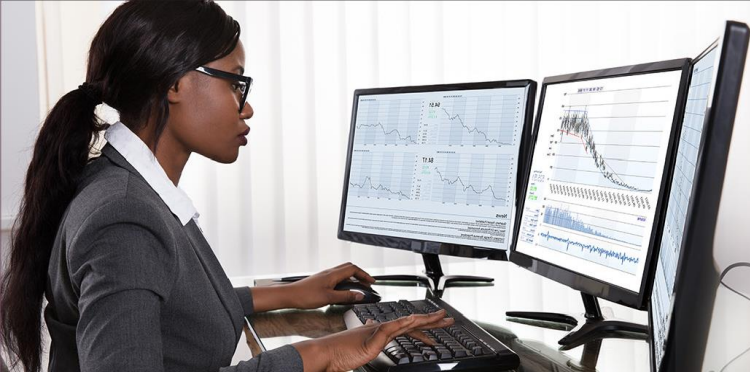


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
01:45	CH	Caixin composite PMI	Jul	54,0 A	55,3
07:55	GE	Markit services PMI	Jul F	49,2	49,2
08:00	EZ	Markit composite PMI	Jul F	49,4	49,4
09:00	EZ	PPI y/y	Jun	35,7%	36,3%
09:00	EZ	Retail sales y/y	Jun	-1,7%	0,2%
11:00	US	MBA mortgage applications	Jul 29		-1,8%
14:00	US	Durable goods orders m/m	Jun F		1,9%
14:00	US	ISM non-manufacturing composite PMI	Jul	53,9	55,3
14:00	US	Factory orders	Jun	0,8%	1,6%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Taiwan</b>	US Speaker Pelosi landed in Taipei, sparking a furious response from China that did not appreciate the highest-ranking delegation in 25 years <u>legitimising its democracy</u>	In response, China held military drills in its surrounding waters claiming the visit was provocative and eroded relations	<b>4/5</b> (geopolitics)	Strategically, the relationship between Taiwan, as one of the world's largest chip makers and the US is key. The US would like to reduce its dependence on China for its chip making and wants to collaborate with Taiwan
<b>US debt</b>	US household debt rose a further 2% in Q2 to total \$16.15trln. Mortgage balances rose \$20bn, although mortgage origination declined slightly	Americans have taken on more debt and are now more vulnerable to the Fed's rate hikes	<b>4/5</b> (economy)	Low interest rates carry the moral hazard of encouraging the accumulation of debt. While that may reverse slightly through the rate hikes, US households are now a little more vulnerable
<b>Aussie rate hike</b>	Yesterday, the RBA chose to hike rates for the fourth consecutive month but moderated its guidance on further rate hikes	It looks set to hike rates again, but the RBA said it is not on a pre-set course	<b>3/5</b> (monetary policy)	Although the 50bp rate hike was the bolder decision to take the benchmark rate up to 1.85%, the neutral rate is seen at 2.5%. There is more to come

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>China's retaliation on Taiwan</b>	Beyond the military show of force, China immediately levied new import bans on more than 100 Taiwanese products in a bid to hurt Taiwan financially	Any further disruptions to chip supply chains would be unwelcome and disrupt global growth	<b>4/5</b> (geopolitics)	Geopolitically, this is a case of two economic titans standing up to each other, and neither one will back down. However, there are likely to be consequences for all involved
<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>Oil production</b>	Saudi will look to push OPEC+ to increase oil production at the meeting scheduled for today. This after Biden's trip to the Middle East last month	If there is an increase in production, it will likely be a small token increase aimed at cooling markets	<b>4/5</b> (market, geopolitics)	Interestingly, Opec+ also includes Russia, and so presumably, it would be a call for production from all producers other than Russia to help ease prices and the pressure on economic growth

## Highlights news vendors

**CNBC** - [US House Speaker Nancy Pelosi meets Taiwan's president despite China's warnings](#)

**BUSSINESS LIVE** - [Inflation is among a multiplicity of crises around the world](#)

**FT** - [The US' friendshoring' experiment risks making enemies](#)

**SOUTH CHINA POST** - [Japan anxious over China drills as North Korea slams' interference' and Seoul calls for calm](#)

**REUTERS** - [China July services activity expands at quickest pace in 15 months](#)

## Local and regional talking points

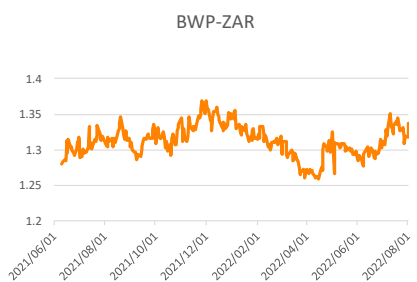
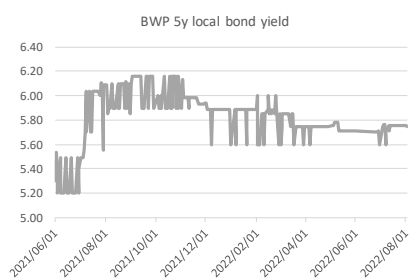
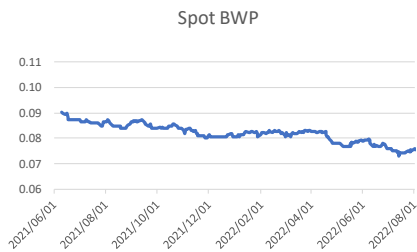
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.276512	1.287072	1.3011115	1.380921
BWPUSD	0.07632	0.093496	0.0777908	0.082297
GBP/BWP	15.825888	15.950584	15.483501	15.030358
BWP/EUR	0.08112	0.081744	0.076635	0.080172
JPY/BWP	10.9512	11.0344	10.345725	10.795675
USDZAR	16.056576	17.407	16.432902	17.03040625
EURUSD	0.97824	1.060176	1.0011675	1.0372395
GBPUSD	1.170144	1.268072	1.1975693	1.24063775

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0795	0	1m	-2.21325	-38.90837
BWPGBP	0.0652	-1E-04	3m	-6.79575	-141.2133
BWPEUR	0.078	0.00	6m	-14.22525	-390.9593
BWPZAR	1.3298	0.0103	12m	-30.29325	-1161.303

	Close	Change
Dollar Index	106.07	-0.171
EURUSD	1.0191	0.0027
GBPUSD	1.2189	0.0017
USDJPY	132.5	-0.66
USDNGN	415.9	0
USDZAR	16.727	-0.0782

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.345	-0.135
3y	4.16	0.23	US 10y	2.741	0.136
5y	5.75	-0.01	German 10y	0.782	0.021
20y	8.5	-0.03	Spread SA 5y vs Bots 5y bpts		
22y	8.55	-0.06		321.5	-11

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.93	1.09	Gold	1759.7466	-11.9826
Dow Jones	32396.17	-46.73	Brent Crude	100.54	0.51
FTSE	7409.11	-10.01	3m Copper	7806.5	-13
JSE All share	68002.23	-291.42	LME Index	3774.5	-34.3
Bots DCIBT	7268.71	7.97	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50626.04	-419.93			



- Yesterday, the Ministry of Health spokesperson Dr Christopher Nyanga announced that wearing masks in outdoor areas is no longer mandatory. The decision comes after reviewing the number of cases in the country and globally and, most importantly, the high numbers of people vaccinated against Covid-19 in Botswana. The government has decided to relax some of the Covid-19 protocols to allow for more increased economic activity. Nyanga also indicated that the Covid-19 testing of unvaccinated or partially vaccinated people, who present themselves at ports of entry, will no longer be conducted.

- In an official statement yesterday, Botswana Unified Revenue Services (BURS) and a Texas-based authentication firm signed a ten-year deal to provide Botswana with the technology necessary to implement a 'track and trace' system to crack down on alcohol and tobacco tax losses. The system will help the BURS ensure that the correct tax is being paid and that the products are genuine and not illicit. This initiative has been on the cards since 2016, with the BURS stating recently that the alcohol and tobacco industries were a key player in the estimated loss of P3bn in tax revenues each year.

## Financial Market Commentary

- The USD-BWP firmed yesterday, closing at 12.5306 due to souring risk sentiment amid growing US-Sino tensions and mounting economic woes. Some of the upside pressure would have been capped by the government's move to further relax covid measures and improve its tax revenue collection. But the tide could be turning for the local currency. The USD-BWP stochastics have moved into oversold territory and risk issuing a crossover buy signal in the coming sessions, given the current macroeconomic backdrop.

- The dollar index eased to around 106 on Wednesday after rallying nearly 1% in the previous session as Federal Reserve officials signalled resolve in their aggressive tightening path to bring inflation to reasonable levels. San Francisco Fed President Mary Daly, considered normally dovish, said that the central bank still has a lot of work to do before inflation gets under control as people continue to struggle with higher prices. In a separate statement, Chicago Fed President Charles Evans also opened up the possibility of another large rate hike in September but signalled policy caution. Moreover, St. Louis Fed President James Bullard expects the central bank to keep raising interest rates to combat inflation and indicated confidence that the economy can achieve a soft landing.

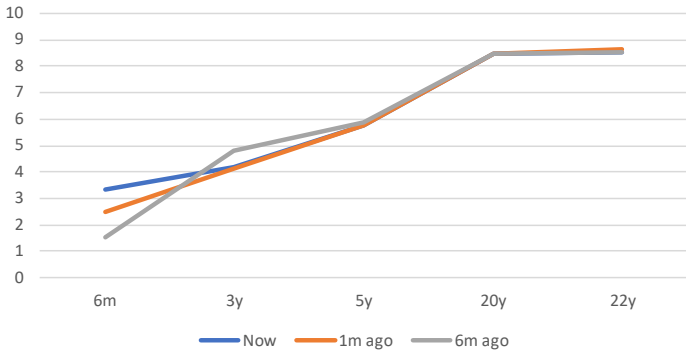
- US Treasury yields are dipping this morning following yesterday's surge. A slate of Fed officials yesterday quashed any dovish sentiment and expectations that the Fed will be shifting their policy outlook. The rally for yields was driven by the front-end and belly of the curve, with the 2yr tenor closing yesterday at around 3.05%. This, of course, means that the market is pricing in rates rising quite aggressively once again, which will likely plunge the US economy into a period of weak growth. The curve continued to deepen its inversion as a result, with the 2v10 spread trading near -30bp. In terms of rate pricing, the Fed dated OIS contract covering the September meeting is now pricing in 60bp worth of rate hikes, up from levels closer to 50bp seen earlier this week.

- Yields are rising in Asian trading this morning to catch up with yesterday's move for USTs, with Aussie 10yr yields bouncing off the 3.00% level. This morning, the rise in yields and concerns over US-China tensions have put the markets in risk-off mode. We could, however, see bonds manage a rebound this afternoon, given the slew of US data releases that risk coming out weaker than expected.

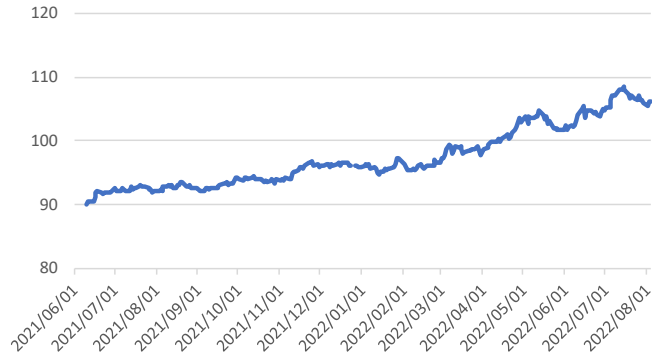
- Oil prices are stuck around the \$100 per barrel level this morning when looking at the Brent front-month contract, with investors turning their focus to today's OPEC+ meeting. The outcome of the meeting is quite uncertain, with many expecting that output levels will remain unchanged for September, given that the pandemic-related cuts have now been wiped out. There is a chance that we may get a further increase in output promised, with the Saudis acceding to some pressure applied by the US to pump more oil. However, the chances of this are slim, given that most members are already at their limits regarding production.

- Meanwhile, data out of the US yesterday showed that inventories of crude increased by 2mn barrels last week. The official government figures will follow today, and if this increase is confirmed, it will add fuel to concerns over a US recession and what that means for fuel demand. The outlook for oil, therefore, is tilted towards the downside for now, but we expect any losses to remain limited until we start to get signs that global inventories are rising off their near-record lows. From a technical standpoint, Brent is trading just above the 200DMA support level at \$98.4645, with this level recently holding up despite a few attempts at breaking below it.

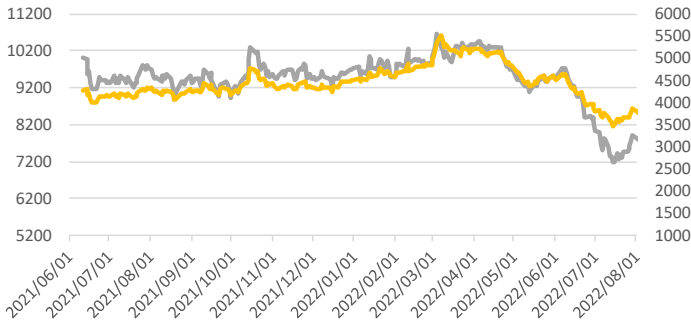
Botswana Yield Curve



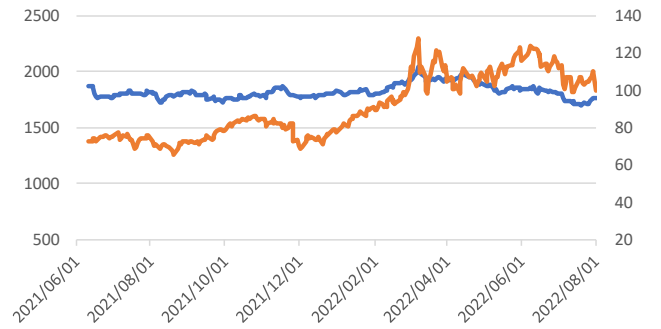
USD Index



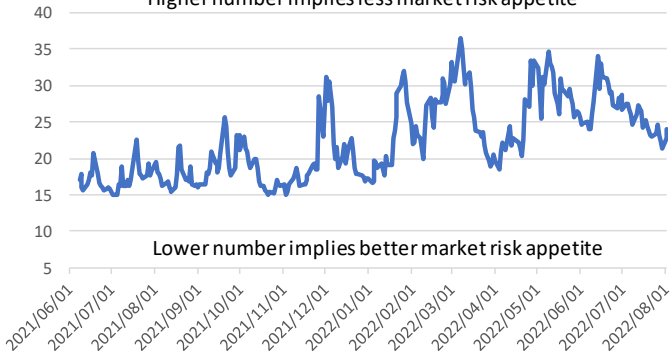
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



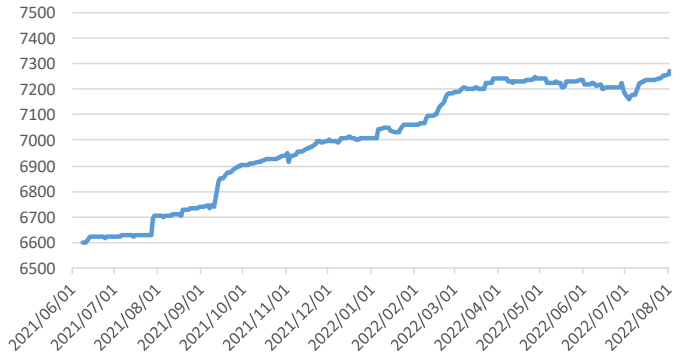
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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