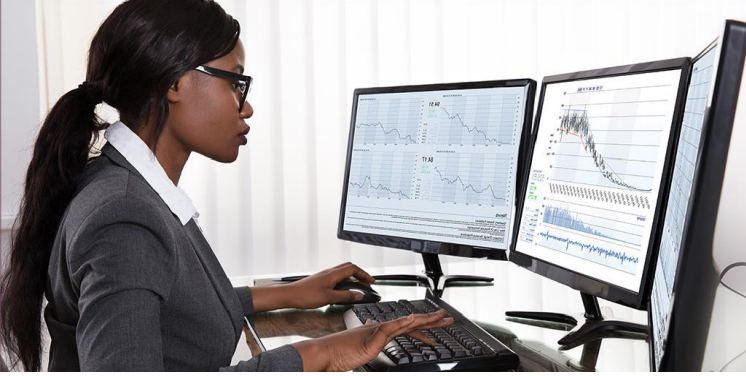


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
06:00	GB	Public sector net borrowing	Sep		11,1bn
06:00	GB	Retail sales excluding auto fuel y/y	Sep	-4,4%	-5,00%
13:10	US	Fed's Williams Makes Opening Remarks at Careers Event			
14:00	EZ	Consumer confidence	Oct P	-30%	-28,8%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>UK Politics</b>	Embattled UK PM Liz Truss resigned yesterday after 44 days in office as it became impossible for her to act on her mandate as she was elected to do	This brings a chaotic tenure of around six weeks to an end, and the Torie party struggles to recover	<b>5/5</b> (politics, economic policy)	After making a U-turn on main tax policies to appease markets and then losing her Chancellor and Home Secretary, the situation became untenable, and she was forced to resign
<b>Japan inflation</b>	Although not high by global standards, at 3.0% y/y, this is the highest inflation reading in Japan for eight years	The core measure has now been above the BoJ's goal for the sixth month, running	<b>3/5</b> (economy, monetary policy)	Inflation data shows a broadening in price pressures, but the BoJ will stick to its ultra-loose policy to protect bonds and prop up its stuttering economy
<b>UK consumption</b>	Confidence amongst British consumers remains close to the worst on record, although the GfK consumer confidence reading did recover to -47 in Oct from -49	With new Chancellor Hunt reversing the tax relief offered under Truss, the data may deteriorate again	<b>5/5</b> (economy)	On top of the cost-of-living crisis and the rise in interest rates, consumers will now face the prospect of an austerity-type economic package which may hurt growth, employment and confidence

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>UK politics</b>	The leadership race is now on to find the next PM, with the front runners at this stage looking like Rishi Sunak and former PM Boris Johnson	Although both are familiar to the market, neither one is a particularly unifying candidate	<b>5/5</b> (politics, economy)	The Tories are a party in crisis and are shaping up to lose more ground and credibility to the Labour party, which in turn is calling for a General election to allow the electorate to have a say
<b>Fedspeak</b>	Philly Fed President Harker said that the Fed would keep hiking rates until it sees a sustained drop in inflation before easing on the pace of rate hikes	Progress on inflation has been slow, and the Fed Funds rate will be above 4% by year-end	<b>5/5</b> (monetary policy, economy, markets)	The shock of aggressive Fed hiking, the rise in US Treasury yields and the impact on the USD is exerting enormous pressure that will lead to severe market dysfunction in the foreseeable future
<b>US Housing market</b>	Yesterday's housing starts data reflected a drop for the eighth consecutive month as supply and demand dynamics turn substantially weaker	With demand collapsing as rates rise, house prices will follow, albeit with a lag	<b>4/5</b> (monetary policy, economy)	A substantially weaker housing market and lower house prices will negatively impact the balance sheets of both households and banks and trigger recessionary type conditions in time

## Highlights news vendors

**BUSINESS LIVE** - [A sudden water crisis years in the making](#)

**FT** - [Germany concedes move to cap gas prices as EU wrestles with energy crisis](#)

**REUTERS** - [Who will replace Truss as UK prime minister? Sunak? Mordaunt? Johnson?](#)

**SOUTH CHINA POST** - [Japan and Australia to share intelligence on 'China's intentions' in new security pact](#)

## Local and regional talking points

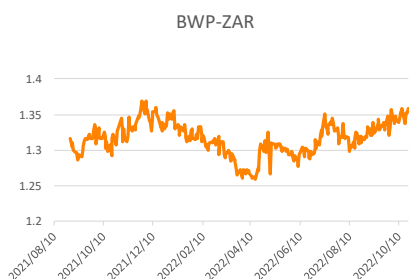
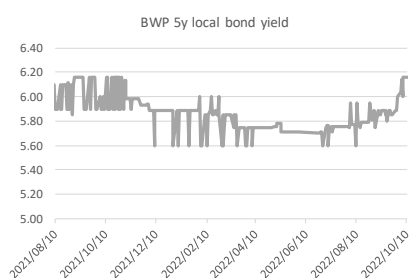
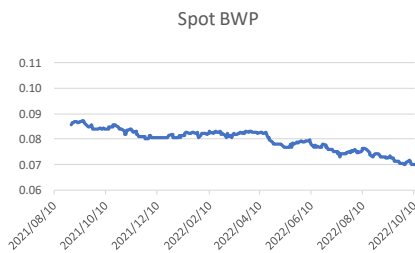
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.303392	1.321632	1.3285095	1.418001
BWPUSD	0.07104	0.093496	0.072409	0.07725
GBPGBP	15.52512	15.739152	15.18924	14.831124
BWPEUR	0.078728	0.079768	0.0743753	0.078234
JPYBWP	11.5752	11.7312	10.935225	11.4774
USDZAR	17.612832	19.090552	18.025633	18.67753525
EURUSD	0.938304	1.016704	0.9602955	0.994708
GBPUSD	1.074816	1.164696	1.100007	1.13949825

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.074	0.0000	1m	-2.48625	0
BWP/GBP	0.0661	0.0003	3m	-6.6885	0
BWP/EUR	0.0757	0.00	6m	-12.6555	0
BWP/ZAR	1.3577	0.0182	12m	-25.74975	0

Dollar Index	Close	Change
EURUSD	0.9774	-0.0009
GBPUSD	1.1191	-0.0042
USDJPY	150.36	0.22
USDNGN	436.11	0
USDZAR	18.3475	0.113

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.406	0.183	SA 10y	10.945	0.075
3y	5.199	0.049	US 10y	4.226	0.097
5y	6.18	0.18	German 10y	2.394	0.025
20y	8.75	-0.05	Spread SA 5y vs Bots 5y bpts		
22y	8.9	-0.1		321.5	6.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.08	-0.82	Gold	1627.6637	-0.8246
Dow Jones	30333.59	-99.99	Brent Crude	1628.4883	-0.03
FTSE	6943.91	-11.75	3m Copper	1651.8273	174
JSE All share	65794.28	-698.48	LME Index	1649.9447	70.3
Bots DCIBT	7537.52	2.13	1 carat index	1641.7584	#VALUE!
Nigeria Index	44332.21	-1048.17			

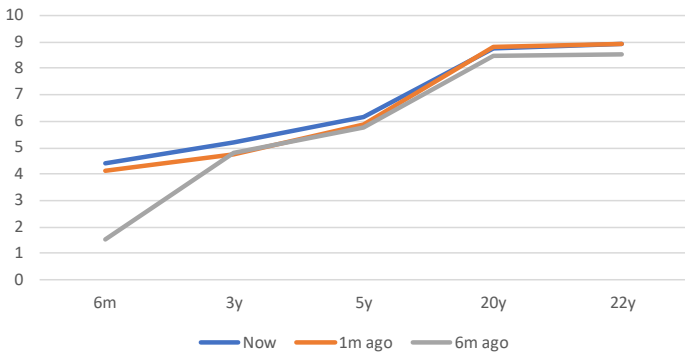


- In a surprise move yesterday, the central bank of Botswana kept its benchmark interest rate steady at 2.65% during its October MPC meeting, following a 50bps rate hike in August. The decision aimed to further support economic recovery against elevated inflationary pressures and global uncertainties. The bank said that elevated inflation in the short term was primarily due to supply-side factors and related second-round effects but that demand remained modest. The headline inflation rate eased to 13.8% y/y in September, down from a near 14-year high of 14.6% y/y in the previous month, and it is forecast to fall back within the 3% - 6% objective range from the third quarter of 2024.
- If currency weakness persists, the central bank could be forced into hiking rates at the December meeting or early next year. The Botswana pula has depreciated by 12.7% on a year-to-date basis against the USD, and the central bank appears to be defending the local currency from weakening past the 13.60/USD mark as it would result in the currency trading in uncharted territory, with increased risk of selling pressure.

## Financial Market Commentary

- In the FX market, the USD couldn't hold on to the risk-off-driven strength seen at the session's start, joining an indecisive market pattern. The trade-weighted DXY eased to trade near 112.6. As the BWP, it was offered some reprieve, with the local currency finishing on stronger footing at 13.4141/USD. Meanwhile, the surprise unchanged rate decision appears to have had no material impact on the pula. It is worth noting that the USD-BWP is trading in an upward-sloping trend channel that extends from Aug 15, with the support sitting at 12.280 and the resistance at 13.870. The pair has attempted to pierce through the resistance twice before, and it is only a matter of time until it breaks out to the topside.
- There is no change to the underlying bullish bias on the USD that continues to respond positively to the rise in US Treasury yields. While the rise in UST yields may be imposing great distress on financial markets worldwide, the Fed remains committed to lifting rates further on account of a disappointing response from inflation to its tightening.
- Core market bonds returned to their weakening ways yesterday, with UST, gilt, and bund yields all rising through the session as the market remains focused on upside inflation risks and the possibility of even more hawkish central bank action. The 2yr Treasury breached the 4.600% level and the 10yr benchmark the 4.250% level, while gilts weakened once again as the political and economic outlook for the country remains as uncertain as ever following the Prime Minister's resignation. Bunds, meanwhile, were pressured by Wednesday's announcement from the DFA that it would increase the amount of securities it can lend to traders in the repo market.
- The move for USTs is reminiscent of 2007 and we may see the pressure on the market persist until yields reach levels last seen just before the 2008 crisis, where the 2yr topped out at just over 5.000% and the 10yr nearly reached 5.300%. With yields where they are, it is not surprising to see that the USD remains supported, pressuring most risk assets, while equity market volatility remains high.
- Oil has had a choppy week so far as traders balance economic slowdown risks with tight supply conditions. Brent has risen to near \$93 per barrel this morning after failing yesterday to break above the 50DMA at \$93.22 and test the \$95 level. The market was boosted yesterday by some positive news out of China, as there were suggestions that some of the country's travel curbs could be eased. However, a strong dollar and recession risks for many major economies have prevented the bulls from gaining complete control. While the supply situation will remain tight and prevent a major sell-off for crude for now, its upside will also remain fairly capped until we start to see signs that global central banks will ease off the tightening pedal and prevent their economies from heading into a protracted economic slump.
- This outlook is supported by the Brent futures term structure, which shows that the prompt timespread remains backwardated but well off the levels seen earlier this year when oil prices were soaring. The spread is currently around \$1.86 per barrel, up from levels seen a week ago of \$1.48 but well below levels of over \$4.00 per barrel during the height of the energy uncertainty crisis sparked by Russia's war in Ukraine.

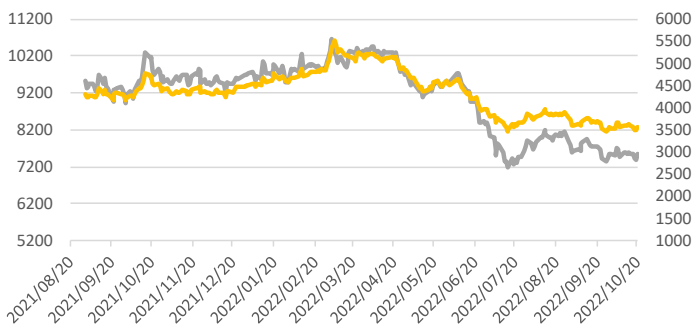
### Botswana Yield Curve



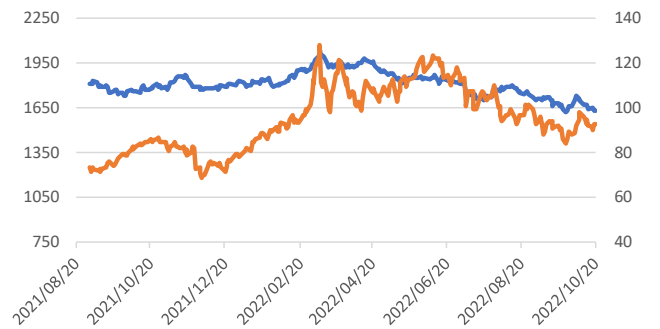
### USD Index



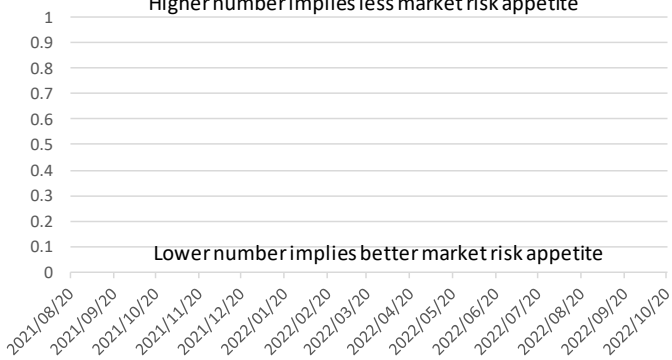
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



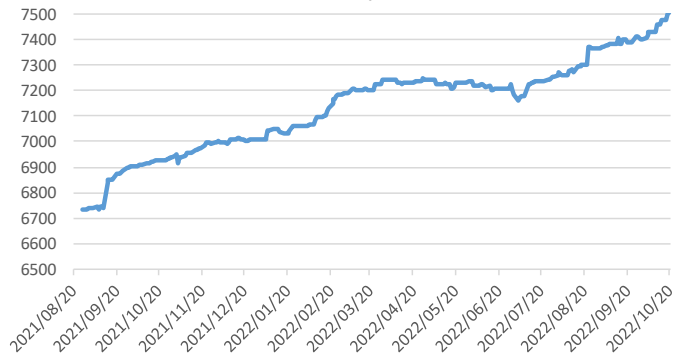
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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