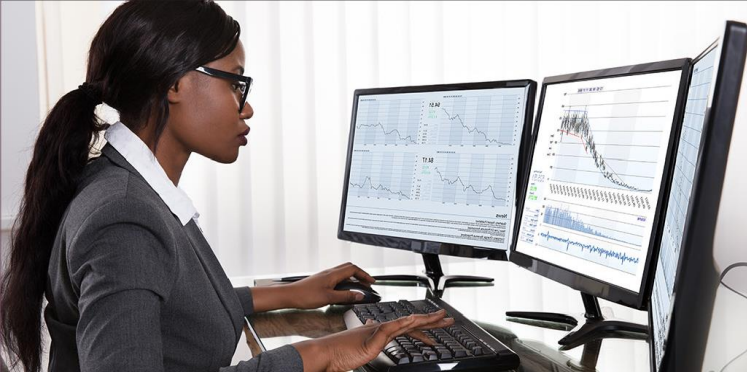


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
0/N	JN	Current account total	Jun	-¥132,4bn A	¥128,4bn
0/N	JN	Trade balance	Jun	-¥1114,0bn A	-¥1951,2bn
08:30	EZ	Sentix investor confidence index	Aug	-29,4	-26,4

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US spending bill</b>	On Sunday, the US approved a sweeping \$430bn spending bill aimed at tackling climate change, lower drug prices and raising corporate taxes	Democrats see this as a major victory. However, it will likely only polarise voters even more	<b>5/5</b> (economy, fiscal policy)	Further rate hikes will likely be announced as central banks do what they can to crimp the monetary space available for inflation to take hold. A recession is now more likely in Q4
<b>Chinese exports</b>	July's exports grew faster than expected, while imports disappointed. However, the trade balance recorded a record surplus of \$101.26bn	Tepid imports suggest that domestic demand remains well below the trend	<b>4/5</b> (economy)	The trade surplus will ensure positive GDP growth despite the slowdown in global growth. The accommodative PBoC will help the Chinese economy withstand a global slowdown
<b>Italy rating</b>	Moody's cut Italy's outlook to "negative" from "stable" just weeks after PM Draghi's resignation. Italy's finances continue to deteriorate	The Ukraine war follows the impact of the pandemic and dealt Italy's fiscus a severe blow	<b>5/5</b> (economy, market)	Drastic fiscal reforms that will be difficult to implement are now needed if Italy is to avoid becoming the epicentre of a EZ and, indeed global point of financial market and economic concern

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>US rates</b>	Fed Governor Michelle Bowman said on Sat that the Fed should 75bp rate hikes as an option until inflation declines in a consistent, meaningful and lasting manner	Fed needs to see clear evidence of slowing inflation before the guidance will soften	<b>4/5</b> (monetary policy)	Bowman highlighted the significant risk that inflation remains well elevated all the way through into 2023 with logistical supply constraints expected to last through the remainder of the year
<b>US bond yields</b>	Following the much stronger than expected non-farm payrolls data, all eyes will turn to the US bond market and the signals offered by the nominal yields and curve	Higher bond yields will serve to bolster the performance of the USD, which has inflation implications	<b>3/5</b> (market, economy, monetary policy)	The global slowdown has yet to manifest in weaker US labour data. That will come with time, but it appears to be too soon for investors to be pricing that in now. Nonetheless, it will affect market pricing
<b>Oil prices</b>	Prices continued to trade around \$95 pb as investors continued to position for weak global growth amid some disappointing Chinese import data	Softer oil prices will act as a shock absorber to weaker global growth in the months ahead	<b>4/5</b> (market)	Although Chinese imports of oil have risen on the month, they remain 9.5% lower than they were a year ago. With global growth slowing, that demand will likely remain subdued

## Highlights news vendors

CNBC - [China's export growth gains steam despite weakening global demand](#)

BUSSINESS LIVE - [Army put on standby as violent protests escalate](#)

FT - [US Senate passes Joe Biden's flagship economic package](#)

SOUTH CHINA POST - [North Korea offers Russia' 100,000 volunteers' to fight Ukraine](#)

REUTERS - [China defends ditching U.S. talks, says Washington must bear 'serious consequences'](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.267488	1.277952	1.2919136	1.371136
BWPUSD	0.075552	0.093496	0.077008	0.081576
GBPWP	15.834728	15.956824	15.49215	15.036238
BWPEUR	0.080392	0.081016	0.0759473	0.079458
JPYBWP	11.0656	11.1488	10.4538	10.9076
USDZAR	16.10496	17.458896	16.48242	17.0811795
EURUSD	0.977376	1.05924	1.0002833	1.03632375
GBPUSD	1.159104	1.2558	1.1862705	1.22863125

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0787	-0.0005	1m	-1.989	-38.32675
BWPGPB	0.0652	1E-04	3m	-6.591	-144.5375
BWPEUR	0.0773	0.00	6m	-13.455	-406.608
BWPZAR	1.3193	-0.018	12m	-27.963	-1265.283

	Close	Change
Dollar Index	106.58	-0.041
EURUSD	1.0181	0
GBPUSD	1.2073	0.0002
USDJPY	135.21	0.24
USDNGN	417.07	0
USDZAR	16.7753	0.0117

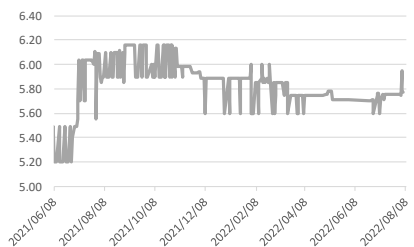
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.349	0	SA 10y	10.285	0.065
3y	4.229	-0.001	US 10y	2.84	0.164
5y	5.77	0	German 10y	0.961	0.152
20y	8.54	0	Spread SA 5y vs Bots 5y bpts		
22y	8.61	0		313.5	9

Equities			Commodities		
	Close	Change		Close	Change
VIX	21.15	-0.29	Gold	1774.15	-16.9313
Dow Jones	32803.47	-85.68	Brent Crude	94.92	0.8
FTSE	7439.74	2.38	3m Copper	7870.5	143
JSE All share	69519.27	106.45	LME Index	3811.5	46.1
Bots DCIBT	7261.04	-3.72	1 carat index	Invalid field(s)	#VALUE!
Nigeria Index	50722.33	-12.67			

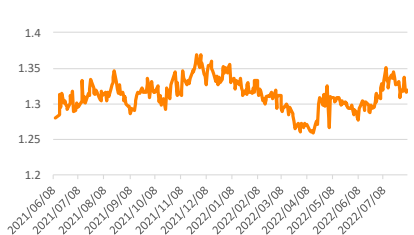
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- In a joint development initiative between Botswana and South Africa, Transnet Freight Rail (TFR) will collaborate with Botswana Rail (BR) to improve the rail links between the two countries, following the recent high-level business forum and roundtable. The initiative will enable landlocked Botswana to access South African ports more efficiently and get its minerals, such as coal, to the market. It is worth noting that coal-rich countries like Botswana are hoping to capitalize on the rise in demand following Russia's fossil fuel ban from European countries.

- The 126km rail refurbishment will be funded jointly by the two governments and is anticipated to be up and running in the next 24 months. TFR and BR will also build a rail line connecting Mamabula, in Botswana, to Lephale, in Limpopo, South Africa, which is currently exporting coal to Richards Bay.

- In broader economic news, the African Development Bank President Akinwumi Adesina has said that countries on the continent could have saved almost \$30bn in interest payments by borrowing from the bank instead of entering the Eurobond market. Adesina added that countries have raised around \$40bn of funds selling Eurobonds over the past decade, and "if they'd actually borrowed that money from the AfDB... They would have saved themselves almost \$30 billion in interest payments." The war in Ukraine and accelerating global inflation have seen borrowings costs for countries on the continent surge. Adesina added that the bank is now working on a plan to provide such countries with "low-interest, long-term money that will allow them to be able to get more resources to cope with many of these challenges."

## Financial Market Commentary

- At the end of the week, the USD-BWP advanced to close at 12.6627 with a weekly gain of 1.25% to place as the third top performing African currency. The South African Rand fared considerably worse against the USD, suffering a loss of more than 1.8% last week. Investors refrained from making any big bets ahead of the key US NFP report, which in the end came in better-than-anticipated, keeping alive the Fed's aggressive policy tightening and the USD's bid tone. This will likely keep the USD-BWP supported at the start of the new week.

- For context, US employers added 528,000 workers in July, more than twice consensus estimates and the fastest pace of job growth since February, signalling that hiring remains strong and that recession fears may be overblown. In the current environment, the US dollar may stay supported and even gain more ground against low-yielding currencies,

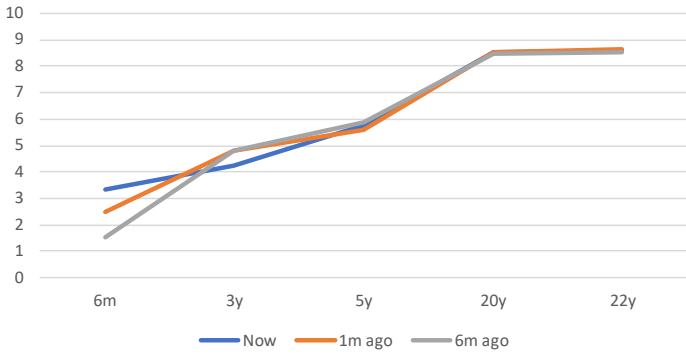
- Meanwhile, global bond markets were put under pressure on Friday from the strong US payroll numbers, which sent yields globally surging as bets on aggressive monetary policy were reignited. Yields across the US curve were up by more than 18bp on the session, with the curve inverting further and the 2v10 spread nearing -40bp. Market pricing for Fed rate hikes now shows more chance of a 75bp increase at the September meeting than 50bp. With such aggressive tightening priced in, volatility for the sort-end of the curve is expected to remain. The longer-end may also be subjected to notable gyrations given the disconnect between what the market is pricing in and what the Fed's official guidance points to.

- This morning we have Friday's losses being held in the UST futures market, while Asian bond markets are under pressure as they catch up to Friday's moves. Focus will now be turning to Wednesday's US CPI report, which could provide further market volatility. Until the release, we expect market sentiment to remain relatively risk-off on account of the monetary policy tightening being priced in right now.

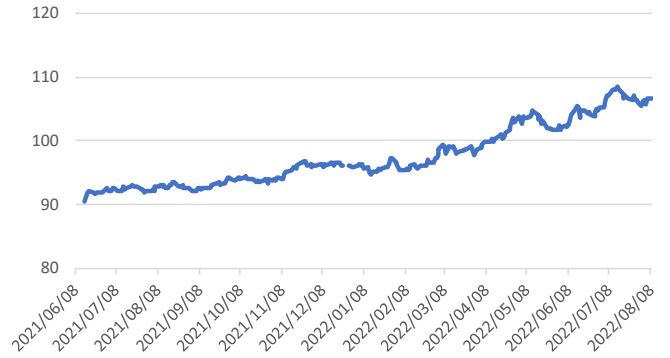
- The front-month Brent contract is trading above \$95 per barrel as we kick off the new week, with oil markets shaking off what seems to be a tetchy start to the week in terms of risk appetite. There were some positive data releases out of China over the weekend regarding oil, which has helped the commodity withstand any selling pressure this morning. China's crude oil imports for July rose from their lowest levels in four months as the country reopened. While still well below the levels seen last year, the data suggests that China's imports of oil have bottomed and will continue to pick up.

- Investors will now have a deluge of new market information and commentary to deal with this week, which could make it a fairly volatile trading period for the commodity. First off, we have the US EIA's short-term market outlook to be issued tomorrow, followed by the monthly reports from OPEC and the IEA later in the week. The reports are expected to reflect weakening demand outlooks, although supply constraints will likely remain flagged as supportive factors for prices over the near term. OPEC's report will likely be the most closely watched, given comments last week from Saudi Arabia and the UAE that they could still increase output by a significant amount. Any hints of this in the report will push prices lower.

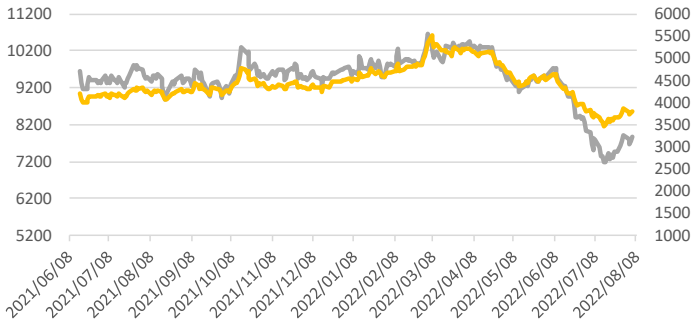
### Botswana Yield Curve



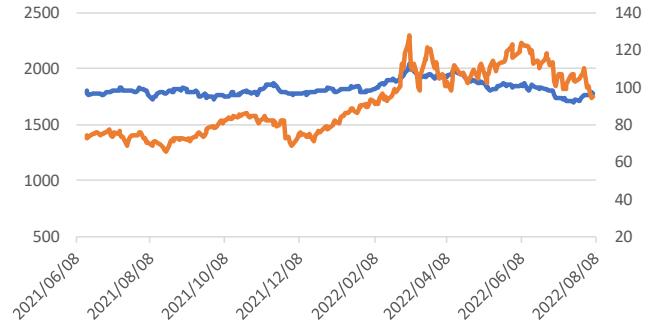
### USD Index



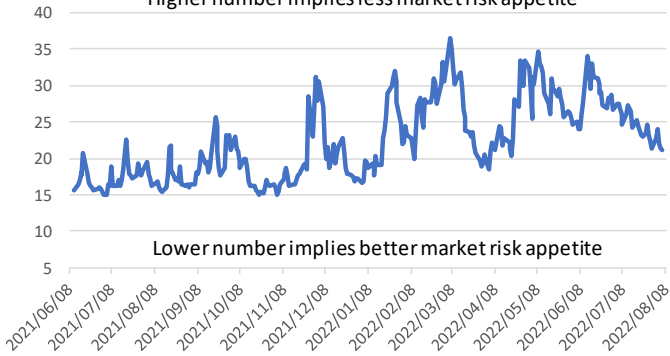
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



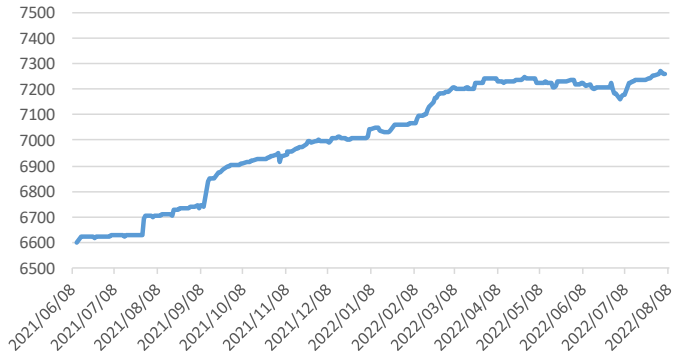
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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