

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
09:00	GE	ZEW economic sentiment	Aug	-60	-53,8
09:00	EZ	Trade balance nsa (EUR)	Apr		-26,3bn
12:30	US	Housing Starts	Jul	1540k	1559k
13:15	US	Industrial production m/m	Jul	0,25%	-0,2%
13:15	US	Manufacturing production m/m	Jul	0,3%	-0,5%

Factors Overnight	What happened?	Relevance	Importance	Analysis
China UST holdings	China slashed the holdings of US Treasuries for the seventh consecutive month in June, Treasury data revealed on Monday	It may just be a tactical move given US monetary policy or an effort to stabilise the USD-CNY	4/5 (geopolitics, market)	It is too early to read some sort of geopolitical strategy into this move, and it does not capture any of the more recent political tensions between the US and China
US data	Homebuilders' confidence and NY State factory activity both slipped yesterday to some of their lowest levels since the start of the pandemic	The combination of headwinds and the expectation of more rate hikes to come will weigh on growth	4/5 (economy, monetary policy)	So far, signs of a slowdown have been tentative. However, increasingly, the slowdown will gather momentum as the effects of the monetary tightening take full effect
Oil prices	Oil prices have retreated sharply to trade back below \$95.00 pb, and one stage retested the low of \$92.78, a break of which could have sparked the next leg lower	Weak Chinese data and signs of slowdown elsewhere have raised the prospect of a global recession	5/5 (economy, market)	Given the severe impact oil prices have had on the disposable income of households, the current slide will offer some relief to households battling the cost-of-living crisis

Factors on the Radar	What happened?	Relevance	Importance	Analysis
RBA policy	Minutes from the RBA's latest decision were released and showed that inflation would peak later in 2022 and that the board will take further tightening steps	More hikes to come while inflation is expected to reach its target by the end of 2024	4/5 (monetary policy, economy)	This implies that the challenges undermining growth in Australia are set to continue for a while longer. Most acutely in the next six months, before inflation starts to ease
Worker strikes	Worldwide, workers feeling the brunt of the cost-of-living crisis are dialling up the pressure on companies to increase worker pay to match inflation	Strikes in Mexico, the UK and elsewhere in Europe are gaining momentum, and a theme is unfolding	4/5 (economy)	Inflation can breed social unrest if households cannot pay their bills. Such social tensions are now rising, and companies will find themselves under pressure to respond with higher wages
EZ bond yields	It is notable that EZ bond yields have slid and continue to slide as investors position for a material slowdown in the EZ economy, especially ahead of winter	Energy costs and the cost-of-living crisis are weighing heavily on consumption and the credit cycle	3/5 (market)	The credit cycle looks set to soften long before the ECB has taken any material tightening steps, with the economy battling several growth headwinds that will only intensify into winter

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BUSSINESS LIVE - [Numsa gears up for strike at Samancor Chrome](#)

FT - [Inflation in Nigeria hits 17-year high](#)

SOUTH CHINA POST - [Beijing sanctions 7 Taiwanese officials, bans them from visiting or doing business with mainland China](#)

REUTERS - [Kenya's Ruto declared president-elect in chaotic scenes](#)

Local and regional talking points

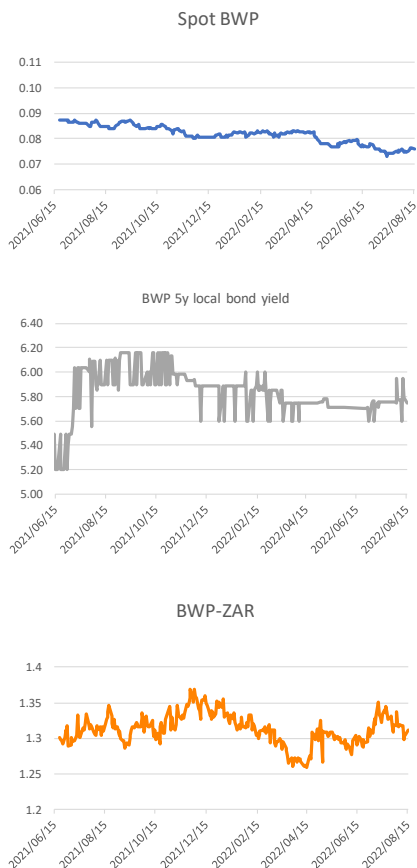
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.258464	1.264128	1.2827157	1.356304
BWPUSD	0.076608	0.093496	0.0780843	0.082709
GBPWP	15.637648	15.701608	15.299334	14.795746
BWPEUR	0.08164	0.081952	0.0771263	0.080376
JPYBWP	11.0656	11.1072	10.4538	10.8669
USDZAR	15.769728	17.097496	16.139331	16.72759825
EURUSD	0.975264	1.056744	0.9981218	1.03388175
GBPUSD	1.156224	1.252992	1.183323	1.225884

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0798	-0.0005	1m	-2.1255	-47.84261
BWPGBP	0.0662	0	3m	-6.552	-179.8364
BWPEUR	0.0785	0	6m	-13.533	-504.5554
BWPZAR	1.3117	0.0136	12m	-28.03125	-1566.319

	Close	Change
Dollar Index	106.52	-0.026
EURUSD	1.0158	-0.0002
GBPUSD	1.2042	-0.0012
USDJPY	133.35	0.03
USDNGN	418.89	0
USDZAR	16.4244	-0.0124

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.352	0	SA 10y	10	0.07
3y	3.3	-0.93	US 10y	2.791	-0.058
5y	5.75	-0.04	German 10y	0.903	-0.087
20y	8.5	-0.04	Spread SA 5y vs Bots 5y bpts		
22y	8.55	-0.06		287.5	5

Equities			Commodities		
	Close	Change		Close	Change
VIX	19.95	0.42	Gold	1780.92	2.01
Dow Jones	34958.15	0	Brent Crude	94.24	-0.86
FTSE	7509.15	34.98	3m Copper	8173	1.082
JSE All share	70740.63	-533.45	LME Index	3974.2	1.57
Bots DCIBT	7297.81	-9.93	1 carat index	8250	0
Nigeria Index	49657.33	-350.53			



- Yesterday's inflation statistics were the main event in the domestic market. Consumer price inflation in Botswana accelerated to 14.3% y/y in July, from 12.7% y/y in June. Increasing prices for major CPI components such as transport, food and non-alcoholic beverages, housing, water, electricity gas, other fuels, and miscellaneous goods and services contributed to the faster pace of price growth. On a m/m basis, consumer prices climbed 2.3%. Moreover, a weaker Botswana pula added topside pressure to the July inflation reading. The reduction in the VAT rate from 14% to 12% announced at the end of July might ease inflation pressures going forward. The latest report indicates that inflation is becoming anchored, pointing to the possibility of further 50bps interest rate increases by the central bank next week as it works to keep inflation in check.

- Since May last year, consumer prices have remained above the upper limit of the central bank's 3% to 6% target band. Bringing inflation back within the bank's target range will require additional monetary tightening. Inflation is expected to remain elevated in the near term, reflecting higher administered prices, energy, and food costs, before decreasing towards the end-2022. The Bank of Botswana (BoB) expects inflation to return to its target range in the third quarter of 2023. It is worth noting that a broad-based rise in inflation risks will continue to erode households' purchasing power, worsen poverty, and require sharper tightening later, with negative consequences for growth and employment.

- By the end of this year, Botswana Oil Limited (BOL) anticipates signing a contract with a private developer for the much-awaited Coal to Liquids (CTL) project, known as Ikaengeng XTL. The ambitious project aims to tap into billions of tonnes of coal in the country, with technology applied to produce various petroleum products for domestic use. Previous estimates indicated the project could cost P31.4 billion (\$2.5 billion). Matida Mmipi, a BOL spokesman, said that the project's Requests for Proposals would be released to the market by the end of the next month.

Financial Market Commentary

- The USD-BWP continued to build on Friday's gains at the start of the new week, piercing through the 50DMA to close above the 12.500 mark. While much of the move was dollar driven, due to global growth fears returning to the fore, the recent CPI figures likely capped some topside pressure as it leaves the central bank with no option but to tighten policy settings further. As recession fears escalate, so too will concern in the financial markets, and that volatility will almost certainly translate into a rotation towards safety. The USD retains that safety status and, for now, will benefit.

- Given how developments in the US are driving market sentiment, all eyes will be on the release of the building permits and housing starts for July, scheduled for this afternoon, alongside the Industrial and manufacturing production data

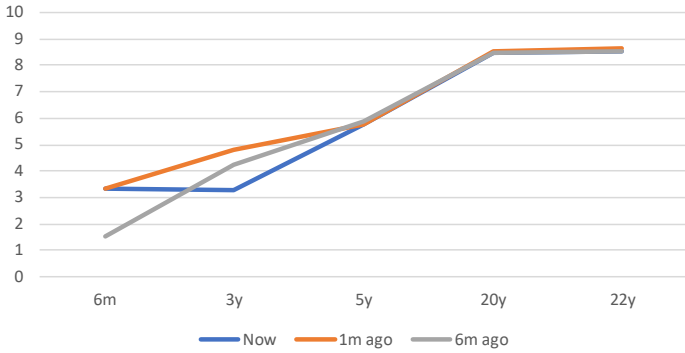
- Core bond markets rallied yesterday on global slowdown concerns, with USTs, bunds and gilts all gaining on the session. This bullish bias has extended into early morning trade today, with UST futures rising and JGBs on the front foot as investors opt for the safety of fixed income in this turbulent period. US swap spreads also tightened on the session, indicating that there was extra support from receiving flows even as equity markets managed to post some gains, likely a result of a reduction in rate hike risk being priced into the market.

- This bid tone could extend through the day ahead, given the economic data releases scheduled, which include UK employment, German sentiment, and US industrial output. All of these have downside risks embedded, and with all the hawkishness still priced into the market, the risk is that we see a continued shift into capital preservation assets.

- Oil remains under pressure this morning after a notable decline yesterday, driven by economic growth concerns and the prospect of more supply coming online from Iran. The front-month Brent contract has slid back below \$95 per barrel, a six-month low. The growth concerns were sparked by weak Chinese data yesterday and exacerbated by bearish US releases, which included the sharpest slump for the Empire manufacturing activity index since 2020. The more bearish outlook for the global economy has also meant that oil timespreads have narrowed sharply, with Brent's prompt timespread now around 72cents per barrel in backwardation, well below levels seen since Russia's invasion of Ukraine. This points to weakening prices over the coming months.

- On the supply front, Iran responded to Europe's proposal for reviving the nuclear deal, with a key official suggesting that a deal could be reached in a few days if the US compromises in certain areas. A revival of Iranian supply could bring back 2.5mn barrels per day of output. Not all of this will be available immediately, but with the weakening demand outlook, this will be enough to weigh heavily on oil prices.

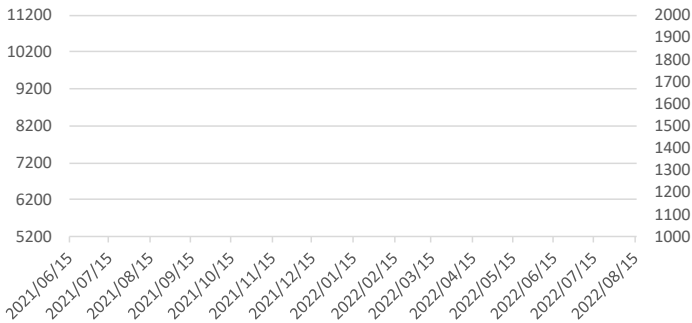
Botswana Yield Curve



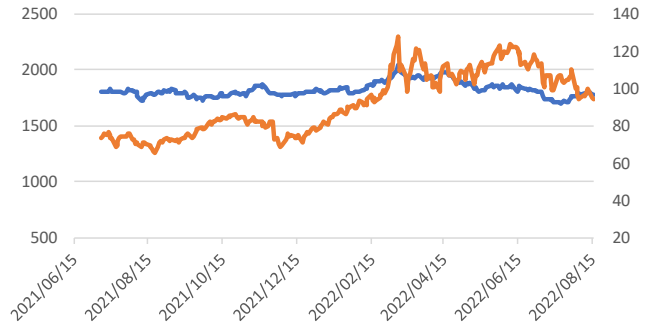
USD Index



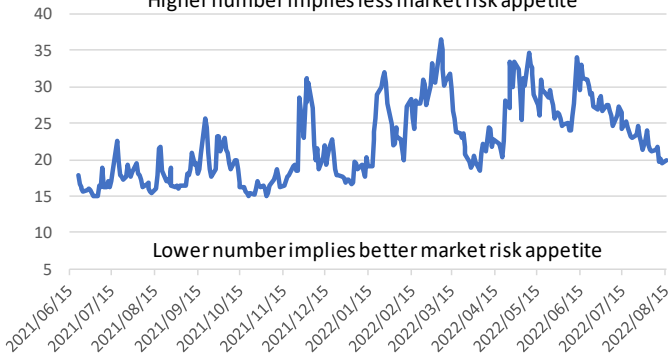
Base metals - Copper L_Hand axis LME Index R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis

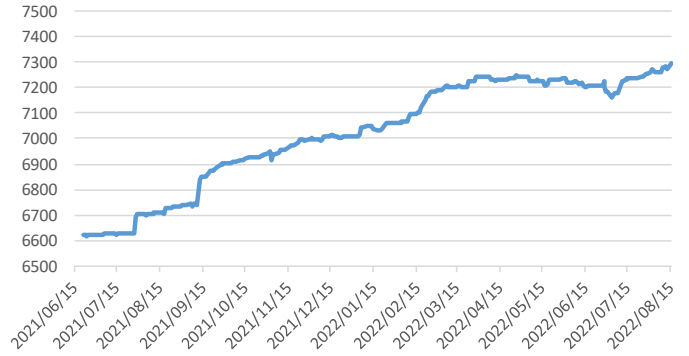


VIX Index - Risk appetite measure Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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