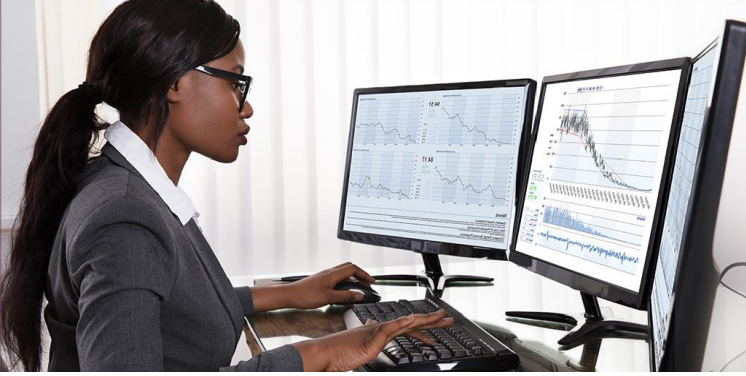


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
06:00	GE	Producer prices y/y	Jun	33,3%	33,6%
06:00	GB	CPI y/y	Jun	9,3%	9,1%
11:00	US	MBA mortgage applications	Jul 15		-1,7%
14:00	US	Existing home sales	Jun	5,4mn	5,41mn
14:00	EZ	Consumer confidence	Jul P	-24,9%	-23,6%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Equity Markets	US shares rallied by the most since June while European futures are in the green this morning as tech surges after positive Netflix earnings	The positive tech earnings suggest that the economy may be more resilient than suggested by banks	4/5 (equity markets)	The tech-led rally could still have some legs given how poorly the shares have performed this year so far. Earnings calls from Tesla and several others will now become the focal point
US Dollar	The US dollar has retreated off its recent highs, with the trade-weighted DXY Index down more than 2.50% from last week's peaks	A softening USD is providing support to risk assets this week, with metals and EM FX rebounding	4/5 (fx markets, risk sentiment)	Waning haven demand has boosted risk appetite as the market prices out some Fed tightening. However, the losses for the USD will be capped for now as the Fed is still set to hike aggressively
European Gas	Russia's Gazprom has said that it will restart gas exports through Nord Stream to Europe later this week but at a reduced capacity	Europe's energy crisis is set to continue just as the winter months approach	4/5 (economy)	The energy crisis in Europe is pushing the region into an economic slowdown with recession risks building as alternatives to Russia are hard to find

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK Politics	The race to replace PM Johnson is heating up with the results of the fifth and final ballot to be revealed this afternoon, determining who will run against Sunak	Installing a new PM will provide some stability to UK politics, something that has been lacking in recent months	4/5 (politics)	Foreign Secretary Truss now looks to be the favourite to go up against Sunak. However, accusations of tactical voting suggest that the race may actually be a lot more open than what is currently suggested
Italian Politics	PM Draghi will announce today whether he will reverse his resignation in order to avoid plunging Italy into political chaos and a possible debt crisis	Political turmoil and an uncertain way forward could be the catalyst to a full-blown debt crisis	4/5 (politics, fixed income markets)	Reports suggest that the ruling coalition have a plan to convince Draghi not to resign. If successful, this would prompt a rally for Italian debt and support the EUR
Central Banks	The ECB and BoJ will announce their latest policy decisions this week, with expectations that the ECB will kickstart its hikes while the BoJ will stand pat	The decisions will provide near-term direction for FX markets as well as the economic outlook	5/5 (monetary policy)	Barring the BoJ, the global central bank landscape continues to shift towards tighter policy, keeping risk assets under pressure and economies heading for a potential recession

Highlights news vendors

CNBC - [Global chip shortage is not over and the slowdown is 'going to bite,' IDC says](#)

BUSSINESS LIVE - [South Africa is at Another Crossroads](#)

FT - [Netflix loses 1mn subscribers but defections are fewer than feared](#)

SOUTH CHINA POST - [China on cusp of joining high-income club, but slowdown raises spectre of middle-income trap](#)

REUTERS - [Australians urged to work from home as winter Omicron wave swamps hospitals](#)

Local and regional talking points

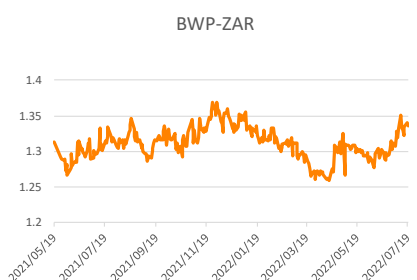
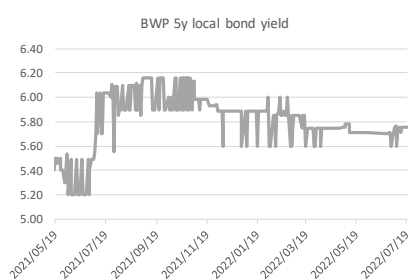
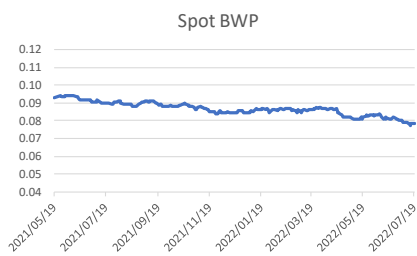
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.282848	1.294272	1.3075696	1.388646
BWPUSD	0.075072	0.093496	0.0765187	0.080958
GBP/BWP	15.87976	16.003	15.536208	15.07975
BWPEUR	0.079352	0.079976	0.0749648	0.078438
JPY/BWP	11.2216	11.3152	10.601175	11.0704
USDZAR	16.40496	17.79388	16.789451	17.40891625
EURUSD	0.98352	1.065896	1.0065713	1.04283575
GBPUSD	1.15488	1.25164	1.1819475	1.22456125

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0782	-1E-04	1m	-2.21325	-78.67257
BWPGBP	0.0652	-0.0003	3m	-5.66475	-116.971
BWPEUR	0.0765	0.00	6m	-14.600625	-182.2323
BWPZAR	1.3357	0.0137	12m	-25.06725	-324.2641

	Close	Change
Dollar Index	106.543	-0.139
EURUSD	1.0243	0.0019
GBPUSD	1.2028	0.0033
USDJPY	138.02	-0.16
USDNGN	414.9	0
USDZAR	17.0944	0.0113

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.35	0	SA 10y	11.115	0.03
3y	4.83	0	US 10y	3.019	0.059
5y	5.76	0	German 10y	1.278	0.064
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		376.5	-0.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.5	-0.8	Gold	1711.0656	2.0538
Dow Jones	31827.05	-215.65	Brent Crude	107.35	1.08
FTSE	7296.28	64.23	3m Copper	7277.5	-149
JSE All share	67785.04	1927.24	LME Index	3557.2	-55.8
Bots DCIBT	7234.74	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	52308.88	104.82			



• Ahead of the long weekend, Botswana published its June inflation figures, which continued their broad upward trend seen in recent months. In particular, the headline inflation figure accelerated to 12.7% y/y in June from 11.9% y/y in the previous month. This was the fastest pace of price growth in the economy since January 2009 and was driven by increases in major components such as transport, food and non-alcoholic beverages, housing, water, electricity, gas and other fuels. A weaker pula and elevated global energy prices also contributed to the headline figure. Given upside risks to the inflation outlook amid elevated global commodity prices, supply and production constraints, and a weakening local currency, it places additional pressure on the Bank of Botswana to continue its policy normalisation. But as with many other emerging market central banks, policymakers will be juggling growth and inflation. Until there are more telling signs of slowing inflation or dovish commentary from Botswana's bank board members, the market will likely continue to position for further rate hikes.

• It is a quiet day in the domestic economy today, shifting all the focus to inflation data out of South Africa ahead of Thursday's rate decision. Consumer prices in South Africa continue to rise as year-on-year CPI increased to 6.5% in May compared to 5.9% in April, market consensus pencilling in 7.3% for the June reading, well above the target range set by the SARB of 3-6%. The release will set the stage for tomorrow's SARB meeting, which should be a sombre affair. It is important to note that an environment of high prices and weak domestic economic performance raises the risk of large-scale social and political unrest that may impact economic activity.

Financial Market commentary

• Southern Africa FX currencies are losing ground this week, with the South African Rand being the exception. The Botswana Pula is relatively unchanged, while the Mozambican metical and the Zambian kwacha have declined by a marginal 0.05% and 0.15%, respectively.

• As for the BWP, it came under pressure yesterday, despite dissipating risk aversion and a more than 1.4% decline in the USD this week. Thinned-out liquidity conditions with the local market shut for a long weekend capped its gains. The return of trading volumes today should offer the currency some support after selling off yesterday. The rand, meanwhile, will trade cautiously in the coming days, with investors wary of risk both from a local and international perspective, given the heavy central bank calendar. Thus expect the R17.00 mark to be the pivot for now.

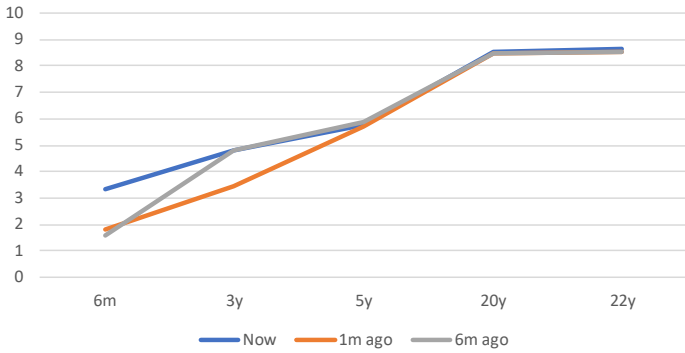
• In the fixed income market, core bonds were under pressure yesterday, with USTs, bunds, and gilts all weakening as global risk sentiment improved. Yields climbed to one-week highs as a result, with a rally in equity markets and a rising ECB tightening premium weighing on the market. Reports also suggest that liquidity levels were a driver of the rise in yields yesterday, with trading volumes declining and transaction costs increasing, likely as investors take a more cautious approach ahead of several major central bank decisions over the next two weeks. Therefore, we could see liquidity levels remain relatively thin over the coming sessions, which could keep yields topside focussed.

• We have also seen a rally for yields in other key markets this morning, with Australian bond yields rising to over 3.55% for the 10yr tenor and 3.20% for the shorter-dated 3yr tenor. The increase in yields down under followed some hawkish comments from RBA Governor Lowe, who suggested that rates will rise above neutral, which is estimated at around 2.500%.

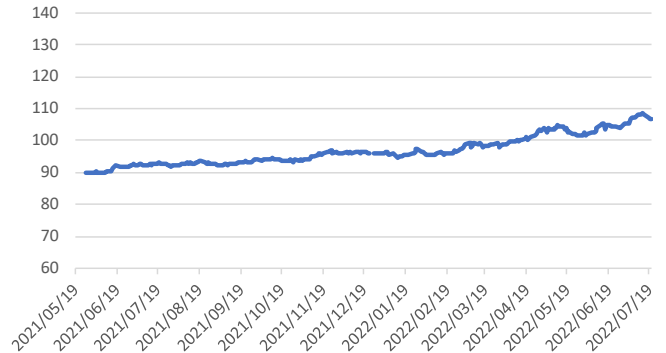
• Oil markets continued to climb yesterday, supported by a weaker USD and improving risk sentiment. Brent climbed to over \$107 per barrel as a result, although we have seen it dip marginally this morning with traders turning their focus to inventory levels. API data released yesterday showed that US inventories climbed by 2mn barrels last week, with the official government data out today. If these numbers confirm the inventory build, it could spark a round of profit-taking on oil's recent rally.

• Interestingly, Bloomberg calculations suggest that OPEC+ members raised their crude output by more than 527k barrels per day in June, taking total output to 38.05mn barrels per day. This increase was more than the output increase quota set for the month, suggesting that members are trying to make up for lost output in previous months. With this, the group's under-production levels shrank to 2.76mn barrels per day, the first time since November that this number has declined. This speaks to narrowing global deficits, which could keep a cap on oil prices for now, barring any further supply shocks.

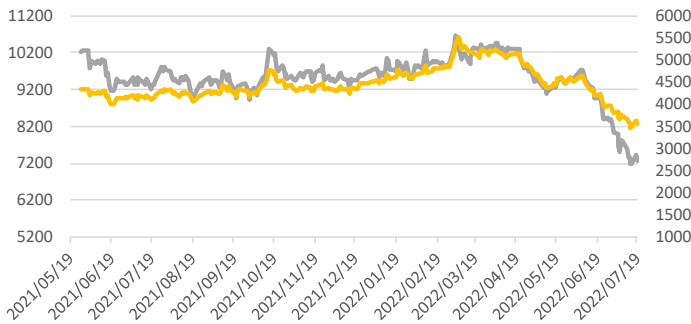
Botswana Yield Curve



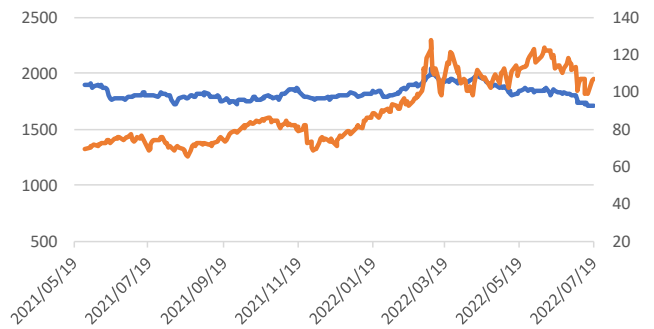
USD Index



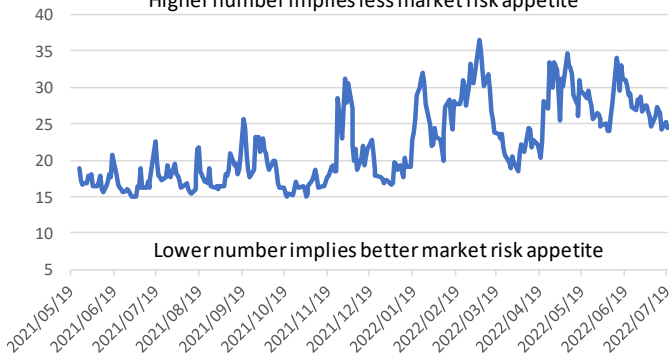
Base metals - Copper L_Hand axis LME Index R_Hand axis



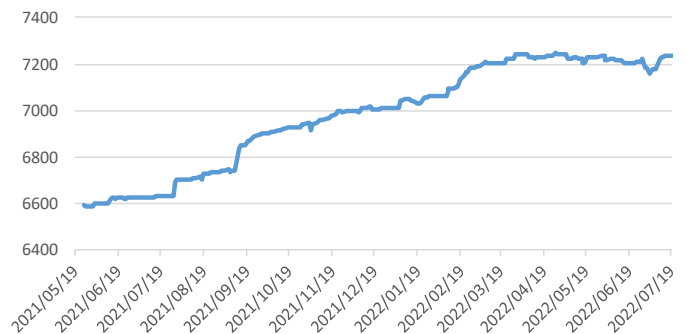
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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