

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Benchmark interest rate decision	Oct 20		2.65%
06:00	GE	Producer prices y/y	Sep	45,7%	45,8%
12:30	US	Initial jobless claims	Oct 15		228k
12:30	US	Philadelphia Fed index	Oct	-4,5	-9,9
14:00	US	Existing home sales	Sep	4,7mn	4,8mn
14:00	US	Leading Indicators	Sep	-0,3%	-0,3%
17:30	US	Fed's Bullard Gives Welcome Remarks at Annual Lecture			
17:45	US	Fed's Cook Speaks on Panel at Careers Event			
18:05	US	Fed's Bowman Has Opening Remarks at Community Development...			

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Oil reserves	President Biden announced yesterday a plan to sell the rest of his release from the strategic oil reserves in a bid to keep oil prices low ahead of the mid-terms	This may help keep international oil prices constrained, although the effect will be temporary	3/5 (market, economy)	At the margin, the supply of extra oil into the market will help keep prices contained. Against this, OPEC still has the potential to cut further, so any effect on oil prices is not sustainable
China rates	China kept its benchmark lending rates unchanged for the second consecutive month this morning, broadly in line with expectations	The bias remains towards a looser monetary policy to support the economy	3/5 (monetary policy)	The weakening CNY has placed a limit on how loose the PBoC could turn, or the authorities might've reduced interest rates a little further
UK and EU inflation	As if the situation in both economic zones was not bad enough, inflation data released yesterday showed that it had accelerated in Sep to 10.1% in the UK and 10.9% in the EU	The BoE and the ECB, along with other EU central banks, will have no choice but to respond but recession guaranteed	5/5 (monetary policy, economy)	The outlook for both regions is dire. The cost-of-living crisis, the war, the supply of energy and the geopolitical threats of an escalation to the war have dented sentiment and demand but have done little to ease the price shock
Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK politics	The carousel of chaos continues as PM Truss lost another key minister as her Home Secretary resigned yesterday, prompting more calls for her to resign	The situation is now surely becoming untenable, and PM Truss is under enormous pressure	5/5 (politics, economy)	Truss is now presiding over a government she did not choose, with policies she did not favour, without the support of backbenchers and sliding support for the conservative party
BoJ bond buying	The BoJ today said it would conduct emergency bond-buying in a bid to prevent bond yields from rising too much further	\$667mn worth of bond buying is reportedly possible to shore up bonds	5/5 (monetary policy, economy, markets)	The persistent depreciation in the JPY has prompted the BoJ to intervene and protect the government from even more market volatility and dysfunction
Fed guidance	In the Fed's Beige book released yesterday, the Fed indicated that firms were gloomier on the outlook amid weakening demand but that price pressures eased	This is the first sign that the Fed might consider softening its stance if inflation eases further	4/5 (monetary policy, economy)	The survey confirmed that businesses were finding it more difficult to pass on price increases as final customers pushed back as they struggled with the cost-of-living crisis and weaker demand

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Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.298688	1.308288	1.3237148	1.403684
BWPUSD	0.07104	0.093496	0.072409	0.076735
GBP/BWP	15.681016	15.789696	15.341763	14.878752
BWP/EUR	0.078624	0.079144	0.074277	0.077622
JPY/BWP	11.5336	11.6168	10.895925	11.365475
USDZAR	17.549376	19.024304	17.96069	18.6127205
EURUSD	0.939456	1.017952	0.9614745	0.995929
GBPUSD	1.078272	1.168544	1.103544	1.143263

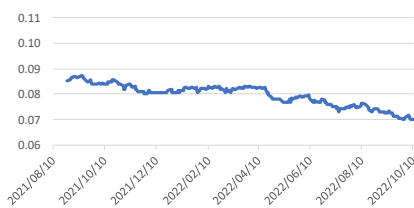
Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWP/USD	BWP/ZAR
BWP/USD	0.074	0.0000	1m	-2.60325
BWP/GBP	0.0659	0	3m	-7.424625
BWP/EUR	0.0756	0	6m	-12.82125
BWP/ZAR	1.3527	0.0153	12m	-26.1885

	Close	Change
Dollar Index	112.907	-0.077
EURUSD	0.9785	0.0014
GBPUSD	1.1231	0.0017
USD/JPY	149.9	0.01
USD/NGN	435.98	0
USD/ZAR	18.2793	0.0006

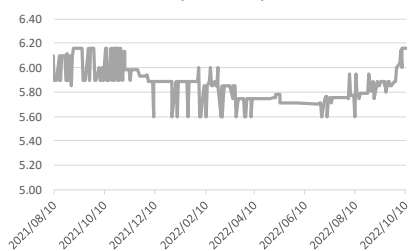
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.223	0.001	SA 10y	10.87	0.065
3y	5.15	-0.07	US 10y	4.129	0.131
5y	6	-0.18	German 10y	2.369	0.091
20y	8.8	0.05	Spread SA 5y vs Bots 5y bpts		
22y	9	0.1		325	23.5

Equities		Commodities			
	Close	Change	Close	Change	
VIX	23.81	-0.18	Gold	1628.4883	-23.339
Dow Jones	30423.81	337.98	Brent Crude	1651.8273	2.38
FTSE	6924.99	16.5	3m Copper	1649.9447	-34.5
JSE All share	65652.5	160.23	LME Index	1641.7584	-11.9
Bots DCIBT	7503.46	27.51	1 carat index	1665.7972	#VALUE!
Nigeria Index	44318.15	-999.63			

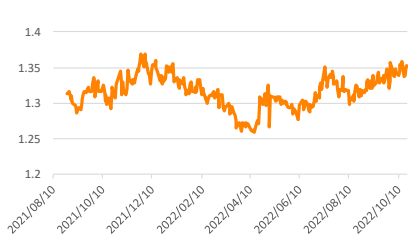
Spot BWP



BWP 5y local bond yield



BWP-ZAR

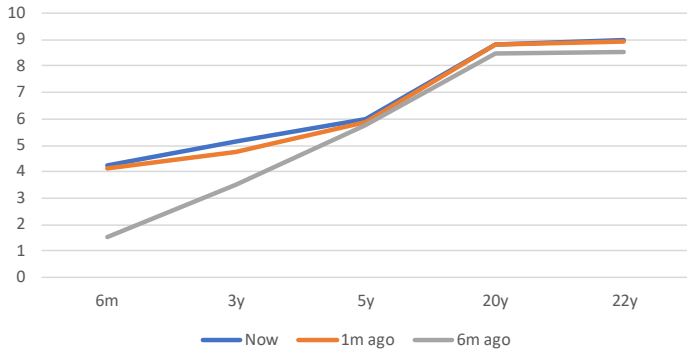


- Botswana's rate decision takes centre stage today. The Bank of Botswana (BoB) hasn't had an easy job this year, balancing economic volatility and prolonged consumer price pressures caused by Russia's war with Ukraine. The central bank's prudent stance and efforts are beginning to bear fruit, following an accumulative 151bps interest rate hikes since the revised interest rate was implemented. Specifically, inflation fell from a 14-year high to 13.8% y/y last month for the first time in many months.
- Still, Botswana's annual inflation rate remains well above the central bank's short to medium-term target of 3% - 6%, which should continue to see the BoB raise interest rates to anchor inflation and expectations and keep up with the global wave of monetary tightening to avoid a further pula blowout and financial market instability. In August, the policy committee raised the MoPR rate by 50bps to 2.65%. The hawkish posturing and the magnitude of the BoB's interest rate hike should be in favour of a further 50bps, with more tightening to follow. Even so, Botswana will continue to yield negative real interest rates. It is worth noting that only one more rate sitting is scheduled for the year on December 1.

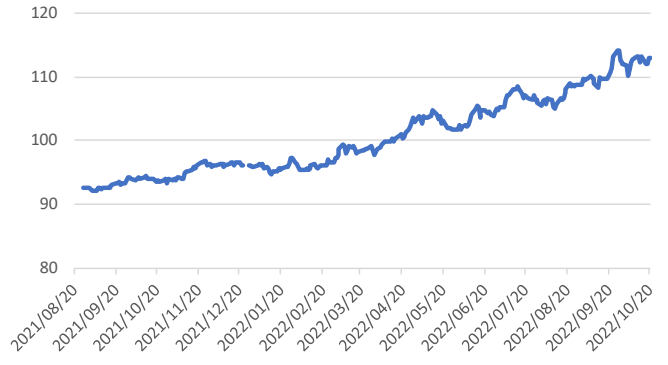
Financial Market Commentary

- Treasury yields surged higher yesterday and took the USD with them. The USD remains firmly on the front foot and has most currencies sliding as a result. This new norm of high prices and tighter financial conditions around the world are fueling concerns about a global recession, driving volatility, risk aversion and demand for safe-haven assets, underpinning USD strength. The USD-BWP snapped its recent string of losses, with the pair climbing back above the 13.400 mark and settling at 13.4412. The BWP will continue to be subject to the sentiment that prevails across financial markets. Further policy tightening by the BoB, however, could offer the BWP some relief, but the more that the USD retains its bid tone, ironically making things even more unstable and volatile, BWP will remain on the back foot.
- US Treasury futures are on the defensive this morning following another surge in yields yesterday as global inflation concerns remain embedded. US yields surged to multi-year highs following the higher-than-expected UK and Eurozone inflation, while rising oil prices added to the bleak outlook for price pressures going forward. A poor 20-year bond auction and corporate deal hedging added to the bearishness for US bonds, which saw the 2yr rise back above 4.55% while the 10yr yield makes its way towards 4.15%. Gilts, however, bucked the global trend and rallied yesterday despite the strong UK inflation print, while bund yields climbed and flattened out the curve as traders ramped up bets for ECB rate hikes.
- Sticky high inflation and persistent hawkish talk from key central bank speakers suggest that bond yields are to remain elevated over the near term, with no signs emerging that any major central bank is thinking of pivoting just yet. The higher yields pressured equity and other risk markets yesterday, and barring any brief technical rallies, this could be expected to continue through the weeks ahead.
- Oil markets are holding onto their gains from yesterday this morning, with prices shrugging off US President Biden's announcements regarding the release of barrels from the US strategic reserves. Biden confirmed that the final 15mn barrels would be released and that more supplies could be tapped in the future. He stopped short, however, of announcing any curbs on US exports, which some were expecting. Helping prices shrug off this news was the data released by the EIA yesterday, which showed that nationwide crude inventories declined last week in the US. However, the bigger news was that fuel supplies are running very low, with the US only having enough diesel reserves to cover the next 25 days.
- Yesterday's gains put Brent just below its 50DMA at \$93.328 per barrel, with supply concerns placing a floor at \$90 per barrel at the moment. However, further down the line we expect that a slowdown for global economic growth and recessions in several major economies will overtake these supply concerns and pressure prices lower. Until then, the market will remain quite volatile as it looks to balance tight supply with expectations of weakening demand

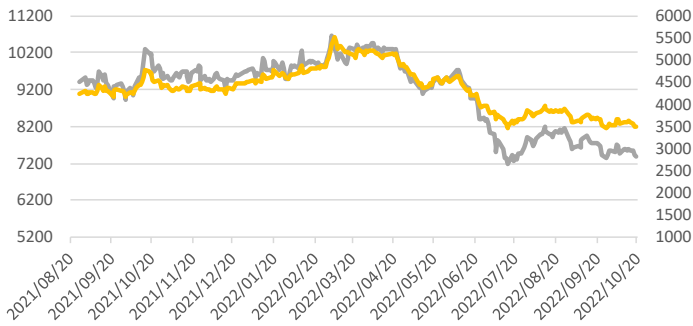
Botswana Yield Curve



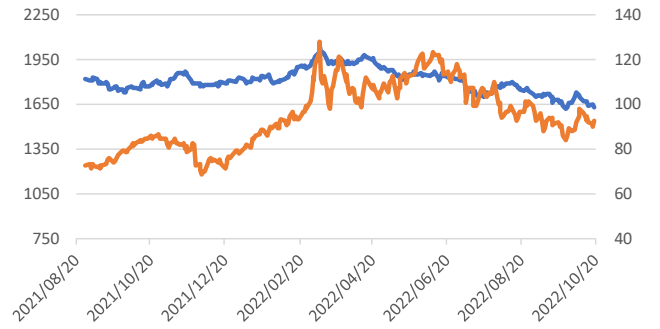
USD Index



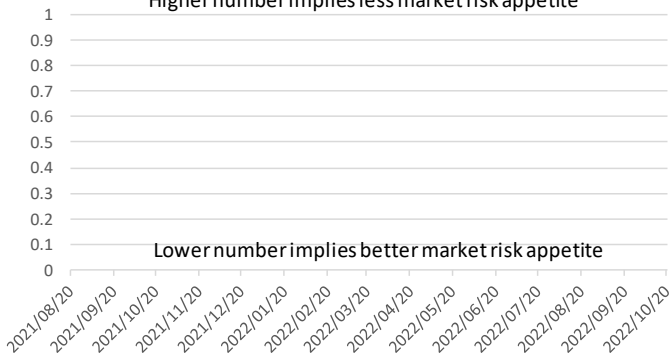
Base metals - Copper L_Hand axis LME Index R_Hand axis



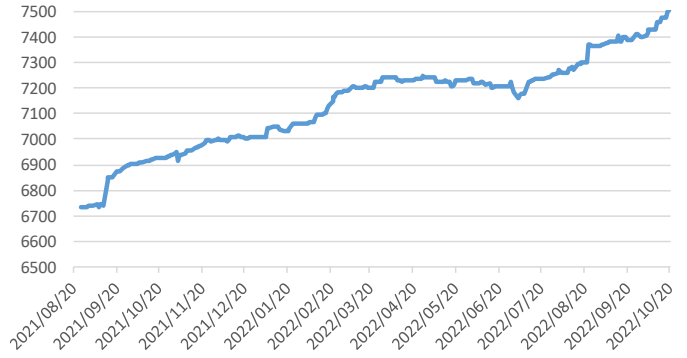
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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