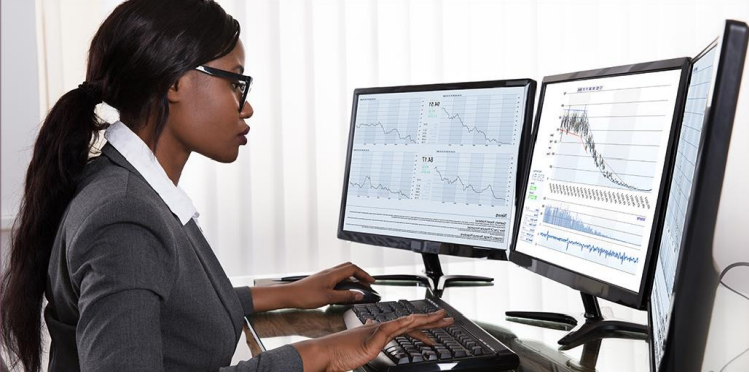


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
08:00	GE	IFO business climate	Jul	90,5	92,3
12:30	US	Chicago Fed activity index	Jun		0,01

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukraine exports	Although a "deal" has been struck between Ukraine and Russia to resume exporting through its ports, Russia has attacked Odessa	Ukraine will press ahead to try alleviate food shortages but says Russia can't be trusted	5/5 (politics)	Moscow and Kyiv signed a deal on Friday that would allow Ukrainian shipments to leave the ports. That would help ease inflationary pressures, but the deal remains tenuous as Russia attacks
Global growth	The US yield curve has inverted convincingly, inflation has spiked more than expected, central banks are acting more aggressively, and the risk of a recession has increased	Financial markets may not be done with pricing in all that needs to be priced in, given the fluidity of the situation	4/5 (economy, markets, economy)	The business cycle has turned. However, how far it will moderate remains unclear. Unless earnings results start to reflect the heavy burden carried the temptation of a big-scale sell-off in stocks might be avoided
Oil price	Global growth is slowing, Russia will unblock oil supplies to countries not imposing a price cap, and Libya is set to start pumping more oil	The combination has allowed the oil price to trade weaker, and it could maybe retest recent lows	4/5 (markets)	Any easing of sanctions amid a slowdown in demand and an increase in production will place a cap on oil prices and take the edge off inflationary pressures in the months ahead

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US Earnings	The week ahead will be important in driving overall equity market sentiment. Microsoft, Apple, Alphabet, Meta and Amazon will all be reporting	It is the final week before N Hemisphere summer kicks in and could set the stage for sentiment in Aug	4/5 (markets, economy)	Should the results come in better than feared, the overall earnings season will be regarded as better than expected and could lend itself to supporting stock markets through the rate hikes
FOMC	This week the FOMC will deliver its latest decision, and the market has another 75bp rate hike priced in as the Fed tries to catch up to the inflation curve	Such a heavy-handed response in a highly indebted economy will impact the business cycle	5/5 (monetary policy)	Constraining growth to squeeze inflation out of the system is the only approach that the central bank has at its disposal, and it is clear from the inflation data that there is more tightening needed
Monkeypox	Although the WHO has declared monkeypox a global health emergency which will prompt global co-ordination to help prevent its spread	The risk to global travel and trade is considered far lower than it was for Covid, and vaccines exist	2/5 (economy)	The WHO has also indicated that it is unlikely that monkeypox will morph into a global pandemic. The risk of this holding any disruptive potential for the global economy appears very low

Highlights news vendors

CNBC - [WHO declares rapidly spreading monkeypox outbreak a global health emergency](#)

BUSSINESS LIVE - [SA simply cannot afford a BIG](#)

FT - [EU countries seek exemptions to Brussels' plans to cut gas demand](#)

SOUTH CHINA POST - [Don't just reopen Hong Kong – have a plan and do it correctly](#)

REUTERS – [Ukraine works to resume grain exports, flags Russian strikes as risk](#)

Local and regional talking points

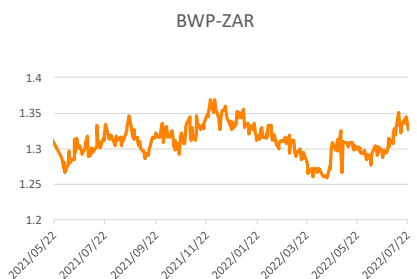
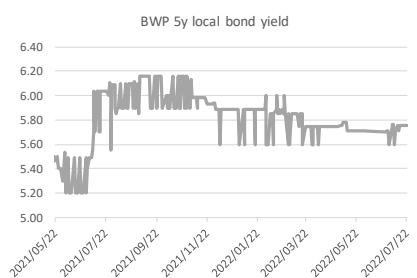
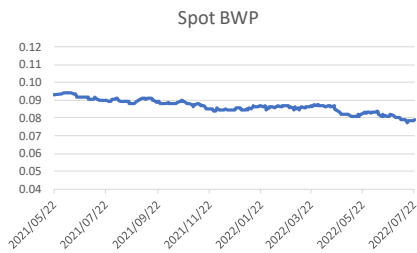
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.273344	1.284	1.2978824	1.377625
BWPUSD	0.075648	0.093496	0.0771058	0.081576
GBP/BWP	15.699528	15.824328	15.359875	14.911386
BWPEUR	0.080288	0.080912	0.075849	0.079356
JPY/BWP	11.1696	11.2528	10.55205	11.00935
USDZAR	16.158624	17.518696	16.537342	17.13968575
EURUSD	0.979872	1.061944	1.0028378	1.03896925
GBPUSD	1.150656	1.24696	1.1776245	1.2199825

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0788	0.0004	1m	-2.09625	-32.03697
BWPGBP	0.0656	0.0002	3m	-5.616	-122.4971
BWPEUR	0.0771	0.00	6m	-12.5385	-327.7025
BWPZAR	1.3262	-0.0095	12m	-25.57425	-972.8484

	Close	Change
Dollar Index	106.629	-0.101
EURUSD	1.0207	-0.0003
GBPUSD	1.1989	-0.0013
USDJPY	136.19	0.14
USDNGN	414.22	0
USDZAR	16.83	-0.0004

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.35	0	SA 10y	10.54	-0.21
3y	4.14	-0.69	US 10y	2.781	-0.127
5y	5.76	0	German 10y	1.023	-0.197
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		342.5	-12

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.03	-0.08	Gold	1726.46	7.9676
Dow Jones	31899.29	162.06	Brent Crude	103.2	-0.66
FTSE	7276.37	6.2	3m Copper	7452.5	130.5
JSE All share	68069.58	254.78	LME Index	3666.5	69.1
Bots DCIBT	7237.19	0	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	51979.92	-64.52			

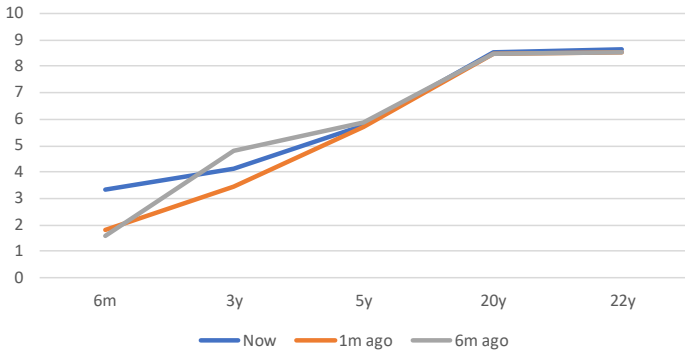


- It has been relatively quiet in Botswana regarding economic data, and the blackout continues this week, leaving the focus on local news headlines and broader macroeconomic themes. Several month-end economic data releases from South Africa are due for release this week, which will provide further insight into an economy still grappling with inflation and weaker economic activity, all suggesting growth is slowing but has not fallen off of a cliff yet.
- On the news front, Botswana Democratic Party (BDP) members on Friday requested their party leader, President Mokgweetsi Masisi, to limit international travel next year to focus on electoral campaigns ahead of the 2024 General Election. According to an insider, they want the President to start party campaigns as early as possible. "The members believe that the dynamics of politics keep on changing every general election and therefore, for the party performance to keep on improving, they should not be comfortable," the insider said. Botswana has its general election in 2024, with most of the political parties going for primary elections next year.
- In terms of commodities, weaker demand expectations are weighing on the sector. The combination of mainland China's strict zero-COVID policy and tightening monetary policy has markets now pricing in at least a mild recession in global manufacturing. This easing in demand-side pressure does have a silver lining - the disruptions and bottlenecks that have plagued supply chains for the past two years are slowly being resolved. This is evident in the Purchasing Manager Index data for backlogs, delivery times and reported shortages, all of which are showing slow improvement. This does suggest an easing in cost pressures in goods markets in the coming months. One caution is that spare capacity in energy markets and inventory in metal markets remains low, exposing both to a potential rebound in prices should there be any loss in supply or better than expected demand.

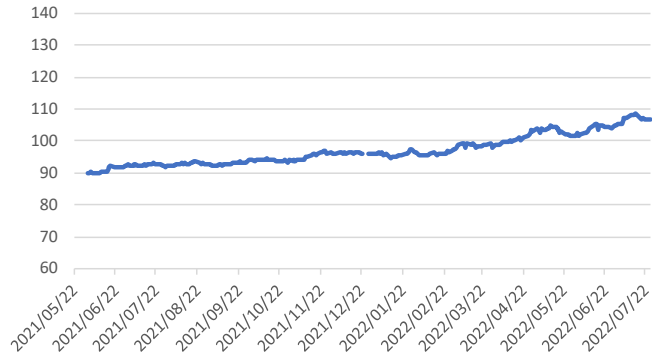
Financial Market commentary

- African currencies have broadly come under pressure this year amid challenges ranging from dollar liquidity as global conditions continue to tighten, widening current account deficits, and the negative impact of the war in Ukraine. 15 out of 22 African countries tracked by Bloomberg on a year-to-date basis against the USD are in the red.
- The Botswana pula is currently ranked as the 17th worst performing African currency against the USD, losing more than 7% YTD, worse off than its peer, the Rand, which has shed more than 5%. The BWP has been steadily moving off its lifetime lows, currently trading at 12.6587/USD, thanks to positive investor sentiment in the economy and a promising economic growth outlook. This narrative is being tested by the broad strength of the USD that has knocked the breath out of riskier assets.
- In the global bond market, bond yields plunged on Friday as recession fears resurfaced following some weak PMI numbers. As a result of the weak data, traders are reassessing their bets on the Federal Reserve and other central banks' hiking rates, although consensus is still for a 75bp increase at the FOMC meeting this week. We have seen a bit of rebound in yields in early trade this morning, but the 10yr UST is still below 2.800%, keeping the US yield curve notably inverted with the 10v2 spread now around -20bp.
- There seems to be no denying that the global economy is coming under pressure and that central banks will need to reevaluate their rate hiking trajectories. The markets are clearly pricing in a slowing economy, and this will continue to see yield curves flatten and dent appetite for risk assets. The UK yield curve, for instance, flattened the most in several weeks on Friday, with the 10v2 spread there now at just 10bp, its narrowest since mid-February.
- Oil is under pressure as we start the new week, with Brent futures dropping below \$103 per barrel and WTI slumping to \$94 per barrel. Oil prices dropped for a third straight week last week and have continued those losses today as global economic growth concerns outweigh a tight market at the moment. We also had the restart of flows at the Keystone Pipeline in the US on Friday following a brief outage, which added some downside pressure to the market.
- Looking ahead, focus will be on the Federal Reserve meeting this Wednesday. Another large interest rate hike is expected from the FOMC, which will continue to crimp demand and impact economic dynamism in the US. While this is largely priced in already, it will still be a downside risk to oil markets. Traders will also be watching some other key data such as US GDP and some more up-to-date figures such as durable goods orders and economic confidence numbers out of both the US and Europe. After last week's weak PMI figures, any downside surprises in the numbers will weigh on oil prices amid expectations of lower demand.

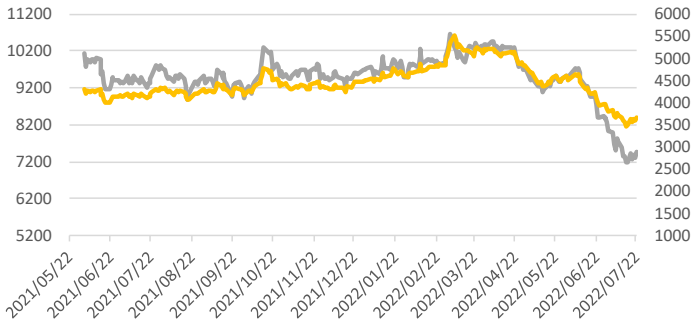
Botswana Yield Curve



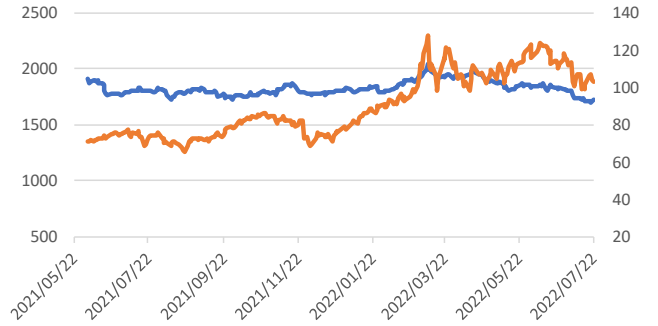
USD Index



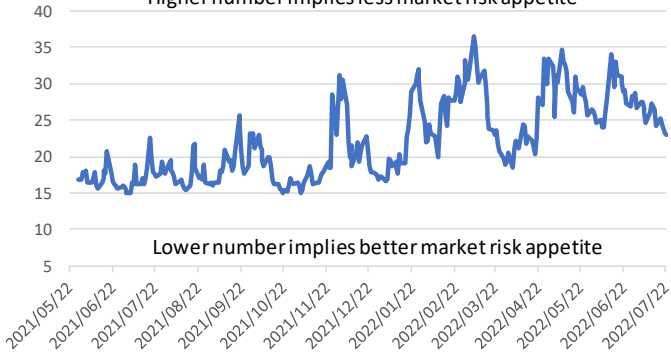
Base metals - Copper L_Hand axis LME Index
R_Hand axis



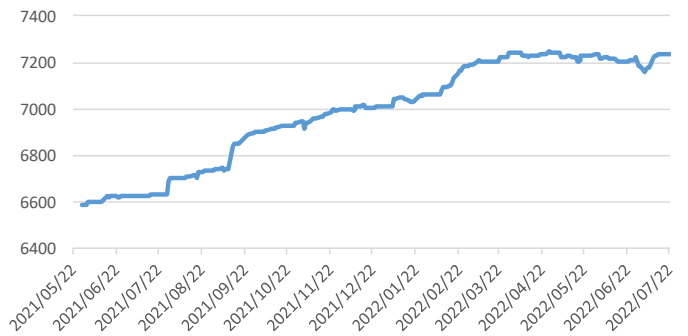
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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