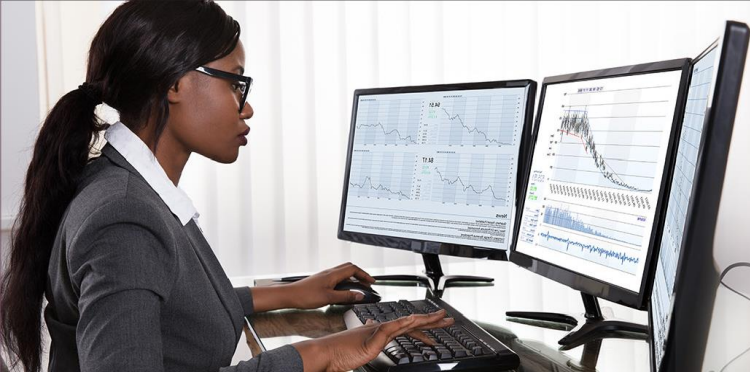


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	Empty data card			
<b>01:45</b>	<b>CH</b>	Caixin manufacturing PMI	Jul	50,4 A	51,7
<b>06:00</b>	<b>GE</b>	Retail sales y/y	Jun	-8,3%	0,4%
<b>07:55</b>	<b>GE</b>	Markit/BME manufacturing PMI	Jul F	49,2	49,2
<b>08:00</b>	<b>EZ</b>	Markit/BME manufacturing PMI	Jul F	49,6	49,6
<b>08:30</b>	<b>GB</b>	Markit manufacturing PMI	Jul F	52,2	52,2
<b>09:00</b>	<b>EZ</b>	Unemployment rate	Jun	6,6%	6,6%
<b>13:45</b>	<b>US</b>	Markit PMI manufacturing	Jul F		52,3
<b>14:00</b>	<b>US</b>	ISM manufacturing PMI	Jul	52,1	53

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Asian PMIs</b>	China's Caixin/Markit PMI factory activity slid to 50.4 in July from 51.7 in June, while Japan's Jibun Bank PMI slipped to 52.1 in Jul from 52.7 in June	Both countries are proxies for global demand, given that they are both major exporters	<b>4/5</b> (economy)	The combination of high inflation, rapidly rising interest rates, imbalances in logistical supply chains and geopolitics have meant that the world continues to edge closer to recession.
<b>US inflation</b>	The US PCE price index rose 6.8% in June, its steepest rise since 1982, while US labour costs rose 5.1% y/y in Q2	These increases are the steepest in decades and warrant more Fed action	<b>4/5</b> (prices)	It is clear the Fed is well behind the inflation curve and still has some catching up to do, even if that means that GDP growth will suffer
<b>US bonds</b>	US bond yields are continuing to slide, and the curve inversion is becoming more entrenched as investors position for a cyclical slowdown and more rate hikes	The US is headed for a recession, and the underlying data is gradually building the argument for this	<b>4/5</b> (economy, market)	Due to the Fed's slow response to unwinding its monetary policy, it is being forced to act more aggressively for longer. Bond yields are pricing in the growing risk of a US recession

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>UK growth</b>	The Confederation of British Industry members reported above-average growth in the 3m to July, but expect that growth to peter out in the coming quarter	Not surprising given the peak in inflation, rising interest rates and global levels of economic uncertainty	<b>4/5</b> (economy)	Growth is slowing in many jurisdictions around the world, and this would therefore be in line with trends seen elsewhere. DM economies will have a tough H2 2022
<b>BoE</b>	The BoE is set to announce its decision on Thursday, and the market anticipated a 50bp hike to lift rates to 1.75% in keeping with the global trend	Inflation is at a 40yr high and demands attention from the BoE, even if at the expense of growth	<b>5/5</b> (monetary policy)	The BoE is aware of the impact this will all have on the economy and employment and has warned that a contraction in economic activity could be seen later this year
<b>US-Sino tensions</b>	US Speaker Pelosi has departed on her Asian tour, and China is on high alert. However, so far, no mention of Taiwan has been made	Geopolitical tensions between the US and China could be fuelled if Pelosi visits Taiwan	<b>4/5</b> (geopolitics)	Given the current global geopolitical climate, this would be very unwelcome news and simply add to the global pressures on markets struggling to justify existing valuations

## Highlights news vendors

**CNBC** - [Chinese companies flock to Switzerland to raise money with new stock listings](#)

**BUSSINESS LIVE** - [Godongwana takes charge of public sector wage talks](#)

**FT** - [Europe's lenders prepare for life outside negative territory](#)

**SOUTH CHINA POST** - [Russia's Singapore envoy says image in Asia remains 'snow-white', Moscow has 'no regrets' after Ukraine invasion](#)

**REUTERS** - [Russia pounds Ukrainian port; Putin announces global maritime ambitions](#)

## Local and regional talking points

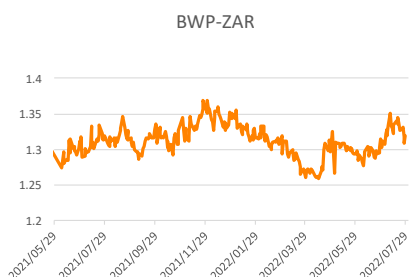
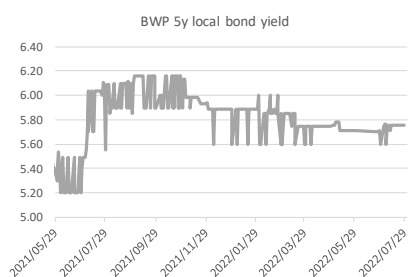
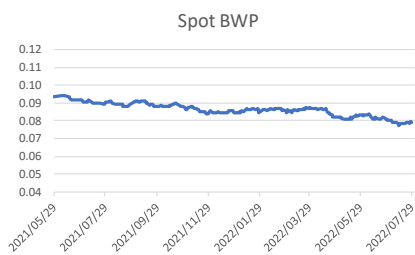
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.266048	1.276128	1.2904458	1.369179
BWPUSD	0.076128	0.093496	0.0775951	0.082194
GBP/BWP	15.860312	15.985528	15.51718	15.063286
BWP/EUR	0.0806	0.081224	0.0761438	0.079662
JPY/BWP	10.92	11.0032	10.31625	10.76515
USDZAR	15.965088	17.302064	16.33927	16.9277405
EURUSD	0.981696	1.06392	1.0047045	1.0409025
GBPUSD	1.16976	1.267656	1.1971763	1.24023075

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0793	-0.0001	1m	-2.0085	-35.16827
BWP/GBP	0.0652	0	3m	-6.786	-136.61
BWP/EUR	0.0776	0	6m	-14.20575	-370.4674
BWP/ZAR	1.3195	-0.0116	12m	-30.21525	-1114.423

Dollar Index	
	Change
EURUSD	0.0004
GBPUSD	0.0014
USDJPY	-0.62
USDNGN	0
USDZAR	-0.0116

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.36	-0.065
3y	4.14	0	US 10y	2.642	-0.039
5y	5.76	0	German 10y	0.825	0.024
20y	8.53	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		316	-2.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	21.33	-1	Gold	1765.22	9.7263
Dow Jones	32845.13	332.04	Brent Crude	110.01	2.87
FTSE	7423.43	-2.98	3m Copper	7917.5	155.5
JSE All share	68934.01	185.78	LME Index	3850.9	102.9
Bots DCIBT	7254.42	4.79	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50370.25	-521.41			



- US Secretary of State Antony Blinken is headed to Asia and Africa this week as the US and rivals China and Russia intensify their battle for global influence amid deepening divisions over Taiwan and Russia's war in Ukraine. Though Blinken's tour to Africa will exclude Botswana, the Secretary spoke with Botswana President Mokgweetsi Masisi at the end of the week to emphasise the importance of continued US-Botswana collaboration and our shared commitment to democracy. They also discussed global and regional priorities, including food security and cooperation in the health sector. The Secretary noted Botswana's critical role in the Southern Africa region.

- Data from the Bank of Botswana on Friday showed that sales of rough diamonds by Debswana Diamond Company jumped 54% in the six months through to June 2022, driven by strong jewellery demand in the key US market as well as tight global rough diamond supply. Specifically, the sale of diamonds from Debswana stood at \$2.622bn in the six months to June, compared to \$1.703bn in the same period last year. In local currency terms, rough sales rose 68.4% to BWP31bn due to a stronger dollar. The increase in the sale of rough diamonds will provide much-needed revenue for Botswana's government. Earlier in the week, Finance Minister Peggy Serame said that the BWP1.8bn inflation-relief package, which will be introduced in August, will not widen the annual budget deficit due to the extra revenue from the stronger than anticipated diamond sales in the first half of the year.

## Financial Market Commentary

- In the week's final session, the USD-BWP looked set for a break below the 38.2% Fibi retracement level at 12.5020, which extends from April's lows and July's highs, but the move proved short-lived, with the pair settling at 12.5668. Despite Friday's pullback, the pair suffered a marginal weekly loss of 0.4%. More broadly, the pair finished the month with modest gains of 0.8%, fairsing slightly better than the USD-ZAR, which fell almost 1% last month.

- The dollar index ended July near 106.5, below 20-year highs of 109.3 touched early in the month, and holding close to two-month lows, as investors assess the economic outlook and the next Fed move. Heading into the new month, the USD is on the defensive and appears to be taking at least some of its direction from the slide in US Treasury yields. Investors are looking through the current phase of hiking towards an anticipated slowdown in US growth.

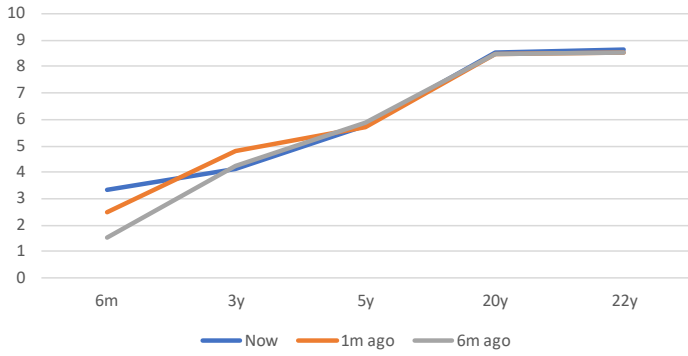
- Meanwhile, US Treasury futures have edged lower this morning after posting their best month since the onset of the COVID-19 pandemic in 2020. Global economic growth concerns pushed US yields back below the 3.00% mark across the curve over the last two weeks or so, with the market repricing its expectations for Fed rate hikes as the US economy has weakened and headwinds have increased. This bullish run for bonds has not been just in the US, with longer-duration yields down sharply across Europe and the UK. Curves have flattened out sharply and continue to point to building recessionary conditions across the globe.

- The week ahead, meanwhile, could be quite an important one for determining the bond market's direction. PMI numbers for major economies will be released today, while key US labour data will be out on Friday, both of which could keep the bullish bias intact for bond markets if they come out weaker than expected. Contrary to general economic theory, however, this bullish bias for bonds may be positive for risk assets in general, given the repricing of monetary policy tightening, which will support equity and commodity markets at a time when the growth outlook is so uncertain.

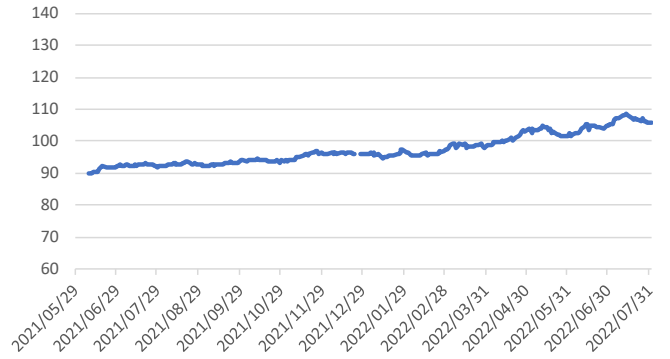
- Oil prices have plunged this morning, with the benchmark Brent crude future contract sliding to around \$102.85 per barrel at the time of writing, down almost 6.75% from Friday's close. The driver of these losses has been growing concern over the global economic outlook, with weak US economic data last week compounded by a surprise contraction for the Chinese manufacturing sector in July, highlighted by weak PMI figures released over the weekend. This shows the toll of the country's zero-COVID policies and highlights how global commodity consumption may continue to weaken over the coming months as the world deals with tighter financial conditions and surging inflation.

- Meanwhile, global oil supply has received a boost, with Libya's oil ministry claiming that daily production has returned to around 1.2mn barrels, levels last seen in April. This comes just ahead of the OPEC+ meeting, where the cartel and its allies will discuss their policy for September and onwards. The meeting is unlikely to be too eventful, with Saudi Arabia and Russia recently committing to what they refer to as a stable market, suggesting no major changes are coming. Therefore, price direction for the week will likely be driven by the demand outlook, suggesting the bias may be skewed towards the downside for now.

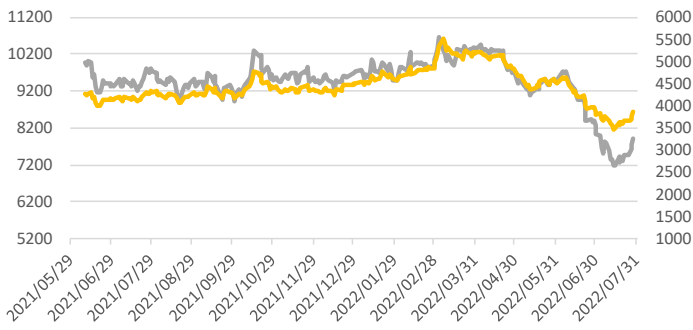
Botswana Yield Curve



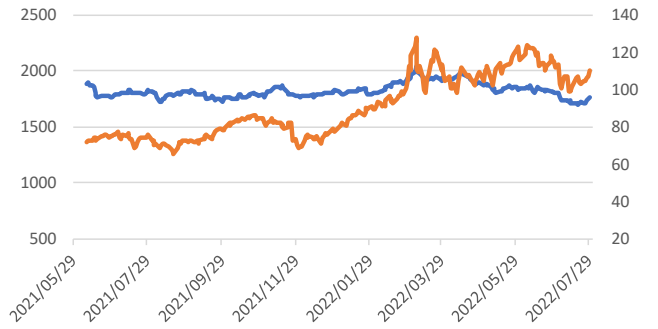
USD Index



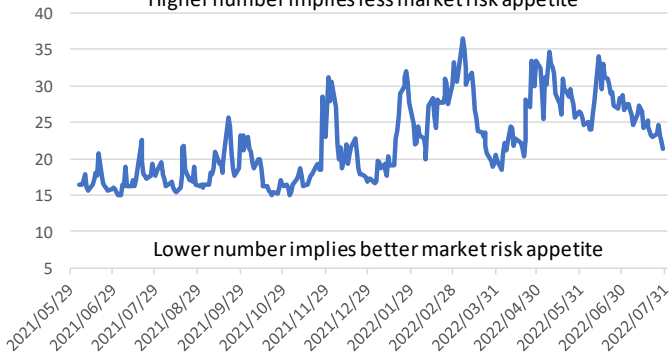
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



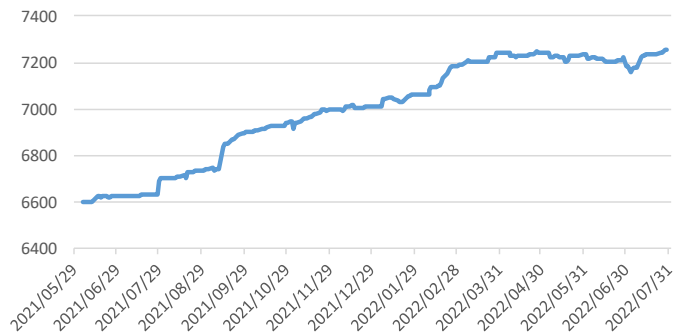
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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