

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
0/N	JN	Industrial production y/y	Jun P	-3,1% A	-3,1%
0/N	JN	Retail trade y/y	Jun	1,5% A	3,6%
09:00	EZ	CPI estimate y/y	Jul	8,7%	8,6%
09:00	EZ	GDP sa y/y	2Q A	3,4%	5,4%
12:30	US	BLS Employment cost index q/q SA	2Q	1,1%	1,4%
12:30	US	PCE core y/y	Jun	4,8%	4,7%
13:45	US	Chicago PMI	Jul	56,2	56
14:00	US	Michigan consumer confidence	Jul F	51,1	51,1

Factors Overnight	What happened?	Relevance	Importance	Analysis
US GDP	Q2 GDP decreased 0.9% q/q vs expectations of growth of 0.5%. A slowdown in inventory accumulation was a major driver of the weaker outcome	This now significantly raises the probability that the US could tilt into recession through Q3	5/5 (economy)	High inflation, rate hikes, an end to Covid support, a global slowdown, logistical supply chain constraints, slow inventory accumulation in preparation for weak demand all weighed
German inflation	Germany's inflation edged up in July to 8.5% y/y in response to the 35.7% y/y rise in energy prices. When relief measures end, inflation could rise further	This data clearly reflects the conundrum the ECB faces when setting monetary policy	4/5 (economy)	Stagflation is almost inevitable in Europe as high inflation contrasts with very slow growth as all the headwinds and the effects of the war gradually impose their burden on the economy
Chinese Politburo	China indicated on Thursday that it would look to stabilise prices, implying that the authorities were unlikely to persist with easy monetary policy much longer	No more stimulation amid ongoing Covid restrictions will constrain overall economic growth	4/5 (economy)	Interestingly, the authorities also didn't target a growth rate specifically and downplayed the need to target 5.5%, implying they would do the best possible given the circumstances

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Covid spread	China has reported more asymptomatic infections, and Japan is encouraging regional authorities to take action and prevent the spread of variant	Although there are no sweeping measures announced, this poses an outside risk to carefully monitor	4/5 (economy)	Globally, the threat of Covid has receded to become something the population has learnt to live with. However, the risk is that a new variant prompts harsher lockdown measures once more
Korea	N Korea leader Kim Jong Un has threatened to "eliminate" South Korea and battle the US in a speech marking the 69 th anniversary of the deal that ended the Korean war	Any talk of nuclear warfare, given current geopolitical developments, will raise some concerns and tensions	5/5 (geopolitics)	N Korea is convinced that the US is backing South Korea in a strategy aimed at unsettling N Korea and unseating him as leader Kim Jong Un has taken advantage of the Ukrainian war and the diversion of attention it has created
US-Sino tensions	Ahead of Nancy Pelosi's trip to Asia starting today, Xi Jinping has warned Joe Biden against fuelling already inflamed tensions by supporting a trip to Taiwan	Beijing has warned of a strong response if Pelosi does visit and further legitimise the Taiwanese govt	4/5 (geopolitics)	China continues to view Taiwan as one of its territories and has often signalled that it will follow through with its one-China policy and reunify, even if that means invading Taiwan by force

Highlights news vendors

CNBC - [China signals no big stimulus is coming, while Covid controls remain](#)

BUSSINESS LIVE - [Treasury's plan for Eskom debt opens way to raise cheaper financing](#)

FT - [Apple ekes out revenue growth on iPhone sales and service](#)

SOUTH CHINA POST - [Xi warns Biden on Taiwan, urging 'clear-eyed' approach versus playing with 'fire'](#)

REUTERS - [Ukraine bombs Russian forces in the south, missiles hit near Kyiv](#)

Local and regional talking points

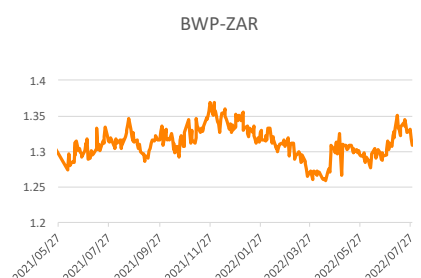
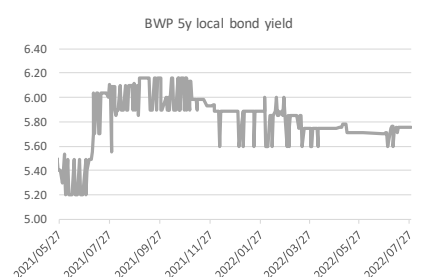
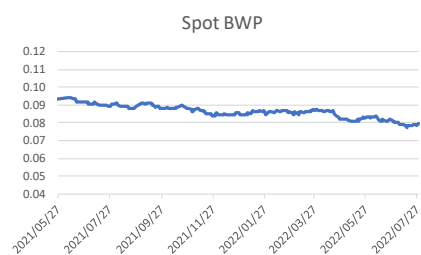
Corporate Foreign Exchange				
	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.254432	1.26432	1.278606	1.35651
BWPUSD	0.076224	0.093496	0.0776929	0.082194
GBP/BWP	15.856152	15.97856	15.51311	15.05672
BWPEUR	0.080808	0.081432	0.0763403	0.079866
JPY/BWP	10.9928	11.076	10.385025	10.836375
USDZAR	15.798624	17.121624	16.168904	16.75120425
EURUSD	0.980928	1.062776	1.0039185	1.03978325
GBPUSD	1.170912	1.268696	1.1983553	1.24124825

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0794	0.0005	1m	-2.028	-34.68466
BWPGPB	0.0652	0.0003	3m	-5.62575	-134.4117
BWPEUR	0.0779	0.00	6m	-14.4105	-363.7693
BWPZAR	1.3082	-0.0203	12m	-31.083	-1092.153

	Close	Change
Dollar Index	105.887	-0.464
EURUSD	1.0216	0.002
GBPUSD	1.2193	0.0024
USDJPY	133.19	-1.09
USDNGN	414.96	0
USDZAR	16.4568	-0.0658

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.425	-0.235
3y	4.14	0	US 10y	2.681	-0.051
5y	5.76	0	German 10y	0.801	-0.137
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		318.5	-21.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	22.33	-0.91	Gold	1755.4937	21.6015
Dow Jones	32529.63	436.05	Brent Crude	107.14	0.52
FTSE	7345.25	41.95	3m Copper	7762	125
JSE All share	68610.75	3.17	LME Index	3748	56.5
Bots DCIBT	7252.74	3.57	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	49667.14	-253.82			



President Mokegweetsi Masi has expressed confidence that a new diamond sales agreement between Botswana and De Beers Plc will be struck soon. Masi added that the two parties were working out the "finer" details of the new pact after agreeing last month to extend negotiations on new terms to June 2023. Masi further said, "it is imperative that a deal get struck because it is in the interests of both parties." Botswana's mines contribute about two-thirds of De Beers' annual rough-diamond production, and the country now wants to leverage its control of the diamond reserves to wring more concessions from De Beers. According to Masi, the government is seeking adjustments in the joint venture and more value added to the stones in Botswana through local processing to help boost job creation and economic growth.

Earlier in the week, South African President Cyril Ramaphosa made fresh pledges to tackle the country's worst-ever power crisis, promising to expand generation, slash red tape and buy surplus electricity from private producers. Ramaphosa has tried to reform SA's ailing power utility Eskom since taking office in 2018, but he has made little headway, and this year, outages are set to reach a record level. Yesterday, Eskom confirmed it is in talks with Botswana Power Company (BPC) about the possibility of Eskom importing electricity from the neighbouring country. The price and the amount of electricity to be bought from BPC were still under discussion with Eskom to purchase the excess electricity supply generated during off-peak times to protect the BPC's plants against load-management fluctuations and ensure that surplus electricity has a secured market.

Financial Market Commentary

The USD-BWP plunged lower on Thursday, breaking below the key 12.600 support following the Federal Reserve's measured tone on monetary policy, which has allayed fears over the pace of US rate hikes and curtailed safe-haven flows to the USD. The pair weakened nearly 0.8% after settling at 12.5789 as it retreats from its record highs. The USD-BWP dovetailed the USD-ZAR, which tumbled almost 2% to lead losses across African and emerging markets on the session.

But with markets still unsure of the potential next steps from the US Fed, more clarity is needed before African currencies see a lasting respite, particularly as fears that more aggressive hikes might tip the US economy into a recession. In the short term, this may offer a decent window for African currencies to capitalise on the dollar weakness. From here, the USD-BWP could eye the 38.2% Fibi retracement level at 12.4830, a break of which would lead to further losses towards the 50DMA.

As for the USD, it came under some pressure yesterday, with the DXY index breaking below key downside support at around 106.00. This now opens the door for a deeper correction, and should earnings reports and guidance point to softening demand, investors may need to roll back further their expectations for US economic growth and the monetary policy stance that will follow.

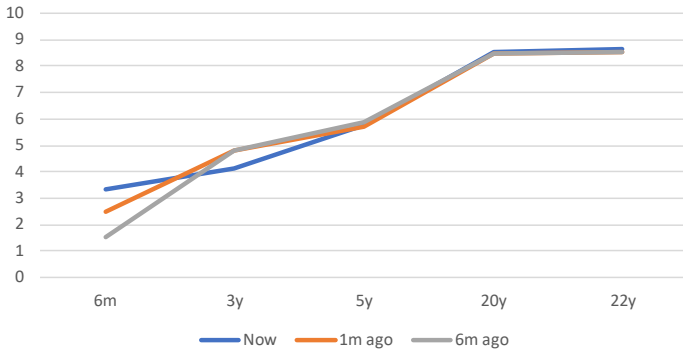
Meanwhile, global bonds rallied yesterday as recession risks intensified after the US posted a quarterly economic contraction for Q2. US yields plunged below 3.00%, with the curve disinverting to some degree as the markets priced out some Fed rate hike risk owing to the weaker than expected performance of the US economy and growing headwinds to growth going forward. Yields at the front end of the UST curve were down almost 20bp on the session at one stage, while swaps referencing meeting dates for the Fed are now pricing in rates rising to just 3.25% by the end of the year, less than 1pp from current levels.

The day ahead could see bonds remain in favour, with European Q2 GDP numbers out and downside risks building. There will also be the usual month-end flows to contend with as well as US PCE Core data, which will likely reflect elevated price growth.

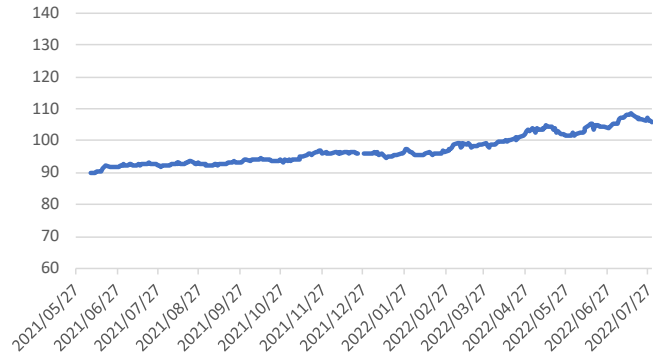
Oil markets are heading for their first weekly gain in four as tight supply conditions outweigh fears over a global economic slowdown. We have had some major events that have pointed to slowing global economic growth in recent sessions, including the IMF revising its world growth outlook lower and the US economy shrinking unexpectedly in Q2 by quite a considerable amount. Still, oil prices have risen this week, with the front-month Brent crude future trading just below \$107 per barrel this morning, putting it on track for a weekly gain of more than 3.60%. WTI has also gained more than 3% as it trades around the \$97 per barrel level.

Tight supply conditions suggest that the bias for oil remains slightly bullish at the moment. Oil producers are pumping all that they can to try and make up for the shortfall from Russian crude, but this is not enough to change the fundamental undersupply that the market is experiencing. We will have a OPEC+ meeting next week, with US officials recently suggesting that they are optimistic that there could be some positive announcements regarding increasing supply. Time will tell, but it does not look as if any announcement will be enough to shift the oil market's fundamentals

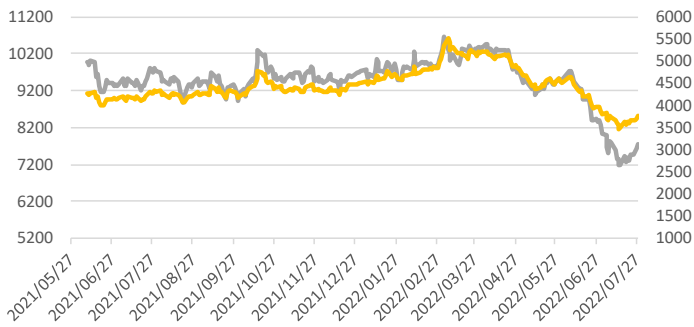
Botswana Yield Curve



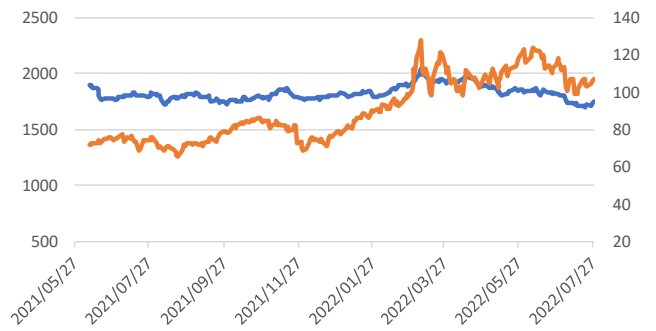
USD Index



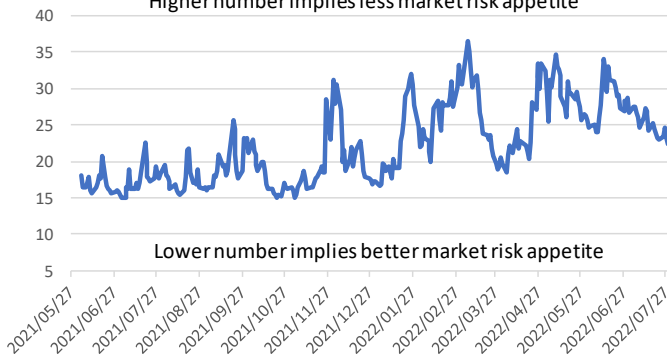
Base metals - Copper L_Hand axis LME Index R_Hand axis



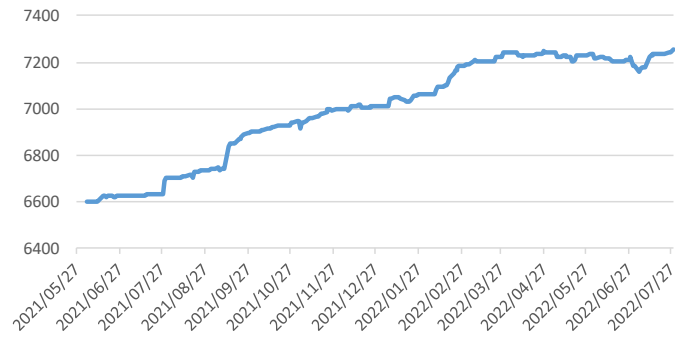
Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure



Local stockmarket performance



Contacts

nkatem@accessbankplc.com
masalilap@accessbankplc.com
kebaetsek@accessbankplc.com
keseabetswem@accessbankplc.com
thembaa@accessbankplc.com
bogalet@accessbankplc.com
davidp@accessbankplc.com

Mogamisi Nkate
Phillip Masalila
Kefentse Kebaetse
Mompoloki Keseabetswe
Amogelang Themba
Tshwanelo Bogale
Pearl David

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Acces Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.