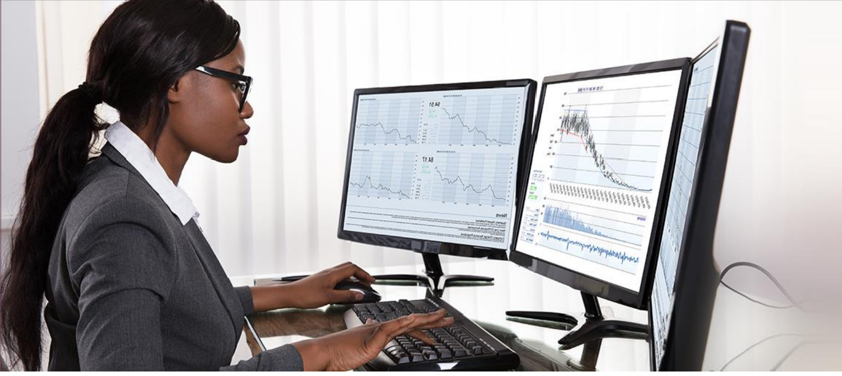

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Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
09:00	EZ	CPI y/y	Sep F	10,00%	9,1%
09:00	EZ	Construction output wda y/y	Aug		1,5%
11:00	US	MBA mortgage applications	Oct 14		-2,00%
12:30	US	Building permits	Sep	1550k	1517k
12:30	US	Housing Starts	Sep	1488k	1575k
14:00	EC	ECB's Centeno Speaks at Event on Portugal's 2023 Budget			
14:00	UK	BOE's Cunliffe testifies			
15:00	UK	BOE's Catherine Mann speaks			
17:00	US	Fed’s Kashkari Taks Part in Moderated Q&A			
18:00	US	US Federal Reserve Releases Beige Book			

Factors Overnight	What happened?	Relevance	Importance	Analysis
JPY warning	Again, Japanese authorities are warning that they will respond to unwarranted FX moves, with the BoJ saying that stability is extremely important	Threats of intervention do not appear to concern investors enough to trouble them	**3/5** (market, economy)	Any intervention efforts have not only proved to be fleeting but only tend to impact the FX market at the margin. So long as the JPY is deemed a funding currency, it will depreciate vs the USD
OPEC	OPEC+ were reportedly unanimous in their support for an output cut as the cartel planned for weaker demand conditions	OPEC has positioned for a global recession and moved to support the oil price	**3/5** (market, economy)	Judging from the recent slide in oil prices, OPEC's move may be justified. The full extent of the slowdown has not yet manifested, but risks are growing
US manufacturing	Sep's US manufacturing data still held up reasonably well in both durable and non-durable goods growing 0.4% m/m vs 0.2% expected. Capacity utilisation grew to 80.3% vs 80.1% in Aug	Manufacturing data still remains well supported for now, but the global slowdown will eventually weigh	**4/5** (economy)	Manufacturing was one of the sectors that had far to recover post-Covid. There was a huge backlog to take care of, and there are still many reports of stock shortages. Once backlogs are caught up, the data will reflect weaker demand
Factors on the Radar	**What happened?**	**Relevance**	**Importance**	**Analysis**
ECB Poll	A Reuters poll just released reflects the market expectation that the ECB will hike rates by a further 75bp next week	In the circumstances, this will help protect the EUR and tame inflationary pressures	**4/5** (monetary policy)	The growth outlook in the EZ looks dire. There is no end to the conflict in Ukraine, sanctions are ongoing, and inflation has eroded household finances
BoE QT	The BoE has indicated that from the 1st Nov, it will begin selling gilts but would refrain from selling any longer-dated bonds	QT will therefore begin to add further pressure on the economy	**4/5** (monetary policy)	Although QT will begin in just under two weeks, the BoE remains sensitive to the government's ability to raise capital in the longer duration bonds
Inflation	Both UK and EZ inflation data will be released today, and both are expected to print in the double digits	Inflation is still trending higher in Europe, adding pressure to CBs	**5/5** (economy)	Central banks still have more work to do to ensure that inflation tops out and trends lower. Beyond the war, this remains a function of the pandemic QE

Highlights news vendors

BUSINESS LIVE - Godongwana expected to pencil in 3% to cover public sector wage increases
FT - Biden orders officials to prepare for more emergency oil releases
REUTERS – Frustrated Nigerians 'flee' abroad in punishing pre-election brain drain
SOUTH CHINA POST - Japan could forgive some of Sri Lanka’s debt in planned meeting with its creditors

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.28688	1.305792	1.3116793	1.401006
BWPUSD	0.07104	0.093496	0.072409	0.07725
GBPBWP	15.694328	15.912	15.354787	14.994
BWPEUR	0.078208	0.079248	0.073884	0.077724
JPYBWP	11.492	11.648	10.856625	11.396
USDZAR	17.390496	18.861128	17.798086	18.45307475
EURUSD	0.944352	1.023152	0.9664853	1.0010165
GBPUSD	1.086528	1.177488	1.1119935	1.1520135

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.074	0.0000
BWPGBP	0.0654	0
BWPEUR	0.0752	0.00
BWPZAR	1.3407	-0.0175
Dollar Index	112.213	0.083
EURUSD	0.9835	-0.0017
GBPUSD	1.1317	-1E-04
USDJPY	149.28	0.02
USDNGN	435.85	0
USDZAR	18.1172	0.0161

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.54475	-3167.877
3m	-7.488	-22761.27
6m	-13.07475	-85543.37
12m	-26.54925	-336773

Local Fixed income

Yield curve	Close	Change
6m	4.222	0.001
3y	5.22	0.01
5y	6.18	0.03
20y	8.75	0
22y	8.9	0

International Fixed Income

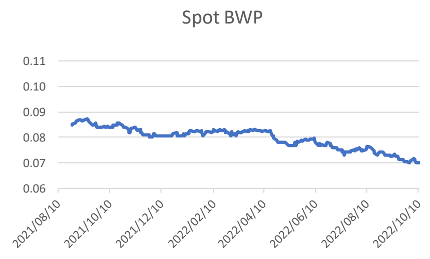
	Close	Change
SA 10y	10.805	0.025
US 10y	3.998	-0.017
German 10y	2.278	0.007
Spread SA 5y vs Bots 5y bpts		
	303.5	2

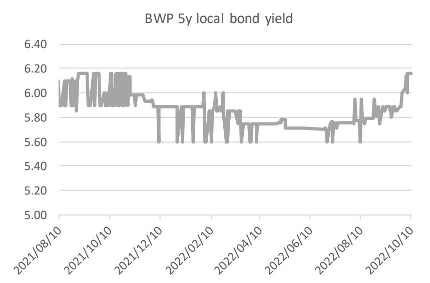
Equities

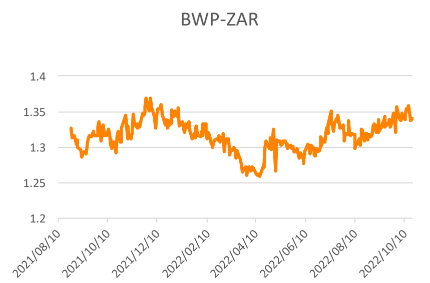
	Close	Change
VIX	e permission	#VALUE!
Dow Jones	30523.8	550.99
FTSE	6936.74	61.45
JSE All share	66350.98	1919.39
Bots DCIBT	7501.33	0
Nigeria Index	45366.32	-1203.09

Commodities

	Close	Change
Gold	1651.8273	1.8826
Brent Crude	1649.9447	-1.59
3m Copper	1641.7584	-141.5
LME Index	1665.7972	-44.9
1 carat index	1672.5052	#VALUE!





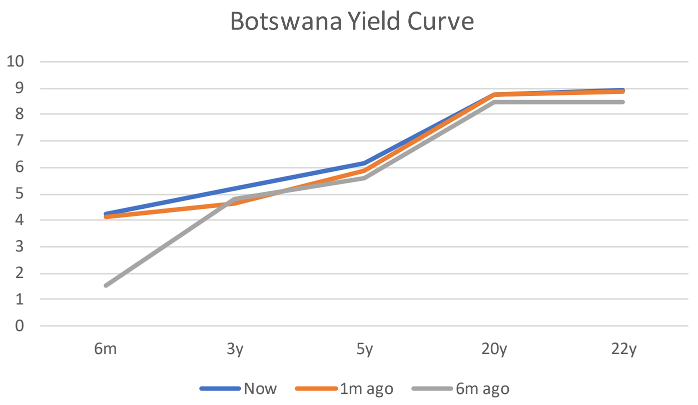


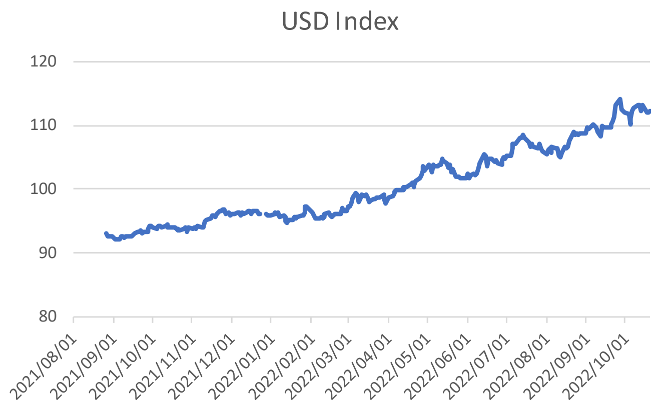
Local and regional talking points

- According to local media, President Mokgweetsi Masisi has reportedly removed his right-hand man, fuelling rumours of a broken-down relationship between Masisi and Batlhalefi Leagajang. After serving as the Press Secretary to the President, Leagajang will now serve the government as the Deputy Coordinator at the National Aids and Health Promotion Agency (NAPHA), a less lucrative position. Leagajang was appointed to the Press Secretary position back in March 2020. News over his transfer remains thin at this point, with Leagajang refusing to comment on his transfer and directing questions towards the office of the PSP. On behalf of the PSP, Deputy Permanent Secretary to the President Matshidiso Bokole confirmed Leagajang's departure and clarified that the transfer is not a demotion but rather *'a normal government process'*.
- Botswana has resumed beef exports to the EU after partly lifting a foot-and-mouth ban. According to a statement from the Ministry of Agriculture, exports will be allowed from cattle bred in seven of the country’s 19 agricultural zones, with some areas closest to where an outbreak was detected remaining under suspension. Botswana is a major supplier of beef to the EU region, and the partial lifting of the ban will allow Botswana to earn more foreign currency. Cattle exports are a key source of foreign currency for Botswana, after minerals and tourism.

Financial Market Commentary

- The USD-BWP extended its slide for the third straight session yesterday. The bears looked to challenge the 13.300 support, but with the USD regaining its composure, supported by hawkish Fed bets, the pair settled at 13.3592. The dollar continues to prevail as the safe-haven currency of choice amid a worsening global growth outlook, despite coming under some pressure earlier this week as solid earnings reports and a dramatic U-turn in the UK’s fiscal policy boosted risk appetite. While this has translated into some stability returning to FX markets and moderating volatility, the BWP may still find difficulty extending its recent gains in the session ahead.
- Fixed income markets stabilised yesterday as uncertainty surrounding the UK’s policy path has been reduced. US Treasuries ended the day slightly richer after some choppy price action, with long-end tenors underperforming, which slightly steepened spreads from the belly to back end of the curve. The benchmark 10yr managed to close just above 4.000%, while the 2yr remained near 4.450%, keeping the 2v10 spread deeply inverted as US recession risks remain high given the hawkish stance of the Fed at the moment.
- The relative calm in the bond markets gave risk assets a boost on the day, with equities finishing strongly in the green. Focus now turns to the US housing data and Fed Beige Book scheduled for release today. The latter may provide some evidence that the US economy is slowing, which may help keep the bid tone for bonds alive into the latter half of the week.
- Oil prices fell to a two-week low yesterday, with Brent dipping below the $90 per barrel level as concerns over Chinese demand weighed on sentiment within the market. China delayed the release of some important macroeconomic figures, which indicates that growth in the country is falling well below expectations, and politicians are trying to limit the damage. China’s oil imports have already been declining through the year so far, averaging just 42.7mn barrels a month as opposed to over 45mn in 2020. The authorities have pledged to provide support to the economy in the months ahead, but scepticism is high that the announced measures will be able to stave off a major slowing of the world’s number two economy.
- Meanwhile, the supply side of the oil market equation has also contributed to some of the recent weakness seen for prices. The US is planning on releasing the final tranche of its SPR release program that started earlier in the year. Another 15mn barrels will be released and will hit the market in December, bringing the total up to 180mn barrels. After which, however, the Biden Administration has said that it is willing to release more if need be, with the country’s reserves still sitting north of 400mn barrels as of the middle of October. This threat could help keep prices down in the near term, especially given the uncertain outlook for demand going forward.


Botswana Yield Curve
10
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
120
110
100
90
80
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
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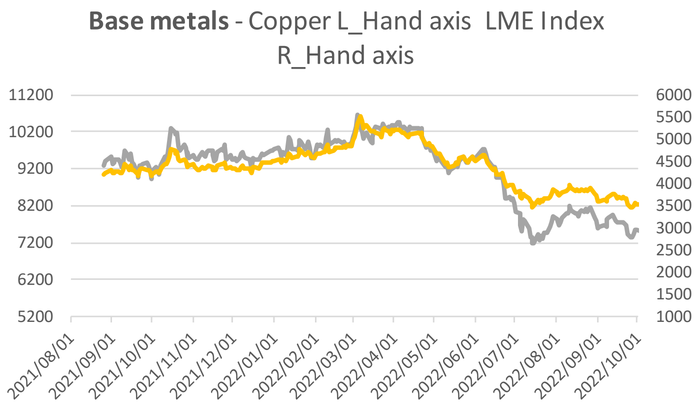
2022/09/01
2022/10/01


Base metals - Copper L_Hand axis LME Index R_Hand axis
11200
10200
9200
8200
7200
6200
5200
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
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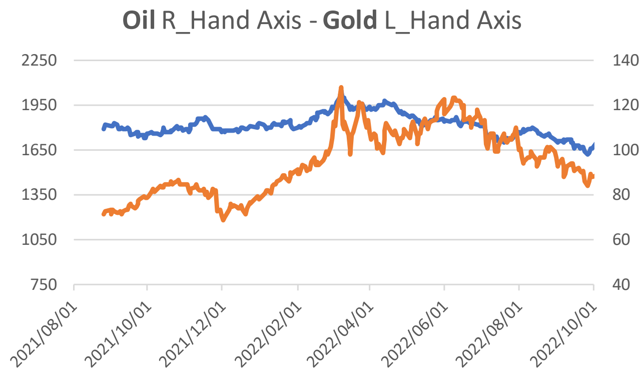
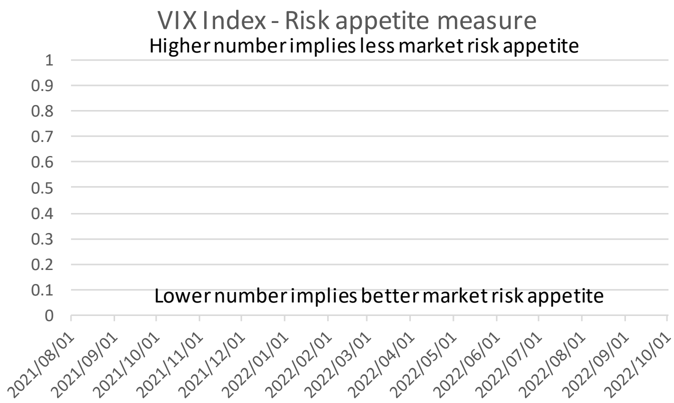
2022/09/01
2022/10/01


Oil R_Hand Axis - Gold L_Hand Axis
2250
1950
1650
1350
1050
750
140
120
100
80
60
40
2021/08/01
2021/10/01
2021/12/01
2022/02/01
2022/04/01
2022/06/01
2022/08/01
2022/10/01


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Lower number implies better market risk appetite
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
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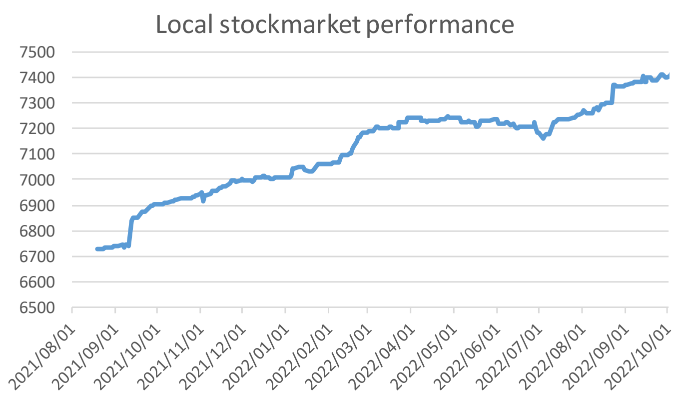
2022/09/01
2022/10/01


Local stockmarket performance
7500
7400
7300
7200
7100
7000
6900
6800
6700
6600
6500
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
2022/05/01
2022/06/01
2022/07/01
2022/08/01
2022/09/01
2022/10/01

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