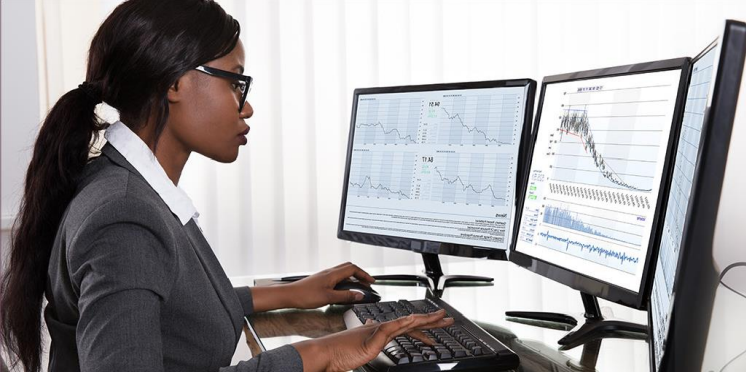


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
09:00	EZ	Consumer confidence	Jul F		-27%
12:00	GE	CPI y/y	Jul P	7,5%	7,6%
12:30	US	GDP q/q annualised	2Q A	0,5%	-1,6%
12:30	US	Personal consumption	2Q A	1,2%	1,8%
12:30	US	Initial jobless claims	Jul 23		251k
13:00	EC	ECB's Visco Speaks			
15:00	US	Kansas City manufacturing activity	Jul		12

Factors Overnight	What happened?	Relevance	Importance	Analysis
FOMC decision	The Fed hikes rates by 75bp for the second time in succession, taking the benchmark to within a range of 2.25%-2.50% as the Fed catches back up to inflation curve	Powell intimated that a period of below-trend growth is needed to create some slack	5/5 (monetary policy, markets)	Fed Chairman Powell also intimated that at some point, the pace of tightening would slow, but some work was needed up front to cool the economy to help moderate price pressures
Australian GDP	Australian Treasurer Chalmers cut the GDP forecast to 3% and 2% for the next two fiscal years and raised the inflation peak expectation to 7.35% from 4.25%	More rate hikes are likely to combat inflation, and another downward revision to growth is possible	3/5 (economy)	Although the outlook for the Aussie economy remains relatively benign, it has not been spared some of the global pressure. Higher demand and weaker growth will likely dominate
US yield curve	For all the talk of the US economy being resilient and not in a recession, the yield curve is now suggesting that it is a more serious problem	Whether it is the 10v2 or the 18m forward 3m yield vs 3m yields, they are both inverted	4/5 (economy)	The probability of a recession has now increased considerably, and the real economy indicators will gradually start to reflect the same, just as the Citi economic surprise index already does

Factors on the Radar	What happened?	Relevance	Importance	Analysis
US debt burden	The US Federal debt burden is set to rise to 185% of GDP by 2052, according to the Congressional Budget Office in a report released on Wednesday	The improvement is due to the strong recovery from Covid and assumes current tax laws remain intact	4/5 (fiscal policy)	Nonetheless, as debt burdens continue to rise, so the vulnerability of the economy escalates. It also implies that large budget deficits are likely to remain a more permanent feature
China property bailout	China's PBoC is looking to mobilise \$148bn in a bailout for property developers. The funding will be used to carry out stalled real-estate projects	The PBoC will initially issue RMB200bn of low-interest loans charging 1.75% to prevent a major rout	5/5 (economy, market, monetary policy)	It is clear the sector remains extremely vulnerable and in need of assistance. The commercial banks will use the PBoC loans to lend to the property sector and prevent it from catering
Russian oil price cap	The G7 aim to have a price-capping mechanism on Russian oil in place by the 5 th Dec when EU sanctions on Russian oil will come into force	This will only work if the G7 builds wide-spread support from other purchasers of Russian oil	4/5 (economy, market)	Interestingly, both China and India have expressed interest in minimising their costs of oil imports, given the impact it has on their respective economies. It is unclear what Russia's response will be

Highlights news vendors

CNBC - [From avocados to coffee, some food costs are starting to ease but prices are still high](#)

BUSSINESS LIVE - [Eskom looks to private sector to help with R990bn it needs for new generation](#)

FT - [China's central bank seeks to mobilise \\$148bn bailout for real estate projects](#)

SOUTH CHINA POST - [North Korea's Kim Jong-un threatens to use nuclear weapons amid tensions with US, South Korea](#)

REUTERS - [Central African Republic's digital coin finds few buyers](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.261344	1.265664	1.2856512	1.357952
BWPUSD	0.075744	0.093496	0.0772037	0.081473
GBP/BWP	15.980016	16.027024	15.634295	15.102388
BWP/EUR	0.080392	0.0806	0.0759473	0.07905
JPY/BWP	11.1176	11.1384	10.502925	10.897425
USDZAR	15.98688	17.333576	16.361573	16.95857075
EURUSD	0.979392	1.061424	1.0023465	1.0384605
GBPUSD	1.166784	1.264536	1.1941305	1.23717825

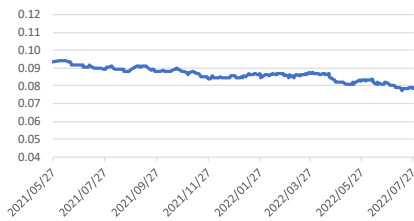
Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0789	0.0003	1m	-2.028	-35.80325
BWPGBP	0.0649	-0.0004	3m	-5.7135	-131.9661
BWPEUR	0.0773	0.00	6m	-14.67375	-350.5973
BWPZAR	1.3173	-0.0089	12m	-25.80825	-1039.094

Dollar Index		
	Close	Change
EURUSD	1.0202	0
GBPUSD	1.2154	0.0003
USDJPY	135.42	-1.13
USDNGN	415.14	0
USDZAR	16.6527	-0.0425

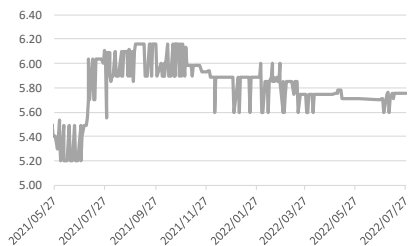
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.66	-0.01
3y	4.14	0	US 10y	2.732	-0.055
5y	5.76	0	German 10y	0.938	0.01
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		340	-1

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.24	-1.45	Gold	1733.8922	16.8917
Dow Jones	32197.59	-228.5	Brent Crude	106.62	2.22
FTSE	7348.23	-0.02	3m Copper	7637	100.5
JSE All share	68424.97	672.01	LME Index	3691.5	28.5
Bots DCIBT	7247.95	4.91	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50188.55	-958.16			

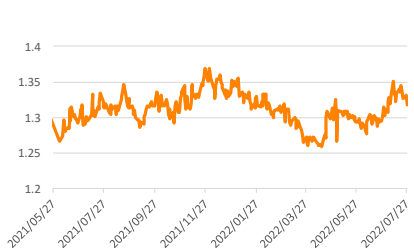
Spot BWP



BWP 5y local bond yield



BWP-ZAR

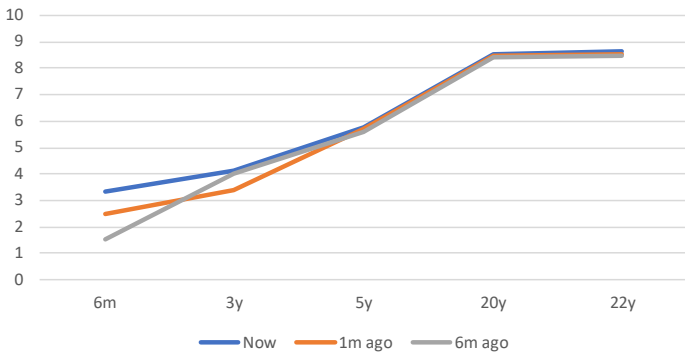


- Big news on the fiscal front yesterday was Botswana's decision to cut its Value Added Tax (VAT) from 14% to 12% for six months starting in August in an attempt to help households cope with price increases. The measure is estimated to cost the government about 1.8 billion pula, according to Finance Minister Peggy Serame. Cooking oil and cooking gas prices will be zero-rated for VAT over the same period, while the government will provide 120 million pula support to the state-owned Botswana Meat Commission to assist farmers.
- The move will ease the pressure on the private sector, even though firms would continue to pass on the high producer prices to consumers. But the government will assess the situation again in the next six months and decide whether to continue with its relief efforts. It is worth pointing out that Botswana's inflation averaged 10.9% in the first six months of the year, the fastest pace since 2009. Some price relief would ensure economic growth is not compromised and that no massive job cuts are looming due to business operations taking strain.
- With inflation above the central bank's objective range, the central bank will need to continue raising interest rates to bring inflation back within the 3% to 6% target range, the International Monetary Fund (IMF) said after concluding its Article IV report. "In the absence of further tightening, the broad-based rise in inflation risks de-anchoring inflation expectations and requiring even sharper tightening later with negative effects on growth", the report said.
- Economic growth, meanwhile, is estimated at 4.3% this year, with the recovery expected to continue through the medium term, but there is significant uncertainty, said the IMF. Growth will be supported by higher prices and demand for diamonds, increased copper production, prospects for a good harvest, fewer COVID-19 mobility restrictions, and more international tourist arrivals. These factors and a strong fiscal adjustment will strengthen buffers, particularly those held by the government. Downside risks to this outlook relate to the strength of commodity markets, China's growth, the pace of tightening of monetary policy in advanced economies, and climate shocks. A successful implementation of the Reset Agenda will enhance Botswana's resilience and ensure sustained high-job-rich growth. Lastly, the IMF forecasts growth slowing to 4% in 2023.

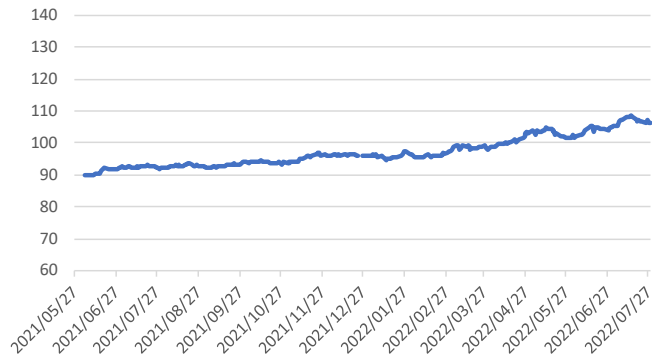
Financial Market Commentary

- It was a waiting game for the USD-BWP yesterday, with the pair hovering around the 12.76700 mark as investors' positioned for the FOMC meeting. Jerome Powell's conference saw the USD slip to a three-week low after pouring cold water on hawks following hints that the pace of tightening from here on might be more measured. This dovish repricing will offer emerging market currencies a lifeline. In the case of the USD-BWP, we could see the pair look to break below the 12.600 support, which would lead to further losses towards the 50DMA at 12.3350 in the coming sessions. The BWP bulls are likely to receive a boost from the IMF's latest update on the outlook for the economy.
- Looking ahead, the USD could remain on the defensive, especially as the rest of the world continues to hike. The anticipated widening in monetary policy disparities between the US and the rest of the world has not unfolded as initially anticipated, and the USD is vulnerable to a sell-off, especially from currently very overbought and expensive levels.
- In the fixed income market, UST yields legged lower yesterday as the market reacted to the FOMC meeting. While the Fed hiked rates by 75bp and sounded quite hawkish regarding its fight against inflation, it did note that the US economy is slowing and that the pace of rate hikes will eventually need to slow as well. The market was positioned for a more aggressive Fed, given that 10yr US yields plunged to lows near 2.700% after the meeting, while the 2yr yield fell below 3.000%. We have seen a bit of a rebound for yields this morning, but overall the bias for USTs remains relatively bullish for now. Focus will now turn to the US Q2 GDP and jobless claims data, with weaker than expected readings likely to further bolster the rally for US fixed income.
- Oil has extended its gains this morning, with Brent rising to a three-week high while WTI has neared the \$100 per barrel level once again. Prices have been supported by declining stockpiles in the US, the ongoing energy crisis in Europe, and now the market reaction to last night's FOMC meeting. Although the tone of the meeting was still quite hawkish, the market reaction suggests that investors were braced for a more aggressive Fed. As a result, risk assets are gaining, and oil is riding the wave, helped out by the Fed's suggestion that the US economy may avoid a recession. If the economy manages to continue to grow, fuel demand will stabilise, and US inventories of crude and gasoline will remain under pressure.

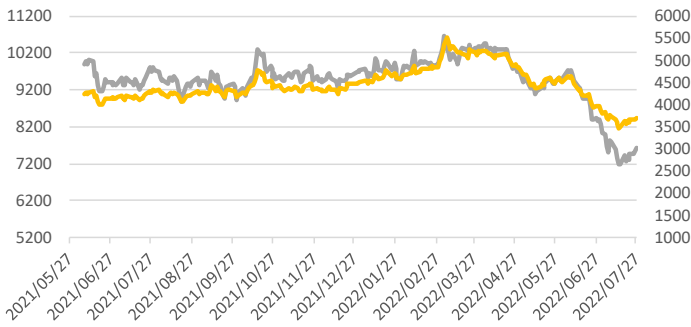
Botswana Yield Curve



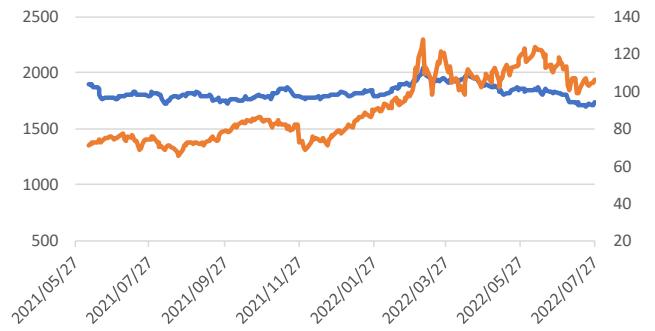
USD Index



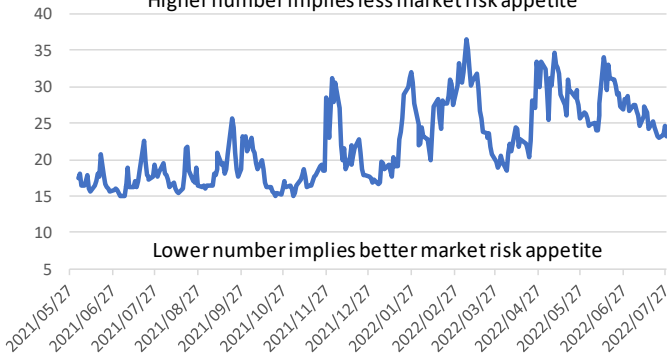
Base metals - Copper L_Hand axis LME Index R_Hand axis



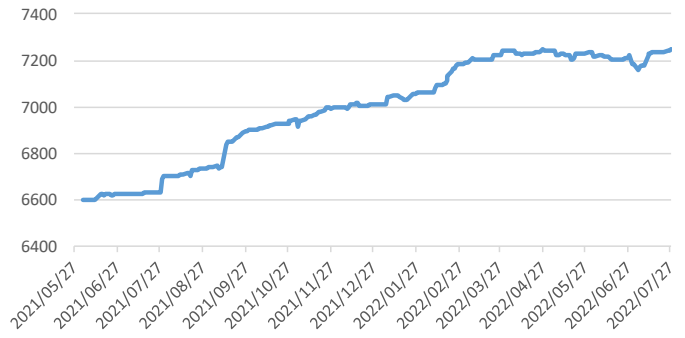
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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