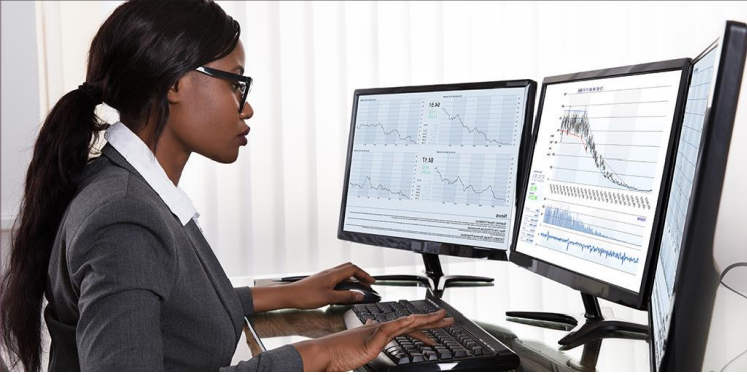


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
06:00	GE	Factory orders y/y	Jun	-9,7%	-3,1%
08:00	EC	ECB Publishes Economic Bulletin			
08:30	GB	PMI construction	Jul	52,4	52,6
11:00	GB	BoE bank rate	Aug 4	1,75%	1,25%
11:30	UK	BOE Governor Bailey press conference			
12:30	US	Initial jobless claims	Jul 30		256k
12:30	US	Trade balance	Jun	\$-81,5bn	\$-85,5bn
16:00	US	Fed's Mester Discusses the Economic Outlook			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US Services PMI</b>	The services PMI rose 1.4 points to 56.7 in July. New orders were up strongly, while prices posted their biggest drop since 2017. Furthermore, employment rose	The data was much stronger than expected, implying the US is not yet in recession	<b>3/5</b> (economy)	The recession calls are broadly speaking aimed at later in the year once more rate hikes have been announced, and the cost of living crisis places further pressure on household finances
<b>Fedspeak</b>	San Fran Fed President Daly was quoted as favouring a 50bp rate hike at the next meeting in Sep as she is seeing early signs of improvement in inflation	While Daly may favour 50bp, the risk of 75bp hike has not diminished. The Fed has more to catch up	<b>4/5</b> (economy, monetary policy)	Monetary tightening remains a central theme at present and is unlikely to let up much before the end of the year. Inflation needs to show clear signs of reversal for this to change
<b>Oil market</b>	OPEC agreed to raise oil output by 100k bpd from Sep as it faces output problems to meet demand. The US was seeking higher production to offset Russia	Politically this is a blow to Biden, while oil prices rebounded on renewed fears of scarcity	<b>4/5</b> (market, geopolitics)	Rebalancing supply and demand forces in the oil industry will take some time. This latest increase amounts to just 0.1% of global demand. Russia produces some 10% of global oil

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>China - Taiwan</b>	China is making good on its threat to retaliate if Pelosi pressed ahead with her visit and has begun live-fire military exercises, hacked government websites and deployed drones	China's action is a show of force, while Taiwan has condemned the drills saying that they violate UN rules	<b>5/5</b> (geopolitics)	China continues to see Taiwan as an extension of its territory, and this latest visit is now raising questions about whether China should move in to take control sooner rather than later. Any defence against China is futile
<b>BoE</b>	The BoE is set to announce its decision today, and the market anticipates 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>Ukraine - Russia - NATO</b>	Ukraine has warned of a new Russian southern offensive. In the background, the US and Italy have approved Finland and Sweden's accession to NATO	There is still no end to the Russian offensive and no sign that Russia is ready to negotiate	<b>4/5</b> (geopolitics)	Ukraine has appealed to China as a member of the UN security council to use its economic and political influence over Russia to bring an end to the war. For now, China is focused on Taiwan

## Highlights news vendors

CNBC - [Fed's Bullard sees more interest rate hikes ahead and no U.S. recession](#)

BUSSINESS LIVE - [The ANC's last shot at saving itself](#)

FT - [Ukraine's first grain ship cleared to leave Black Sea](#)

SOUTH CHINA POST - [Mainland China kicks off war game encircling Taiwan after Pelosi ends trip to island](#)

REUTERS - [Chip makers have a message for car makers: Your turn to pay](#)

## Local and regional talking points

### Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.26672	1.276992	1.2911308	1.370106
BWPUSD	0.075648	0.093496	0.0771058	0.081679
GBPGBP	15.91824	16.042104	15.573855	15.116598
BWPEUR	0.0806	0.081224	0.0761438	0.079662
JPYBWP	10.9616	11.0448	10.35555	10.80585
USDZAR	16.0752	17.423328	16.451963	17.046381
EURUSD	0.975648	1.05716	0.9985148	1.03428875
GBPUSD	1.166688	1.26412	1.1940323	1.23677125

### Interbank Spot Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0788	-0.0007	1m	-2.0475	-38.08368
BWPGBP	0.0649	-0.0004	3m	-6.79575	-147.9094
BWPEUR	0.0775	0.00	6m	-13.8255	-395.2011
BWPZAR	1.3187	-0.0008	12m	-28.8405	-1197.028

### Forward Foreign Exchange

	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0788	-0.0007	1m	-2.0475	-38.08368
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BWPZAR	1.3187	-0.0008	12m	-28.8405	-1197.028

### Dollar Index

	Close	Change
Dollar Index	106.412	-0.094
EURUSD	1.0163	-1E-04
GBPUSD	1.2152	0.0009
USDJPY	133.73	-0.13
USDNGN	416.19	0
USDZAR	16.7459	-0.0273

### Local Fixed Income

Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.35	0.005
3y	4.2	0.04	US 10y	2.748	0.007
5y	5.95	0.2	German 10y	0.874	0.092
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.65	0.1		307.5	-14

### International Fixed Income

Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.35	0.005
3y	4.2	0.04	US 10y	2.748	0.007
5y	5.95	0.2	German 10y	0.874	0.092
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### Equities

	Close	Change		Close	Change
VIX	21.95	-1.98	Gold	1764.896	5.1494
Dow Jones	32812.5	-402.23	Brent Crude	96.78	-3.76
FTSE	7445.68	-4.31	3m Copper	7677.5	-129
JSE All share	68610.57	-640.36	LME Index	3722.2	-52.3
Bots DCIBT	7264.76	6.32	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50594.97	675.72			

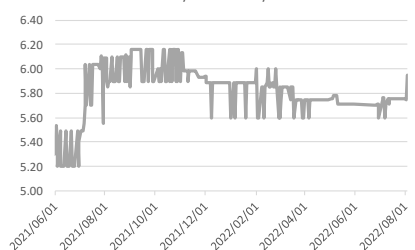
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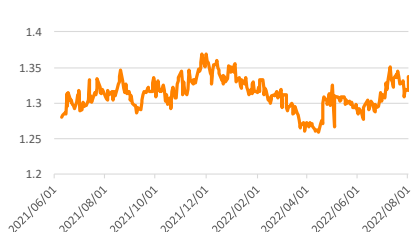
### Spot BWP



### BWP 5y local bond yield



### BWP-ZAR



- On the mining front, Cobre (CBE) announced yesterday that it intersected copper for the third time during its ongoing drill program at Kalahari Metal's Ngami copper project in Botswana. The discovery comes as part of Cobre's wider drill program designed to test 57 ranked targets in the area. Cobre Executive Chairman and Managing Director Martin Holland said the drill hole further illustrated the strike length of intersected copper mineralisation in this "exciting" target. "The footprint of mineralisation, which now extends over more than three kilometres, is very much in-line with known deposits in the Kalahari Copper Belt," Holland said. Part of investor enthusiasm for the copper project is undoubtedly due to projected forecasts of the copper market, which is predicted to continue experiencing a rally well into the 2030s.

- In addition, China is seen stepping up its copper imports despite the renewed economic slowdown. They imported 373k tonnes of refined copper in June, the highest monthly tally this year. Moreover, China's state grid plans to invest more than 150 billion yuan into ultra-high voltage power transmission lines, driving demand for raw materials such as copper and aluminium. On balance, this suggests that demand there may be more resilient than first expected, which will be supportive of prices.

## Financial Market Commentary

- African currencies have succumbed to the bid tone of the USD. Yesterday, the USD-BWP advanced to 12.6367, ending its recent trend lower. The stochastics are on the verge of issuing a crossover buy signal suggesting that more gains are on the cards in the coming sessions, which could see July's high of 12.800 revisited.

- The US dollar managed to gain further ground after a stronger ISM services PMI report for July pointed to a favourable mix of slowing inflation and some growth momentum. Several Fed policymakers, including the Chicago Fed president Charles Evans, which tends to be very dovish, indicated a strong commitment to bringing down inflation to the central bank's target of 2%. But it looked like investors were reluctant to open any bold positions ahead of NFP on Friday, keeping the dollar's gains somewhat contained. It must be noted that the USD remains overbought by historical comparison and can afford to unwind some of that overvaluation and remain expensive.

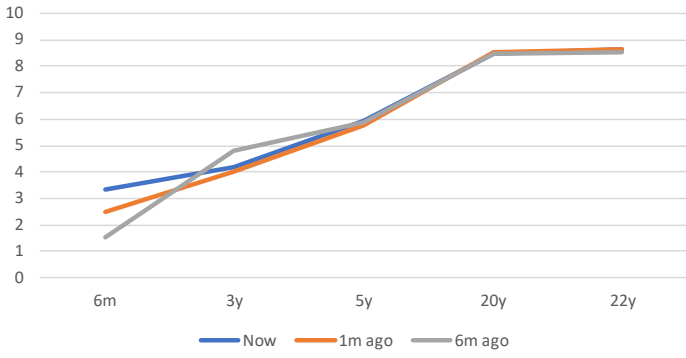
- It was quite a volatile session for USTs yesterday, with yields initially surging to keep up Tuesday's momentum. However, the latter half of the session saw all of the gains made reversed, with the market ramping up expectations that the US is heading for a period of weak economic growth. The benchmark 10yr reached a high of 2.85% during the day yesterday, but has since fallen back to just over 2.70%. The shape of the curve, meanwhile, has inverted even more deeply, with the 2v10 spread now around -36bp. Levels such as this have not been seen since 2000. This bearish outlook for the economy suggests that the USD may struggle to recover most of its recent losses, but concerns over a global recession will also limit the ability for riskier assets to capitalise on the weaker USD.

- In the UK, the focus will be on the Bank of England's rate decision. As policymakers confront inflation at a 40-year high, and thus expectations are that the BoE will deliver a 50bps rate hike at today's meeting. That would be the biggest rate hike since 1995, taking the benchmark borrowing rate to 1.75%. At its last meeting in June, the BoE signalled that it would "act forcefully" if it saw signs of persistent inflation pressure. Judging by the latest CPI print and recent economic data, the BoE may do away with its much-criticized "steady as she goes" approach to interest rate hikes and deliver an outsized hike this week.

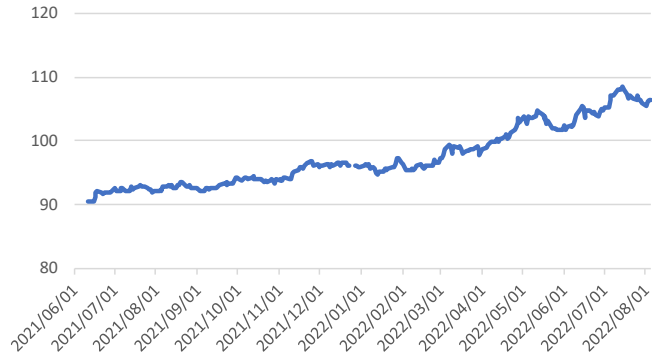
- Oil slumped again yesterday, with Brent sliding below \$97 per barrel and WTI heading towards the \$90 per barrel handle amid renewed global growth concerns. It was a fairly volatile session, with prices rising through the OPEC+ meeting, which yielded a minuscule increase in output that will do nothing to change the overall supply picture. However, these gains were not sustained as some stronger than expected US economic data increased bets that the Fed will remain very hawkish and possibly hike again by 75bp in September. This deepened the inversion of the US yield curve and has weighed heavily on the demand outlook for crude.

- Adding fuel to the drop in prices was the US inventories report from the EIA, which showed a much larger than expected build in stockpiles across the US. Oil inventories increased by over 4mn barrels last week, which included a large build in Cushing. Gasoline inventories also increased, with the data suggesting that Americans are now driving less than what they did this time in 2020. Timespreads, therefore, are narrowing with the prompt spread down to just \$1.54 per barrel at the moment. This highlights the weakening demand outlook and suggests that even though the market remains structurally tight, this should ease and the topside for oil will be capped.

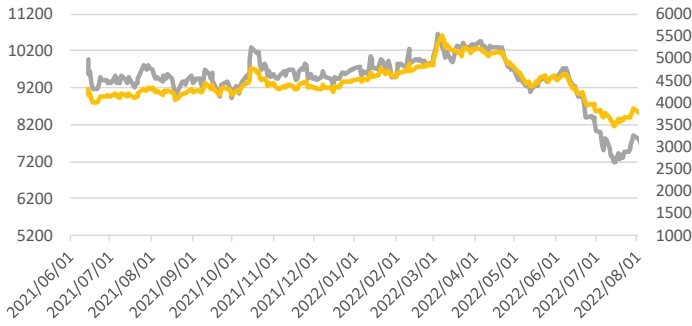
Botswana Yield Curve



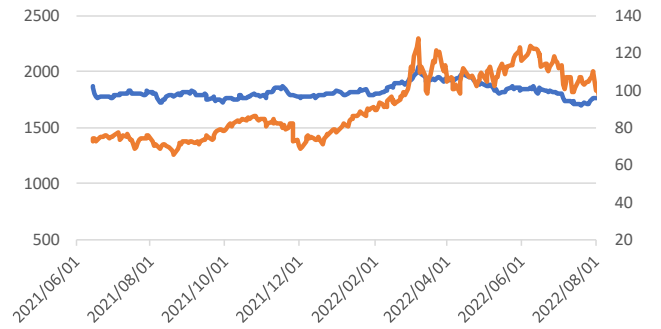
USD Index



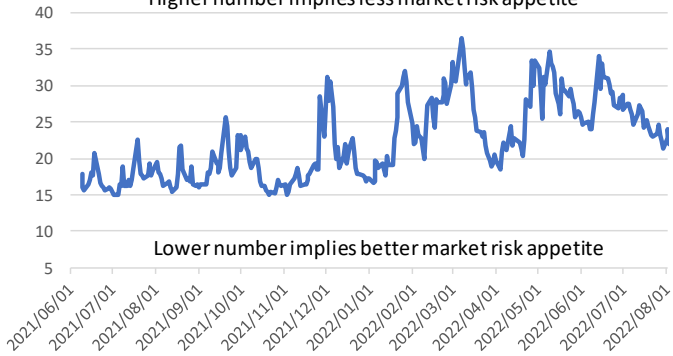
Base metals - Copper L\_Hand axis LME Index R\_Hand axis



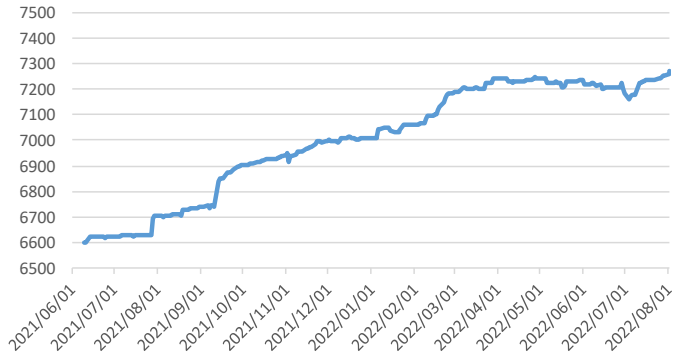
Oil R\_Hand Axis - Gold L\_Hand Axis



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



Local stockmarket performance



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