

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	CPI y/y	Jul		12.7%
O/N	GB	Rightmove house prices y/y	Aug	8,2% A	9,3%
02:00	CH	Retail sales y/y	Jul	2,7% A	3,1%
12:30	US	Empire manufacturing	Aug	5	11,1

Factors Overnight	What happened?	Relevance	Importance	Analysis
China cuts rates	China surprised the market by reducing interest rates following a string of disappointing economic data from June and record youth unemployment in July	In addition, home prices have declined further to undermine the property sector further	5/5 (economy, monetary policy)	The economy is suffering through a negative credit cycle further constrained by the risk of more Covid lockdowns should the virus spread once again, and the PBoC felt a cut was appropriate
Taiwan tensions	A delegation of US lawmakers arrived in Taiwan on Sunday for a two-day trip, further inflaming tensions between China and Taiwan	The US delegation aims to show its support for Taiwan and that China will not dictate to it	4/5 (monetary policy)	The US argues that this visit is nothing extraordinary and that such visits have occurred on many occasions in the past. China argues that the US should respect its One-China policy
Russian bonds	Several Wall St banks have begun offering facilities to trade in Russian bonds in a bid to offer investors the ability to dispose of assets largely seen as toxic	It will likely have the effect of raising Russian bond yields significantly and impact financing	5/5 (economy, market)	Following clear guidelines from the Treasury, bondholders have been instructed to wind down their positions. Exactly to who they will sell these bonds and at what price remains unclear
Factors on the Radar	What happened?	Relevance	Importance	Analysis
BoE rates	A poll by Reuters shows that investors expect the BoE to deliver another 50bp rate hike when they meet next month	Thereafter, the pace of hikes is expected to slow to 25bp cut still tighten further	4/5 (monetary policy, economy)	This expectation exists despite the official data confirming that the economy contracted 0.1% in the last quarter and could contract again
Jackson Hole Symposium	With Covid curbs now lifted, the annual Jackson Hole Symposium will make for interesting headlines when it takes place later this month on the 25-27 Aug	Given the soaring inflation, geopolitics, and rapidly softening growth, there is much to debate	4/5 (monetary policy, economy)	Such a collection of central banks may use the opportunity to build some consistency and coordination between the different central banks in a bid to stamp out inflation and guide policy
UK leadership	UK's leadership race is heating up, but Foreign Secretary Liz Truss appears to be the clear front-runner with a 22pt lead ahead of the ballot	The winner will be announced on the 5 th Sep. The poll also shows Johnson is still favoured over both	3/5 (politics, economy)	It highlights the problems the Conservative party has in who it elects as the two choices available are not necessarily the most popular to run and win convincingly in the next election

Highlights news vendors

CNBC - [U.S. expressed concern India was being used to export fuel of Russian origin](#)

BUSSINESS LIVE - [Countdown begins: union to ballot public servants on strike](#)

FT - [EU calls for end to war talk in Balkans ahead of Serbia-Kosovo meetings](#)

SOUTH CHINA POST - [Russia ties to strengthen, Kim and Putin say in exchange of letters celebrating WWII victory over Japan](#)

REUTERS - [Japan's economy stages modest bounce from COVID jolt, global outlook darkens](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.25136	1.257216	1.2754748	1.348888
BWPUSD	0.077088	0.093496	0.0785736	0.083121
GBP/BWP	15.641288	15.700984	15.302895	14.795158
BWPEUR	0.081432	0.081744	0.0769298	0.080172
JPY/BWP	11.128	11.1696	10.51275	10.92795
USDZAR	15.583296	16.897504	15.94853	16.531933
EURUSD	0.984096	1.06652	1.0071608	1.04344625
GBPUSD	1.163712	1.260792	1.1909865	1.23351525

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0803	0	1m	-2.01825	-43.65128
BWP/GBP	0.0662	0.0005	3m	-6.60075	-176.1954
BWPEUR	0.0782	0.00	6m	-13.67925	-493.1044
BWP/ZAR	1.3037	-0.0136	12m	-28.51875	-1527.333

Dollar Index	
	Change
EURUSD	-0.0007
GBPUSD	-0.0008
USDJPY	-0.32
USDNGN	0
USDZAR	-0.0071

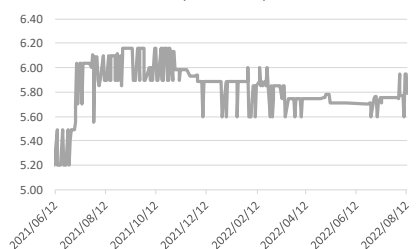
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.352	0.004	SA 10y	9.93	0.115
3y	4.23	0.03	US 10y	2.849	-0.039
5y	5.79	-0.16	German 10y	0.99	0.023
20y	8.54	0.04	Spread SA 5y vs Bots 5y bpts		
22y	8.61	-0.04		282.5	28.5

Equities		Commodities	
	Change		Change
VIX	-0.67	Gold	-7.2612
Dow Jones	0	Brent Crude	-0.81
FTSE	-41.2	3m Copper	1.082
JSE All share	1519.87	LME Index	1.57
Bots DCIBT	1.12	1 carat index	0
Nigeria Index	-60.87		

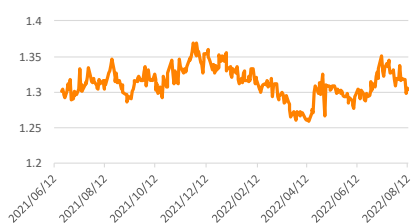
Spot BWP



BWP 5y local bond yield



BWP-ZAR



Botswana's total imports in May were valued at P8.3bn, of which 10.4% amounted to food imports, according to recent data published by Statistics Botswana in its Food Imports Report of May 2022. "Cereals and Beverages, Spirits & Vinegar accounted for 19.7% and 16.1% of food imports, respectively," the report noted. The Southern Africa Region is estimated to be one of the most affected regions by the ripple effects of the Ukraine crisis, which has led to high fertiliser and freight prices, and the possibility of a food availability issue. Much depends on this upcoming agricultural season, and close monitoring of the impact of the global food crisis on the region will be needed.

In bilateral trade news, Namibia's trade composition by partners showed that Botswana emerged as Namibia's largest export market, absorbing 19.6% of all goods exported, ahead of South Africa in second position with a market share of 18.3% of total exports.

The week starts with inflation data, the only release scheduled for the week. Price pressures in Botswana likely continued to build last month from increases in international commodity prices, global supply bottlenecks, the war in Ukraine and second-round effects of increases in local administered prices. A concern for policymakers is that cost pressures have become more broad-based. A bumper inflation reading will keep the central bank on high alert. It is worth pointing out that consumer price growth has exceeded the upper limit of the central bank's 3% to 6% target band since May last year. So far, the Bank of Botswana (BoB) has failed to cool inflation expectations in the economy, as local firms expect prices to rise by an average of more than 8.5% this year.

Bringing inflation back within the bank's target range will require additional monetary tightening. In the absence of further tightening, the broad-based rise in inflation risks de-anchoring inflation expectations and requiring even sharper tightening later with adverse effects on growth. This, however, would not be ideal as it would further hinder the domestic economy's post-COVID-19 recovery efforts. The BoB has said that inflation, in general, has to be dealt with decisively as it drives poverty and inequality.

Financial Market Commentary

In the week's final session, the USD-BWP's attempt at the 12.200 mark was rejected, with the 100DMA support sitting comfortably below it and the pair jumping higher into the close. The pair finished the week at 12.4503, with the bulls encountering the now 50DMA resistance. As a such, the pair ended with a marginal weekly loss of 0.8%. Friday's rebound has seen the local currency slip to the seventh spot out of the top 10 African currencies tracked by Bloomberg this month, with a slight gain of 0.4% against the USD. FX traders will have the latest CPI figures to look out for. Any bumper figures could send the pair higher.

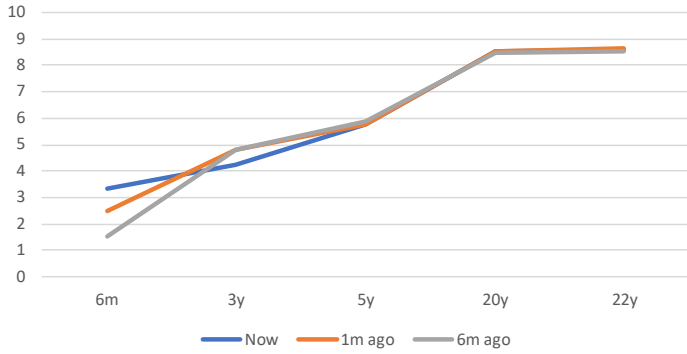
After initially suffering a correction following the weaker than anticipated inflation data just over a week ago, the USD has now consolidated and does not reflect any clear direction. It has offered investors an opportunity to reassess their positions.

In the fixed income market, US Treasury futures are bid this morning in early trade as angst over the economic outlook remains. Friday saw a return of the flattening trend for the UST curve as some stronger than expected US data drove a sell-off at the front-end of the curve, while tenors from the belly to back-end rallied. The 2v10 spread, therefore, widened further in inversion to more than -40bp once again, continuing to signal that recessionary conditions are expected to persist for some time to come. The week ahead, meanwhile, could be another volatile one for rates traders. The Fed will release the minutes of its last FOMC meeting on Wednesday, while we will also have retail sales and several regional activity indexes to assess. Currently, the market is pricing in around 60bp worth of rate hikes at the September meeting, but things could change quickly depending on what happens this week.

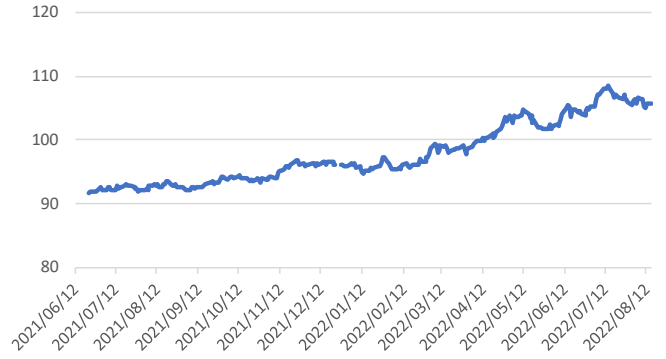
On the commodity front, oil markets are on the back foot as we kick off the new week, keeping up Friday's momentum as concerns over demand are resurfacing, while traders also weigh up the possibility of a return of Iranian supply. The demand concerns have come as China unexpectedly cut interest rates this morning, signalling that the authorities are worried about the notable slowdown in economic activity in the world's second-largest economy. The country's oil demand is around 10% lower on a y/y basis, and unless the authorities provide more support, we could see a further drop in demand for fuels out of China.

Meanwhile, Iran has reportedly said that Europe's proposals to revive the nuclear deal are acceptable if the country can be reassured that various issues surrounding the sanctions are resolved. Iran continues to review the proposals, but any positive sentiment towards the deal will be bearish for oil and keep up the downside pressure as a return of Iranian crude would be a gamechanger now, given the growing concerns over the demand outlook. OPEC had already estimated a return to a market surplus earlier than previously estimated, and Iranian crude coming back online would see this shift occur even earlier.

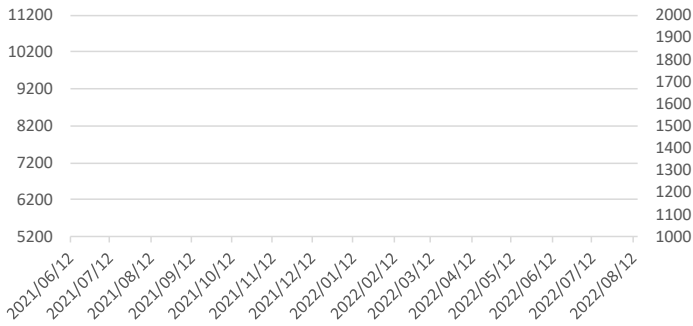
Botswana Yield Curve



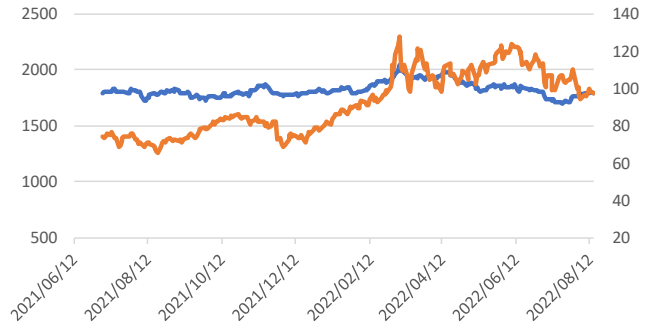
USD Index



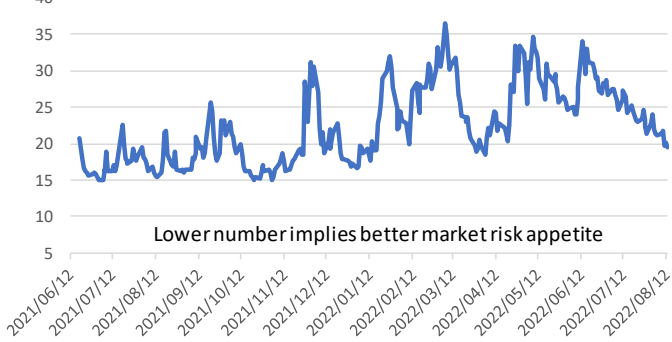
Base metals - Copper L_Hand axis LME Index R_Hand axis



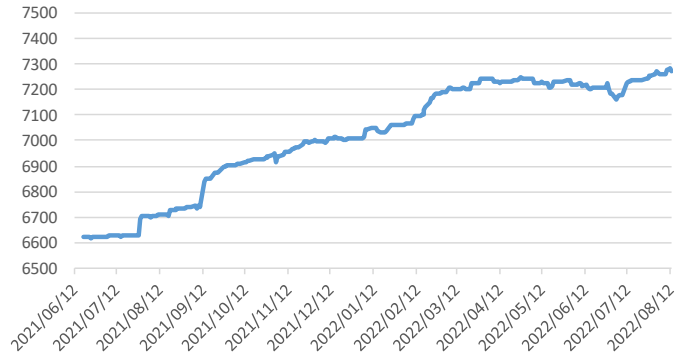
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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