

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
05:00	JN	Leading index	May F	101,2 A	101,4
06:00	GE	GfK consumer confidence	Aug	-28	-27,4
08:00	EZ	M3 money supply sa y/y	Jun	5,4%	5,6%
11:00	US	MBA mortgage applications	Jul 22		-6,3%
12:30	US	Durable goods orders m/m	Jun P	-0,5%	0,8%
12:30	US	Advance Goods Trade Balance	Jun	\$-102,85bn	\$-104,3bn
14:00	US	Pending home sales y/y	Jun		-12,00%
18:00	US	FOMC rate decision	Jul 27	2,5%	1,75%
18:30	US	Fed Chair Holds Press Conference Following FOMC Meeting			

Factors Overnight	What happened?	Relevance	Importance	Analysis
UK Confidence	A survey conducted by the Recruitment and Employment Confederation into hiring and making investments has fallen to -13, dropping to a pandemic low	Such is the impact of the rising inflation, interest rates and the cost of living that demand has softened	4/5 (markets)	Britain's economy is under considerable pressure, and that is unlikely to let up in the foreseeable future. Inflation is still rising, and so are rates. Global growth has also been revised down.
IMF forecasts	The IMF has once again cut its forecasts for global growth and has warned that a recession in many economies could be on the cards	Global growth has been revised down to 3.2% from 3.6%, with many economies under pressure	5/5 (economy)	The detail of the forecast is important. The IMF anticipates a slowdown to just 0.6% y/y in Q4, which means that the risk of a global recession is high, especially if a major economy falters
Aussie inflation	Australian inflation has risen to a 21-yr high, with the peak still to come. Core inflation has risen to a record 4.9% y/y vs the RBA target of 2-3%	This surge in inflation will likely see the RBA respond with a 50bp rate hike. 75bp is seen as a step too far	4/5 (economy)	The RBA will be joining its peers in responding to the inflation threat in their economy and adding to the pressure global central banks are exerting on the global economy
Factors on the Radar	What happened?	Relevance	Importance	Analysis
US-Sino relations	President Biden will speak to Chinese leader Xi Jinping on Thu amid deteriorating relations sparked by rising tensions over Taiwan	US Ambassador to China Burns described relations as the worst since 1972	4/5 (geopolitics)	All this comes against the backdrop of US Speaker Pelosi indicating that she could visit Taiwan next month on her trip to Asia. China has warned of severe repercussions of such a trip
FOMC	Today 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
Russian gas	From today, Russia's Gazprom has indicated that it will cut flows through the Nord Stream 1 pipeline, reportedly for maintenance reasons	There is a high probability that the EU will face a gas supply shortage through the winter	4/5 (economy, market)	Although the summer months are usually used to conduct maintenance, this time, the fear is that the gas supply shortage will extend into the winter to raise the pressure on the EU

Highlights news vendors

CNBC - [Microsoft misses estimates but stock up 5% on rosy guidance](#)

BUSSINESS LIVE - [IMF sees light in darkness for SA as it raises GDP forecast](#)

FT - [Germany rethinks nuclear power exit due to threat of winter energy crunch](#)

SOUTH CHINA POST - [US officials call China's actions in the South China Sea unsafe and increasing](#)

REUTERS - [China's industrial profits rebound in June though headwinds remain](#)

Local and regional talking points

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.275744	1.286208	1.3003287	1.379994
BWPUSD	0.075456	0.093496	0.0769101	0.081679
GBP/BWP	15.820584	15.94268	15.478312	15.02291
BWP/GBP	0.0806	0.081224	0.0761438	0.079662
JPY/BWP	11.2008	11.284	10.581525	11.039875
USDZAR	16.230432	17.592952	16.610833	17.21233525
EURUSD	0.973824	1.055392	0.996648	1.032559
GBPUSD	1.156608	1.253096	1.183716	1.22598575

Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0786	-0.0005	1m	-2.09625	-34.09821
BWPGPB	0.0653	-0.0004	3m	-5.56725	-126.2423
BWPEUR	0.0777	0.00	6m	-14.71275	-344.581
BWPZAR	1.3311	-0.0065	12m	-25.86675	-1010.089

Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
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BWPZAR	1.3311	-0.0065	12m	-25.86675	-1010.089

Dollar Index

	Close	Change
Dollar Index	107.033	-0.156
EURUSD	1.0144	0.003
GBPUSD	1.2046	0.0021
USDJPY	136.99	0.08
USDNGN	414.75	0
USDZAR	16.908	-0.0274

Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.67	0.15
3y	4.14	0	US 10y	2.787	-0.033
5y	5.76	0	German 10y	0.928	-0.102
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		341	9

International Fixed Income

Yield curve	Close	Change		Close	Change
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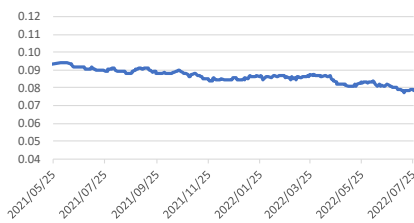
Equities

	Close	Change		Close	Change
VIX	24.69	1.33	Gold	1717.0005	-1.7795
Dow Jones	31761.54	90.75	Brent Crude	104.4	-0.75
FTSE	7306.28	29.93	3m Copper	7536.5	57.5
JSE All share	68421.8	-319.79	LME Index	3663	14.4
Bots DCIBT	7244.38	2.28	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50442.37	-579.39			

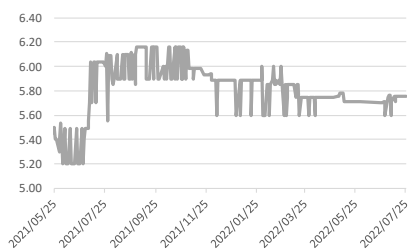
Commodities

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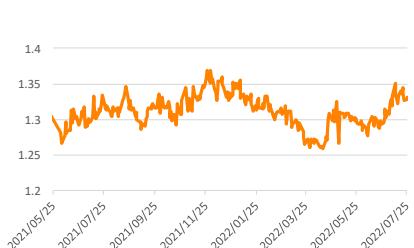
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- In an attempt to attract investors to do business in Botswana, the government urged the audience at the just-ended US-Africa Business Summit to "make hay while the sun shines". Speaking at the summit, President Mokgweetsi Masisi highlighted the nation's stable economic outlook and that it remains a top investment country, despite the pandemic having chipped away at some sectoral gains. "We have, as a country, managed to maintain a positive economic outlook going forward, with both Moody's and Standard and Poor's rating agencies, giving us an 'A' sovereign credit ratings, the only country in mainland sub-Saharan Africa to have such a rating," he said.

- Speaking on the sidelines of the conference, Botswana's Minister of Trade and Industry, Mmusi Kgafela, said it was paramount for Africa to increase intra-continental trade and industrialisation. This is a longer-term plan and would require governments to draw on the lessons learned from Covid to meet the basic needs of growing populations, creating jobs and wealth.

- With growth dynamics in focus, it is worth having a look at the International Monetary Fund's latest World Economic Outlook (WEO) published on Tuesday. The global economic outlook has soured since the April WEO, with growth expected to slow from 6.1% in 2021 to 3.2% in 2022 and to 2.9% in 2023. The IMF noted that the downside risks highlighted in the April WEO are materializing. These risks include higher inflation worldwide, triggering a sharp tightening in global financial conditions, a sharper than expected slowdown in China and the adverse effects of the war in Ukraine on the global supply chain.

- Encouragingly, the IMF said that the outlooks for countries in the Middle East, Central Asia and sub-Saharan Africa remain unchanged or positive, reflecting the effects of elevated fossil fuel and metal prices for some commodity-exporting countries. Economic activity in sub-Saharan Africa is expected to expand by 3.8% in 2022 and 4.0% in 2023.

Financial Market commentary

- The USD-BWP rose yesterday as it responds to the pull of a stronger USD with risk appetite brewing ahead of the FOMC meeting today. The pair closed at 12.6746 to snap three consecutive losing streaks and risk revisiting its July peak of 12.5800. In the month's final week, the pair has gained more than 1.6% and is among six of the top performing African FX pairs this month.

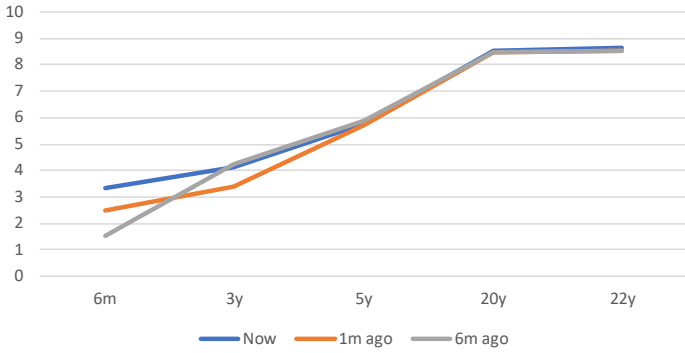
- Today's FOMC meeting is widely anticipated to deliver a 75bp rate hike, but the message about how much tightening may come thereafter, how quickly and for how long still poses challenges to risk assets that investors are seemingly unwilling to leave on the table ahead of the meeting. Asian currencies were mainly slightly weaker against the USD. The trade-weighted DXY will likely trade around the 107 mark heading into the decision.

- US Treasury and other core market bond yields dipped yesterday as the IMF flagged growing economic growth risks in its latest World Economic Outlook update. The fund downgraded growth forecasts for most countries, including big downward revisions for the US and China, cutting more than a percentage point off their prior forecasts for these two. US data releases also disappointed yesterday, supporting the economic slowdown narrative with New home sales at their lowest in two years and consumer confidence at its weakest in almost 18 months. The decline in yields was limited by the looming Fed meeting, with the swaps market still pricing in a full 75bp rate hike for tonight. The guidance offered tonight will, of course, be key in determining the direction for the market going forward. We see a risk that the Fed could ease off its hiking cycle from September, slowing the pace of hikes into the end of the year. If something along these lines is announced, we could see a notable rally for USTs as well as other core bonds.

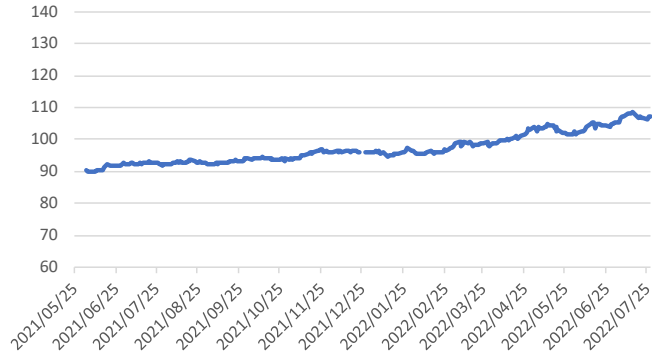
- Oil prices are steady this morning after a relatively volatile session yesterday, which saw Brent crude prices reach \$107.50 per barrel before retreating back down to levels near \$104.40, where we are currently trading. A decline in crude stockpiles in the US and the ongoing energy crisis in Europe were not enough to support the market amid a stronger dollar on the session and some bleak economic growth forecasts from the IMF, impacting the demand outlook.

- The market is also turning its attention to the Fed meeting today, which has kept investors cautious and has also drained liquidity from several markets. Expectations are that a 75bp increase is coming, but the more important aspect will be the guidance provided. If the Fed remains hawkish and suggests another 75bp increase is coming in September, oil prices may tumble. If Powell and co. turn a bit less hawkish and hint the pace of rate hikes will slow, we will very likely see a rebound back towards levels near \$110 per barrel from Brent.

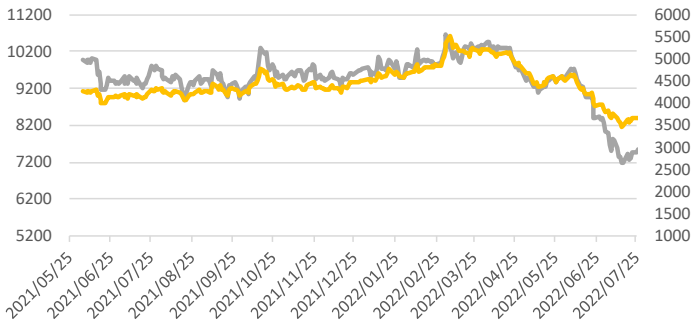
Botswana Yield Curve



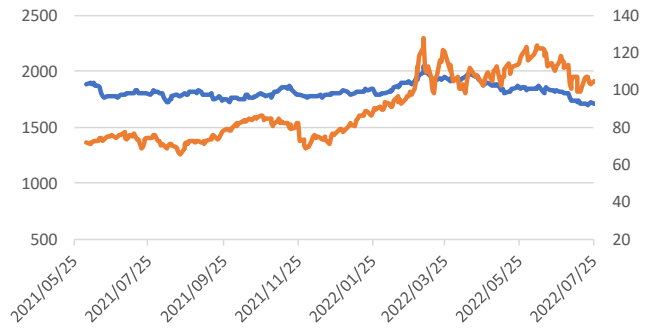
USD Index



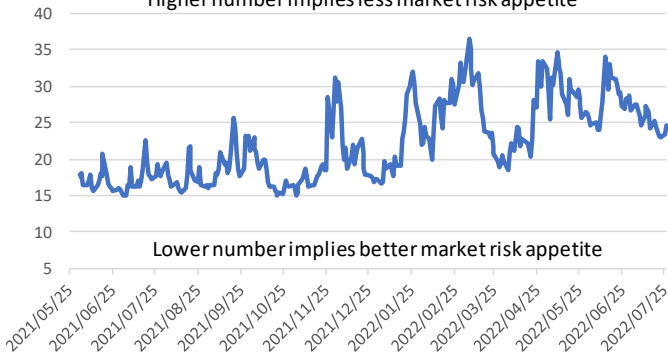
Base metals - Copper L_Hand axis LME Index R_Hand axis



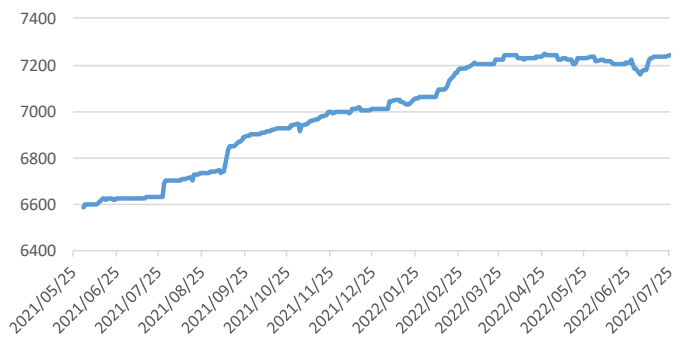
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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