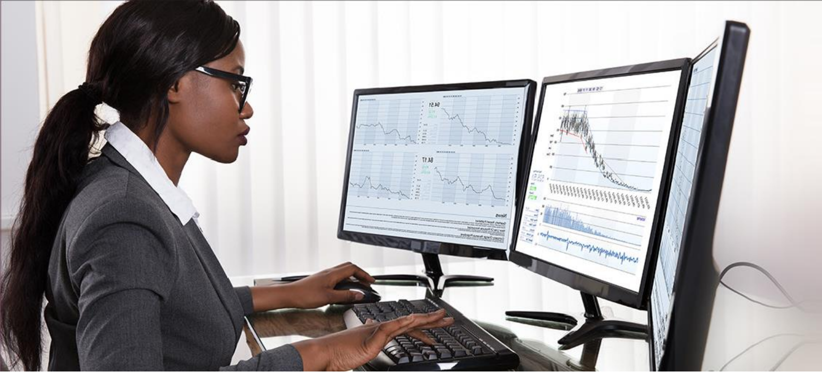


Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
12:30	US	PPI final demand y/y	Jul	10,3%	11,3%
12:30	US	Initial jobless claims	Aug 6		260k

Factors Overnight	What happened?	Relevance	Importance	Analysis
US inflation	US inflation came in much softer than expected, remaining unchanged on the month, which translated into inflation dipping to 8.5% y/y from 9.1% y/y in June	This data may signal the peak in inflation with a moderation set to follow as fuel and energy prices drop	**5/5** (economy)	Equally important was the fact that core inflation remained flat at 5.9% y/y and that real average hourly earnings dipped from their previous readings in July. The Fed may need to rethink its strategy
USD reaction	The USD suffered depreciated sharply on the news that inflation was much weaker than expected, as investors immediately priced in the risk that the Fed would soften its stance	With so much priced into the USD and US rates, the risk turned asymmetrically against the USD, with more to come	**3/5** (economy)	The risk for the market is that they have bought too far into the narrative that the US economy can withstand the current interest rate shocks and that any recession will be shallow and short-lived. The reversal could be sharp and painful
Fedspeak	Although they acknowledged that the softer US inflation left the door open for a less hawkish stance on inflation, Kashkari and Evans both expected hikes into 2023 and played down rate cuts	They have retained a hawkish bias and believe it is far too soon to be talking about rate cuts, but that will change	**4/5** (economy)	The danger for the Fed is that the overindebted economy responds far more violently to the combination of inflation, rate hikes and a global slowdown than what was expected and that is forced to reverse course
Factors on the Radar	**What happened?**	**Relevance**	**Importance**	**Analysis**
BoE guidance	BoE Chief Economist Huw Pill has reminded investors that the full effects of the rate hikes will only fully feed through by late 2023	The negative growth consequences and changed behaviour manifest with a lag	**4/5** (economy)	Investors should appreciate that while there are short-term factors to price in, the major economies of the world will still face a more challenging climate
US tariffs on China	While the temptation is there to help lower inflation by removing some tariffs, the Biden administration does not want to be rewarding China with improved terms of trade following Taiwan	All options remain on the table, but what might've seemed like an easy decision to help inflation has turned more difficult	**4/5** (geopolitics)	The cost of aggressive geopolitics is that it can harden political standpoints and change the course of economic history. Not only is it possible that tariffs will not be removed, but as a show of force, more might be levied as inflation cools
Ukraine debt deal	Ukraine's creditors have agreed to a 2yr freeze on $20bn worth of overseas debt that would save Ukraine some $5bn over 2 years	Following the debt freeze, a significant debt restructure will likely follow	**3/5** (economy, fiscal policy)	Not only does this assist Ukraine in the near term, but it will remove the possibility of a chaotic default which could further disrupt markets

Highlights news vendors

CNBC - North Korea declares victory over Covid, reveals leader Kim Jong Un suffered fever
BUSSINESS LIVE - Sasol gas hike will take bread from the poor, industry body warns
FT - From Europe's powerhouse to its weak link: Germany's economy stutters
SOUTH CHINA POST - Singapore cuts GDP forecast as economy contracts in Q2 amid global volatility
REUTERS – S.Korea, China clash over U.S. missile shield, complicating conciliation

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.250304	1.260384	1.2743984	1.352287
BWPUSD	0.077088	0.093496	0.0785736	0.083327
GBPBWP	15.67072	15.796872	15.33169	14.885514
BWPEUR	0.081224	0.081848	0.0767333	0.080274
JPYBWP	11.1176	11.2008	10.502925	10.958475
USDZAR	15.57024	16.878368	15.935168	16.513211
EURUSD	0.987264	1.069848	1.010403	1.04670225
GBPUSD	1.17024	1.268488	1.1976675	1.24104475

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0803	0.0009
BWPGBP	0.0657	0
BWPEUR	0.078	0.00
BWPZAR	1.2981	-0.0212
Dollar Index	105.333	0.137
EURUSD	1.0287	-0.001
GBPUSD	1.2195	-0.003
USDJPY	133.14	0.27
USDNGN	418.19	0
USDZAR	16.2151	0.0492

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0085	1.3002
3m	-6.75675	1.3091
6m	-13.923	1.3002
12m	-29.328	1.3132

Local Fixed income

Yield curve	Close	Change
6m	3.348	0
3y	4.1	-0.13
5y	5.95	0.35
20y	8.5	-0.04
22y	8.65	0

International Fixed Income

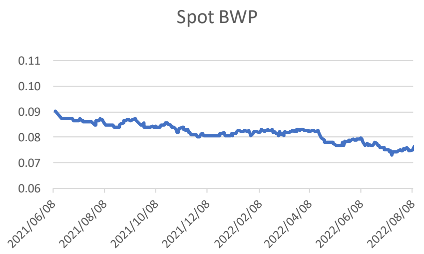
	Close	Change
SA 10y	10.015	-0.245
US 10y	2.786	0.023
German 10y	0.886	-0.011
Spread SA 5y vs Bots 5y bpts		
	266.5	-61

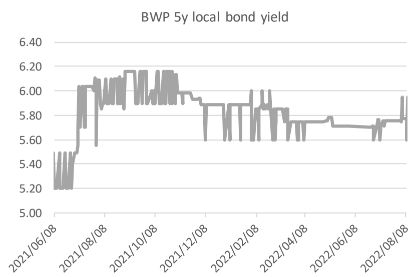
Equities

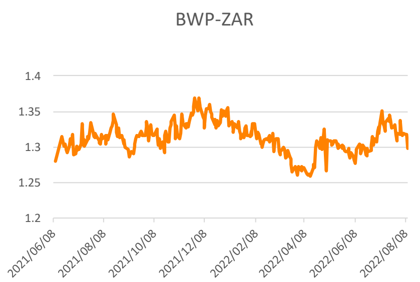
	Close	Change
VIX	19.74	-2.03
Dow Jones	e permission t	0
FTSE	7507.11	5.78
JSE All share	69744.9	0
Bots DCIBT	7280.13	14.37
Nigeria Index	50075.47	-1139.02

Commodities

	Close	Change
Gold	1785.82	-6.3078
Brent Crude	97.2	-0.2
3m Copper	8085.5	0
LME Index	3913.7	0
1 carat index	150.57	0





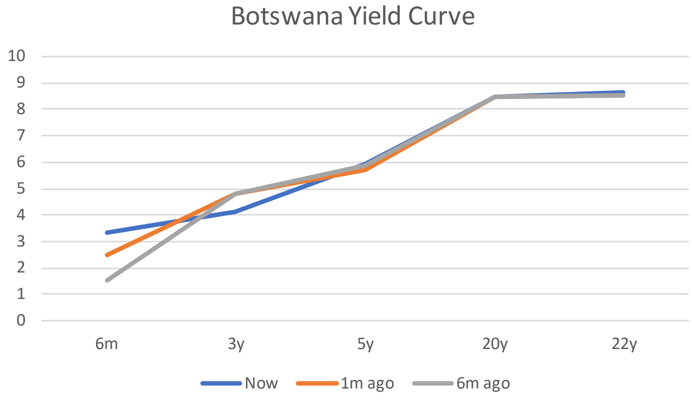


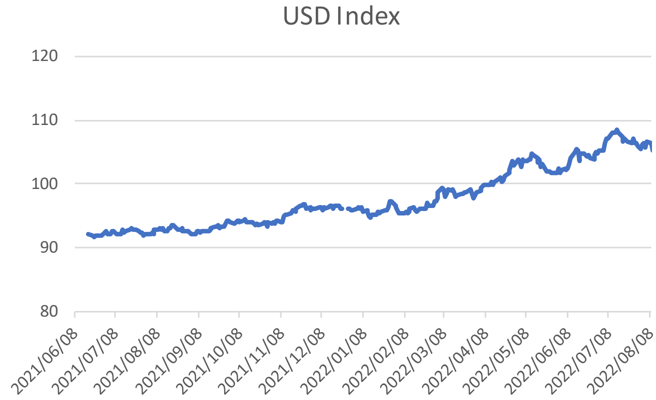
Local and regional talking points

- The US has unveiled a new strategy to build a closer relationship with sub-Saharan Africa. The US has expressed that Africa has a critical role in addressing many challenges the world has recently been facing. These include tackling climate control, global food insecurity, and terrorism. Africa has been a low foreign-relations priority for the US, with the region accounting for just 1.2% of its total two-way trade. However, the relationship between Africa and China has strengthened over the past few years. The US now believes that it has vital interests in common with Africa and wants to focus on building a stronger relationship in the coming years.
- The US's key policy priorities in Africa include building democracy and improving governance, promoting development, peace, security trade and investment, and supporting conservation and a move toward cleaner energy. While the US has contributed extensively to Africa over the past three decades, its efforts to promote democracy, peace and security "have struggled to show the desired impact in recent years." The US has stated that it is committed to revitalizing and modernizing its traditional tools of statecraft.
- Finally, Africa has become highly dependent on China for investments and trade over the last few years. Therefore, having alternative investment options and trade partners could be a factor that helps to contribute to growth in Africa. There has been some concern that a slowdown in China's economy would greatly impact the amount it imports from Africa, and this highlights the importance of Africa diversifying its trade partners

Financial Market Commentary

- The USD-BWP bears drove the pair lower on Wednesday to touch the short-term 50DMA support at 12.4405 before closing out the session at 12.4441. At the moment, direction across currency markets continues to be driven in the main by developments abroad. Once again, offshore data drove the BWP stronger in the form of the latest US inflation data. The data was softer than anticipated and changed expectations of how aggressively the Fed would continue tightening. So much had been priced into the USD that the risks were asymmetrically tilted against it. It needed a catalyst to price some of the policy disparity back out of the market, and the US inflation data offered that.
- There is likely more to come through the remaining months of the year. The USD remains deeply overbought and could comfortably lose 10-15% and still be expensive on a trade-weighted basis. Such is the degree of overvaluation that other currencies, including majors and emerging markets, have the potential to stage a recovery.
- In the fixed income market, US Treasuries had quite a volatile session yesterday, with the weaker than expected CPI reading out of the States initially sending 10yr yields down to lows of around 2.67%. However, some persistent hawkish talk from Fed members saw all of the declines for yields erased through the latter half of yesterday's session, with the 10yr benchmark still trading around 2.80% this morning. The market may have gotten ahead of itself in pricing out rate hike risk, but it also showed just how much is priced in now and that any further data misses in the US will keep the downside pressure on yields. The shape of the UST curve, meanwhile, continued to invert with the 2v10 spread, at one point, dropping below -50bp. This inversion continues to speak to growing economic risks and suggests that the USD will remain under some pressure over the near term.
- German bunds also rallied yesterday, but underperformed their US counterparts following the release of the US CPI numbers. The market is still pricing in around 46bp worth of rate hikes from the ECB in September, which is keeping front-end yields anchored and flattening the curve to the most since December.
- Oil prices have steadied this morning following yesterday's rally. The market was supported by reduced bets on aggressive Fed hiking after the softer than expected US CPI data, which weighed heavily on the USD. As a result, the front-month Brent contract climbed towards its recent intraday peaks around $98.80 per barrel, just below the future's 200DMA technical resistance level. Yesterday's gains also came despite the EIA report confirming what the API data showed the day prior, that US crude inventories and output increased significantly last week. High retail gas prices have clearly had an impact on the demand for fuel in the US, and given the deteriorating economic conditions there, we expect this trend to continue. These rising inventory levels and continued demand concerns as the global economy slows are what are keeping prices contained for now.
- The day ahead, meanwhile, will be another important one as we will see the release of the OPEC and IEA monthly outlook reports. The OPEC release will be of particular interest given the decision earlier this month to increase output by a marginal amount in September. Traders will be looking to see if this means that OPEC really is tapped out in terms of output.


Botswana Yield Curve
10
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
120
110
100
90
80
2021/06/08
2021/07/08
2021/08/08
2021/09/08
2021/10/08
2021/11/08
2021/12/08
2022/01/08
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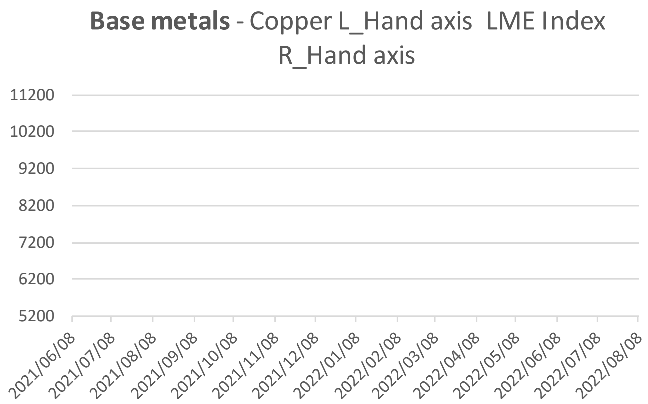
2022/07/08
2022/08/08


Base metals - Copper L_Hand axis LME Index R_Hand axis
11200
10200
9200
8200
7200
6200
5200
2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
2021/06/08
2021/07/08
2021/08/08
2021/09/08
2021/10/08
2021/11/08
2021/12/08
2022/01/08
2022/02/08
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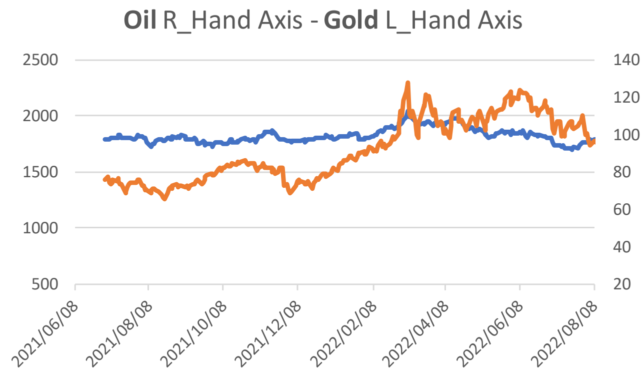
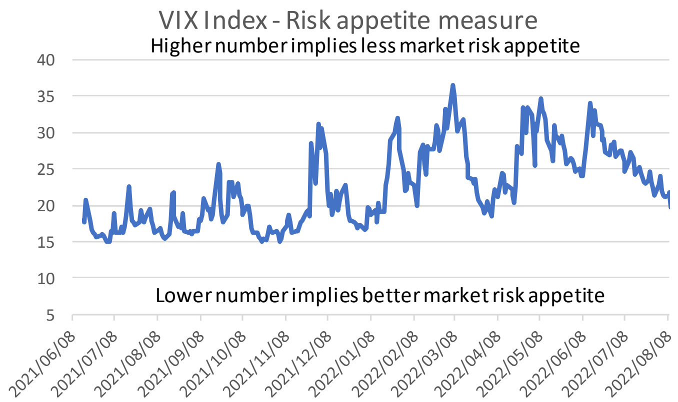
2022/07/08
2022/08/08


Oil R_Hand Axis - Gold L_Hand Axis
2500
2000
1500
1000
500
140
120
100
80
60
40
20
2021/06/08
2021/08/08
2021/10/08
2021/12/08
2022/02/08
2022/04/08
2022/06/08
2022/08/08


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
40
35
30
25
20
15
10
5
Lower number implies better market risk appetite
2021/06/08
2021/07/08
2021/08/08
2021/09/08
2021/10/08
2021/11/08
2021/12/08
2022/01/08
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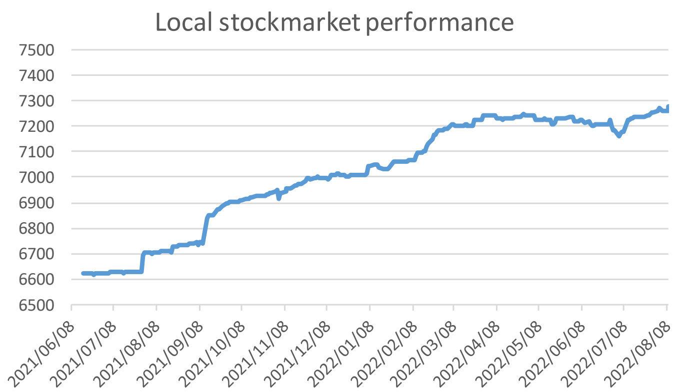
2022/04/08
2022/05/08
2022/06/08
2022/07/08
2022/08/08


Local stockmarket performance
7500
7400
7300
7200
7100
7000
6900
6800
6700
6600
6500
2021/06/08
2021/07/08
2021/08/08
2021/09/08
2021/10/08
2021/11/08
2021/12/08
2022/01/08
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2022/07/08
2022/08/08

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