesting that it was likely a transmission problem.

### Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.362528	1.372608	1.3887851	1.472694
BWPUSD	0.072	0.093496	0.0733875	0.077765
GBPGBP	17.383808	17.50112	17.007716	16.49144
BWPEUR	0.071136	0.071552	0.067203	0.070176
JPYBWP	10.4728	10.5456	9.893775	10.31745
USDZAR	18.166464	19.695936	18.592241	19.269822
EURUSD	1.052832	1.140984	1.0775078	1.11629925
GBPUSD	1.21152	1.312584	1.239915	1.28418675

### Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.075	0.0006	1m	-1.82325	-1918.44
BWPGBP	0.0594	0.0005	3m	-5.54775	-4288.274
BWPEUR	0.0684	0.00	6m	-11.10525	-6504.049
BWPZAR	1.4195	0.0355	12m	-26.481	-11273.93

### Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.075	0.0006	1m	-1.82325	-1918.44
BWPGBP	0.0594	0.0005	3m	-5.54775	-4288.274
BWPEUR	0.0684	0.00	6m	-11.10525	-6504.049
BWPZAR	1.4195	0.0355	12m	-26.481	-11273.93

### Dollar Index

	Close	Change
EURUSD	1.0969	-0.0011
GBPUSD	1.2618	-0.0006
USDJPY	134.26	-0.08
USDNGN	460.06	0
USDZAR	18.9272	0.0575

### Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	5.369	0.004	SA 10y	10.64	0.08
3y	5.313	0.002	US 10y	3.4326	-0.0084
5y	6.65	0	German 10y	2.281	-0.014
20y	8.81	0	Spread SA 5y vs Bots 5y bpts		
22y	8.95	0		259.5	7.5

### International Fixed Income

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22y	8.95	0		259.5	7.5

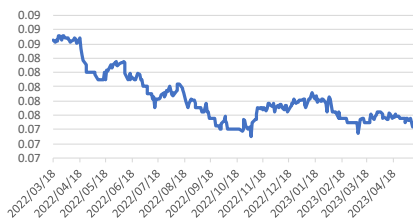
### Equities

	Close	Change		Close	Change
VIX	16.94	-0.77	Gold	2029.51	-4.66
Dow Jones	33531.33	-56.88	Brent Crude	2034.17	-1.03
FTSE	7741.33	-14.29	3m Copper	2016.5428	-116.5
JSE All share	77775.02	-795.46	LME Index	2051.1084	-70.5
Bots DCIBT	8006.31	-4.04	1 carat index	2039.0168	
Nigeria Index	52209.31	26.99			

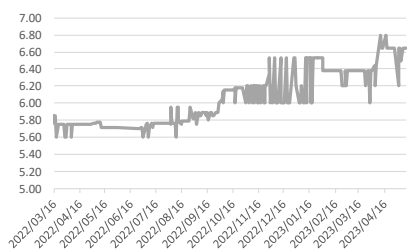
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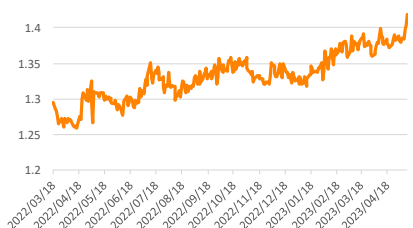
### Spot BWP



### BWP 5y local bond yield



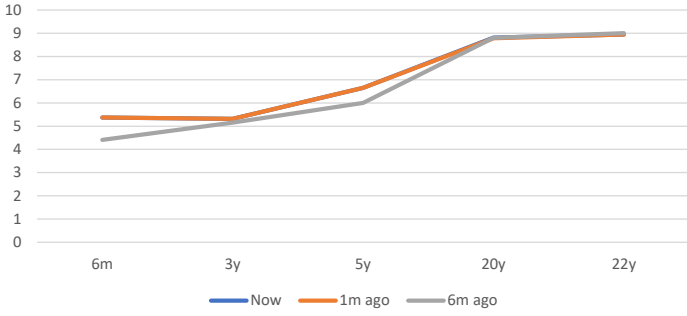
### BWP-ZAR



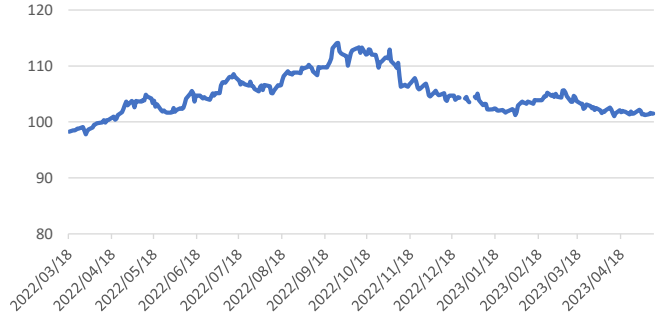
## Financial Market Commentary

- The USD remains rangebound despite the weaker-than-expected inflation data yesterday. Although the Fed funds futures are now more actively pricing in rate cuts and US Treasury yields have subsided, the USD has yet to capitulate. The focus today will shift to the BoE decision on interest rates, but even that may not change much with so much already priced in. In the lead-up to the BoE decision, the GBP-USD has consolidated its recent gains and continues to trade above 1.2600 as investors await guidance from the central bank. The EUR has been less resilient against the USD as it trades above 1.0970 but remains somewhat buoyant as the ECB also looks to tighten more against the backdrop of rate cuts being priced into the USD. Surprisingly, the debate around the debt ceiling has not negatively affected the USD more than it has, so the DM FX market remains consolidative for now.
- Meanwhile, bond outflows have taken a significant toll on the ZAR in recent sessions, with the currency spiralling against all of the majors. It has broken out of its recent trading range against the USD, reached new 2020-highs against the EUR, and new 2016 highs against the GBP. Whether Electricity Minister Ramokgopa's address to parliament on his energy action plan changes anything today remains to be seen, although it is unlikely. Similarly, the Bank of England's policy update may also hold limited market-moving potential for the ZAR as it by and large ignores offshore market impulses. The ZAR is, however, looking extremely cheap, but unless investor confidence returns and the bond selloff halts, it may remain under pressure.
- The BWP-USD reached a low of 0.0743 in the interbank market yesterday. It has ticked higher in early trade this morning to around 0.0750 according to Reuters data.

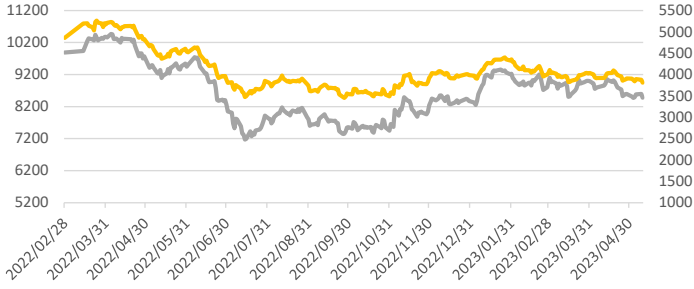
Botswana Yield Curve



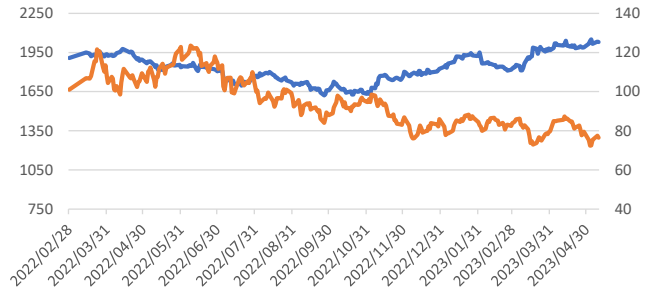
USD Index



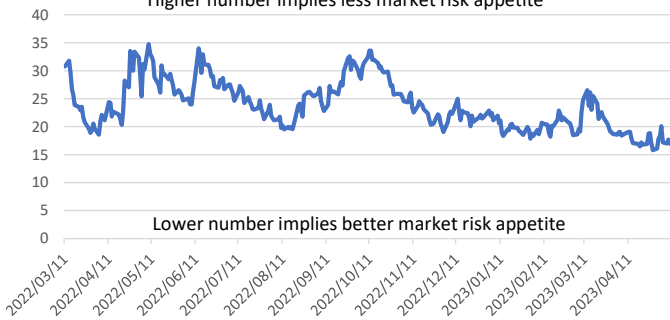
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



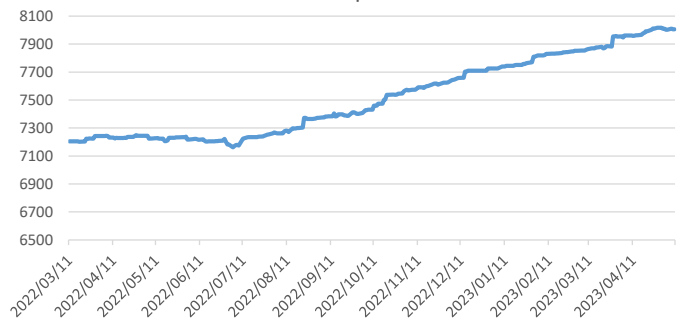
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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