

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
06:00	GB	GDP y/y	2Q P	2,9%	8,7%
06:00	GB	Industrial production y/y	Jun	1,9%	1,4%
06:00	GB	Total trade balance (GBP)	Jun	-10500mn	-9747mn
09:00	EZ	Industrial production (wda) y/y	Jun	1,00%	1,6%
12:30	US	Import price index y/y	Jul		10,7%
14:00	US	Michigan consumer confidence	Aug P	52	51,5

Factors Overnight	What happened?	Relevance	Importance	Analysis
Opec Oil demand forecasts	On Thu, OPEC cut its oil demand growth forecast in contrast to the EIA. Opec expects world oil demand growth to decelerate to 3.1mn bpd in 2022	Numerous reasons are given that detail the headwinds to the demand for growth in oil demand	4/5 (economy)	Even though growth in oil demand has moderated, it remains growth. Recall that Opec is struggling with raising production schedules and missed its most recent production target
Bank of Mexico	The Bank of Mexico hiked rates 75bp for a second consecutive meeting on Thursday to a record 8.5%, mirroring the decisions of the Fed in a bid to tame inflation	The bold decision was a unanimous one with future decisions to be based on prevailing conditions	4/5 (monetary policy)	Interestingly, the guidance offered left room for a more dovish tilt if inflation conditions improved going forward. Softer than expected US inflation may have been the reason for this
Fedspeak	San Francisco Fed president Daly indicated on Thursday that while a 50bp hike could be justified, she was still open to hiking rates by a more aggressive 75bp	This is in keeping with the Fed's recent stance and the belief that the economy can handle it	4/5 (monetary policy)	Nothing new in this and the market took this guidance in its stride. The market is fully priced for hikes, the stronger reaction in the coming months will come from a softening in the Fed's stance

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Chinese rates	China's central bank is expected to roll over maturing medium-term loans on Monday, keeping monetary policy steady for now	This will be the seventh month in succession that policy remains unchanged	3/5 (monetary policy, market)	The amount in question is CNY600bn that needs to be rolled over, amounting to some \$89bn. Most in the market expect the debt to be rolled over
Canadian yield curve	Just as the US yield curve inverted, so too is the Canadian curve pouring cold water on the central bank's assertions that the economy will have a soft landing	This places the BoC in an awkward position to hike into the teeth of an anticipated slowdown	4/5 (monetary policy, economy)	It implies that the guidance given by the BoC and the Fed have been powerful tools that have created clear expectations. However, some of those expectations may be unwelcome
Italy risks	5 days ago, Moody's changed the rating outlook to negative based on Italy's politics with a rating of Baa3. Now risks political support has swung further right	At its core, Italy remains a country saddled with too much debt and economically fragile	4/5 (politics, economy)	Not only does Italy face all the challenges the rest of Europe faces at the moment, but it has a fractured political landscape as well, where a competent government is even possible

Highlights news vendors

CNBC - [EU, South Korea say U.S. plan for EV tax breaks may breach WTO rules](#)

BUSSINESS LIVE - [Clock is ticking for state to sweeten its wage offer to public servants](#)

FT - [German industry in a sweat as heatwave dries up Rhine's commercial traffic](#)

SOUTH CHINA POST - [European politicians vow to press on with Taiwan visits, but Brussels tries to stay out of row](#)

REUTERS - [Strikes at Ukraine nuclear plant prompt UN chief to call for demilitarised zone](#)

Local and regional talking points

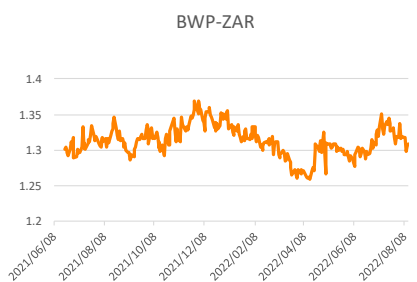
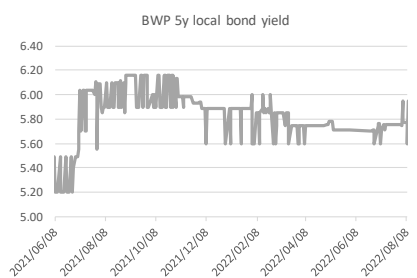
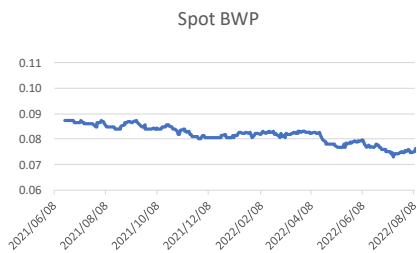
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.255584	1.265472	1.2797802	1.357746
BWPUSD	0.07728	0.093496	0.0787693	0.083327
GBP/BWP	15.63588	15.757664	15.297604	14.848568
BWPEUR	0.08112	0.081744	0.076635	0.080172
JPY/BWP	11.1488	11.232	10.5324	10.989
USDZAR	15.596832	16.90416	15.962383	16.538445
EURUSD	0.990624	1.073592	1.0138418	1.05036525
GBPUSD	1.170528	1.268488	1.1979623	1.24104475

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0805	0.0002	1m	-2.01825	-42.9152
BWP/GBP	0.066	0.0003	3m	-6.63975	-172.6876
BWPEUR	0.078	0.000	6m	-13.806	-482.0971
BWP/ZAR	1.3079	-0.0094	12m	-28.8795	-1489.92

Dollar Index		
	Close	Change
EURUSD	1.0316	-1E-04
GBPUSD	1.2191	-0.0021
USD/JPY	133.19	0.19
USD/NGN	418.37	0
USDZAR	16.2472	-0.0193

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.348	0	SA 10y	9.815	-0.2
3y	4.2	0.1	US 10y	2.888	0.102
5y	5.95	0	German 10y	0.967	0.081
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.65	0		254	-12.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	20.2	0.46	Gold	1791.36	1.9096
Dow Jones	33848	0	Brent Crude	99.16	-0.44
FTSE	7465.91	18.96	3m Copper	8173	1.082
JSE All share	71264.77	-521.23	LME Index	3974.2	1.57
Bots DCIBT	7281.25	4.72	1 carat index	8250	0
Nigeria Index	50014.6	724.76			

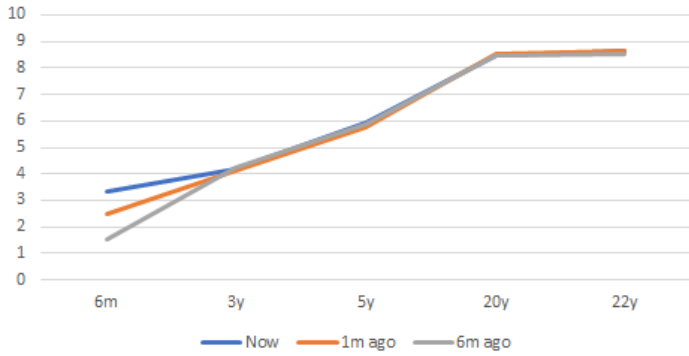


- On the mining front, Canada-based miner Lucara has started sinking the main shaft at its Karowe diamond mine expansion project in Botswana. The mine has been run as an open pit for the past ten years, but the shift to underground operations will extend its life to 2040. The company will complete shaft sinking in 2024, and the ramp-up is scheduled for the first quarter of 2026, with total production from the underground mine expected in the second half of that year.
- In a separate release, Lucara stated that profits more than doubled in the second quarter, up from \$6mn to \$12.5mn, as solid market fundamentals supported diamond prices despite growing concerns of a global economic slowdown as high levels of reported inflation persisted and governments responded with increasingly forceful measures in attempts to reduce it to sustainable levels. The firm added that its \$534mn underground expansion at the Karowe mine is forecast to contribute \$4bn in extra revenue. According to Lucara's CEO, Eira Thomas, the longer-term price outlook for diamonds remained positive but flagged the continuing implications of the COVID-19 pandemic, particularly in China, where the demand for diamonds has not yet recovered, remains a risk to diamond pricing in the short term.
- On the regional data front, headline inflation in Namibia accelerated further in July, coming in at 6.90% y/y from 5.99% y/y in the month prior. The July reading marked the fastest pace of price growth in the economy since March 2017. The transport and food components continued to be the main contributors to the annual inflation rate with a contribution of 3.0 and 1.5 percentage points, respectively. With inflation moving above the upper band of the central bank's 3-6% inflation target in July and risks to the outlook tilted to the upside amid lingering supply disruptions, policymakers could consider further policy tightening at the next meeting. Botswana will release its July CPI figures on Monday.

Financial Market Commentary

- The USD-BWP continued to head lower on Thursday, sliding below the short-term 50DMA support to settle at 12.3771, capitalising on the broad dollar weakness. The pair fell half of a percent on the session to place amongst the top worst performing African FX pairs.
- Heading into the weekend, the pair is set for a weekly loss of more than 1.6%, but sentiment remains fickle. The trade-weighted DXY has firmed slightly this morning, but it is clear that the risk to the USD remains to the downside as markets reassessed the Federal Reserve's policy outlook, following further evidence that inflation could be peaking. Despite softer inflation in the US, Fed members are continuing to talk a hawkish game and that is weighing on sentiment.
- In the fixed income market, US Treasuries fell to three-week lows yesterday, with the long-end underperforming following a weak 30-year auction. This helped steepen the curve and unwind some of the inversion that we have seen deepen this week. The front-end remained a bit more anchored following PPI data out of the US that was softer than expected. This followed the weak CPI data earlier this week and suggests that the macroeconomic environment may be starting to improve a little bit. Inflation is still high, and the Fed will still need to hike rates, but the situation is not as bad as many had feared. The market is now back to pricing in a higher probability of a 50bp hike in September over a 75bp increase.
- Oil is heading for its largest gain in four months, with Brent edging back above \$99 per barrel and WTI trading around \$94 per barrel, both up more than 5% on the week. While a weaker USD has provided some support to the market, supply issues have resurfaced, and expectations of fuel-switching buoying demand have grown. In the Gulf of Mexico, six oil fields have been shut after a halt at two major pipelines. It is expected that they will be reopened by today, but any further disruptions there could lead to some topside pressure in the market.
- Meanwhile, the IEA and OPEC released their monthly outlooks yesterday, with the two offering some differing views. The IEA report sounded much more bullish on the demand outlook, indicating that switching from gas to crude in Europe over the winter will increase global oil demand by 2.1mn barrels a day this year, an increase of 380k from their prior projections. Meanwhile, OPEC has a more pessimistic view and predicted that the global crude market will shift to a surplus this quarter and that the year-end surplus will be larger than previously expected.

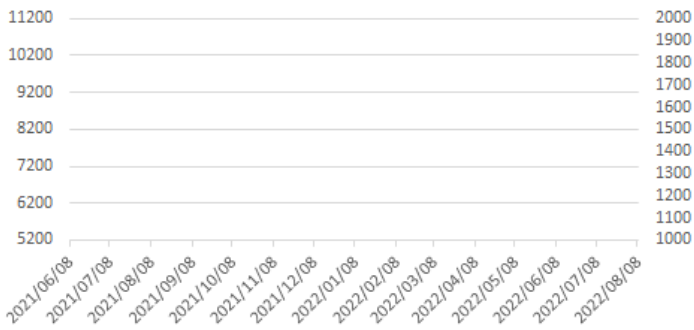
Botswana Yield Curve



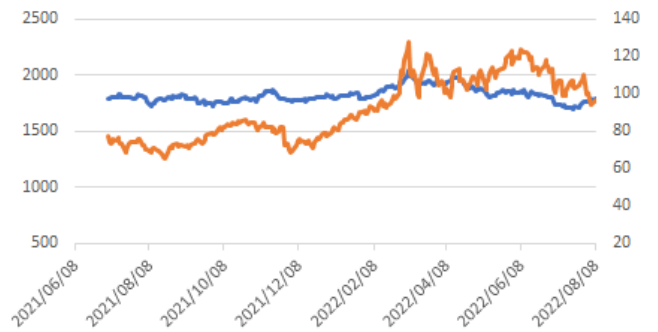
USD Index



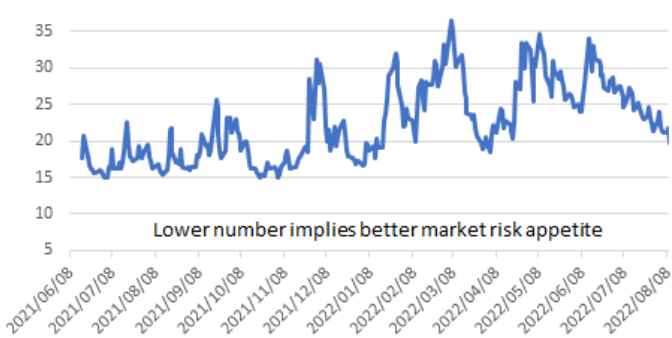
Base metals - Copper L_Hand axis LME Index R_Hand axis



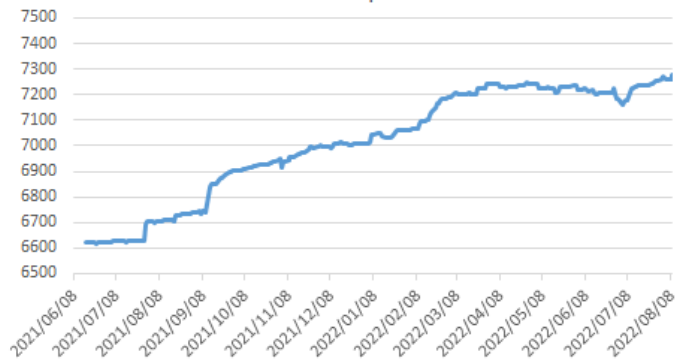
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



Access Bank Global Markets & Treasury Team

e-mail	First Name	Surname	Direct Line
nkatem@accessbankplc.com	Mogamisi	Nkate	2673674335
masalilap@accessbankplc.com	Phillip	Masalila	2673674621
kebaetsek@accessbankplc.com	Kefentse	Kebaetse	2673674336
thembaa@accessbankplc.com	Amogelang	Themba	2673674370
bogalet@accessbankplc.com	Tshwanelo	Bogale	2673674622
davidbat@accessbankplc.com	Batanani Pearl	David	2673644382
magashulan@accessbankplc.com	Ntebang	Magashula	2673644382
segwabek@accessbankplc.com	Keategile	Segwabe	2673644382

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.