

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
09:00	EZ	CPI y/y	Jul F	8,9%	8,6%
12:30	US	Philadelphia Fed index	Aug	-5	-12,3
17:20	US	Fed's George speaks on economic outlook			
17:45	US	Fed's Kashkari speaks in Q&A			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Australia jobless rate	Notwithstanding the current headwinds, the Australian jobless rate has fallen to a 48yr low, despite formal employment falling	Readers are reminded that unemployment is a lagging indicator of economic growth	2/5 (economy)	The data likely reflects statistical anomalies rather than an accurate picture of unemployment. As rate hikes bite, employment declines will weigh on the unemployment rate
UK inflation	UK inflation has risen to 10.1% y/y in July from 9.4% in June, the highest since 1982. Higher food costs will add to the inflationary pressures	This will almost certainly prompt the BoE into another 50bp rate hike at the next meeting	5/5 (economy, monetary policy)	A contraction in the credit cycle will be a necessary evil to accept to bring inflation back under control. Many headwinds to growth continue to unfold, and a recession is now inevitable
US retail sales	US retail sales were flat in July, slightly softer than market expectations of a 0.1% gain. Excluding auto, sales still increased 0.4%.	No signs of distress just yet as the full effects of inflation and the rate hikes filter through	4/5 (economy, market)	It is only a matter of time before consumption expenditure slows if the latest Target financials are anything to go by. Consumers are shunning discretionary spending

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Chinese property market	Chinese property developers have seen cash flows plunge by 20%, according to Oxford economics, with some homeowners unable to pay mortgages	The pressure on the property market remains intense, which would explain the PBoC's stance	4/5 (economy, market)	For China, the property market is the biggest risk to the economy and one that will keep the central bank reluctant to hike rates too aggressively lest they worsen final demand
Fed Minutes	Fed minutes released last night showed that the Fed was not about to stop hiking until inflation eased substantially. Some on the FOMC do see a danger of the Fed going too far	Rate hikes will persist for a while longer, and only several months of inflation deceleration will see the Fed pause	4/5 (economy, monetary policy)	For the next meeting, it is unclear whether the Fed will move 50 or 75bp. The latest inflation data was softer than expected, and there are those within the FOMC that is turning increasingly concerned about the pace of tightening
UK drought	Notwithstanding the rain this week, London has been placed on water restrictions as the UK experiences a severe drought	The lack of water will only compound the weakness of the economy	5/5 (economy)	Agriculture will be another sector hit with more challenges which threaten to keep inflation elevated as food prices could remain well elevated

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Local and regional talking points

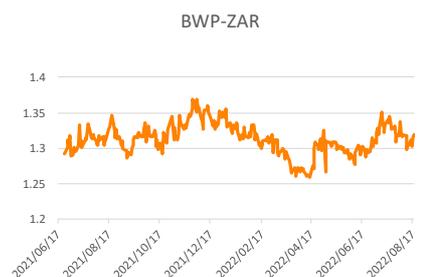
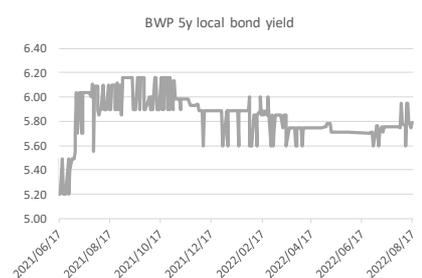
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.265856	1.269984	1.2902501	1.362587
BWPUSD	0.075936	0.093496	0.0773994	0.081679
GBP/BWP	15.782312	15.827448	15.440868	14.914326
BWPEUR	0.080912	0.08112	0.0764385	0.07956
JPY/BWP	11.1072	11.1384	10.4931	10.897425
USDZAR	16.003584	17.349696	16.378668	16.974342
EURUSD	0.975936	1.05768	0.9988095	1.0347975
GBPUSD	1.155264	1.251952	1.1823405	1.2248665

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0791	0	1m	-1.99875	-46.01504
BWP/GBP	0.0657	0.0001	3m	-6.5325	-193.3328
BWPEUR	0.0778	0.00	6m	-13.338	-538.0204
BWP/ZAR	1.3188	0.0071	12m	-27.46575	-1665.089

	Close	Change
Dollar Index	106.713	0.139
EUR/USD	1.0167	-0.0013
GBP/USD	1.2035	-0.0012
USD/JPY	135.05	0.04
USD/NGN	419.96	0
USD/ZAR	16.6731	0.0285

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.348	-0.004	SA 10y	10.17	0.09
3y	4.24	0.25	US 10y	2.895	0.071
5y	5.79	0	German 10y	1.078	0.099
20y	8.55	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	-0.01		298.5	10.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	19.9	0.21	Gold	1761.05	-14.4917
Dow Jones	33980.32	239.57	Brent Crude	1775.5417	1.31
FTSE	7515.75	26.91	3m Copper	1778.91	-54.5
JSE All share	70967.35	764.06	LME Index	1801.7612	-32.5
Bots DCIBT	7296.96	-1.98	1 carat index	1789.4504	#VALUE!
Nigeria Index	49691.17	52.13			



- The Botswana government has proposed a new law that would raise the minimum domestic investment by local pension funds from 30% to 50% of their assets. *"This is to avail funds held by pension funds available for developmental purposes in Botswana, to contribute towards boosting the local economy and to create the much-needed sustainable jobs,"* Finance Minister Peggy Serame told lawmakers. According to figures from Botswana's central bank, local pension fund assets totalled P115.1 billion at the end of May, with 62% invested outside the nation. The present limitations on domestic and offshore allocations were only imposed after asset managers complained about a lack of investment prospects in Botswana's economy. The various asset managers could be happy to hear the recent news.

- In political news, Botswana President Mokgweetsi Masisi has yet to resurrect the All Party Conference (APC) despite vowing to do so in the 2019 general elections. The purpose of the APC was to enable political stakeholders to engage on issues of national interest and provide a platform to discuss means of improving the national democratic landscape. The Botswana Congress Party Secretary General (BCP), Goretse Kekgonengile, characterised Masisi's presidency as a talk show with no action. *"We are not surprised and are not expecting Masisi to revive the APC because most of the promises he made ahead of the 2019 general elections were just a political posturing,"* Kekgonengile said. The president is expected to resume his regular posturing in the run-up to the next general election.

- In regional developments, Namibia's central bank on Wednesday raised its main lending rate by 75bps to 5.50%, tightening policy further in response to rising inflation and matching a move by South Africa's central bank last month. The Bank of Namibia typically mirrors rate decisions by the South African Reserve Bank to safeguard the 1:1 link between the Namibian dollar and the South African rand. *"The decision was taken with due consideration of the persistent inflationary pressures, ... the adopted monetary policy stance is necessary to narrow the current negative real policy interest rate,"* deputy governor Ebson Uanguta said.

- Meanwhile, Zambia's central bank kept its monetary policy rate unchanged at 9.0% yesterday and lowered its inflation and economic growth forecasts for this year. The central bank cited upside inflation risks, lingering vulnerabilities in the financial sector and weak domestic economic growth, among other reasons for its decision. The Bank of Zambia has kept its main lending rate at 9.0% since November 2021.

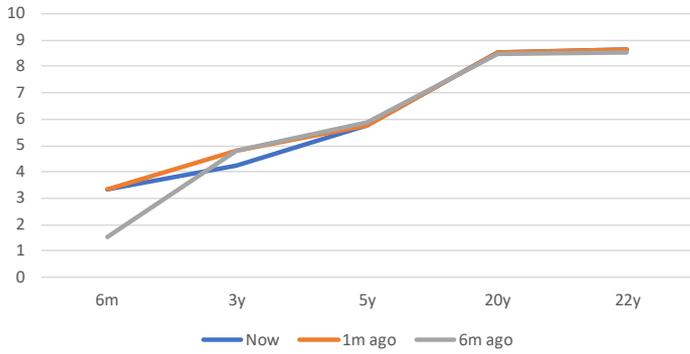
Financial Market Commentary

- The USD-BWP's bullish bias is beginning to take hold, with the pair finishing yesterday's session at 12.6164 due to the unfavourable global sentiment that is weighing on riskier assets. More losses lie ahead of the BWP as the USD was on the front foot on Thursday after minutes from the Federal Reserve's July meeting pointed to US interest rates staying higher for longer to bring down inflation. Such bold monetary tightening will dial up the pressure on stocks and elevate risk aversion. The theme of rotating back towards the USD remains intact for now, although there is plenty of evidence suggesting that there is a lot of monetary tightening already priced in.

- US Treasury futures are rebounding marginally this morning following yesterday's sell-off. Yields were higher across core markets yesterday, with gilts underperforming following the blowout CPI numbers, which took inflation to its highest in 40 years at over 10%. This drove an inversion of the yield curve, with the 2v10 spread closing the day at around -9.63bp. It also propelled yields higher in other markets, with the US 10yr benchmark yield rising to 2.900% while 2yr yields pushed through 3.25%. This rally for yields globally took markets in a risk-off direction, and after the release of the Fed minutes last night, it does not look like we will see much in the way of a significant rebound for bonds in the coming sessions.

- Oil prices have fluctuated this morning but are managing to hold onto yesterday's gains, with Brent trading near \$93.60 per barrel while WTI is near \$88 per barrel when looking at the front-month contracts. Traders have had to weigh up a very bullish report from the EIA yesterday against lingering economic growth concerns. The report from the US showed a massive 7mn barrel decline for nationwide stockpiles, with gasoline inventories also dropping sharply. While the declines were driven largely by US oil exports to Europe, which reached a new record high, they still pointed to a relatively robust demand outlook for fuel in the US, smoothing out the numbers from the week prior. Oil thus seemed prime for a rebound as the market appeared to be ahead of itself in terms of pricing in weaker demand

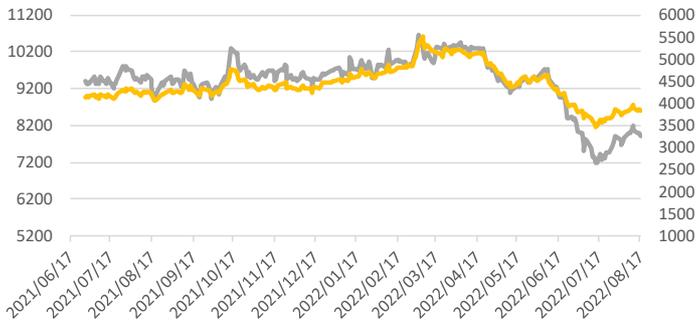
Botswana Yield Curve



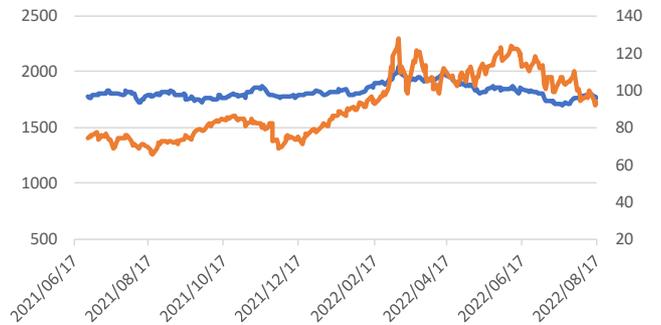
USD Index



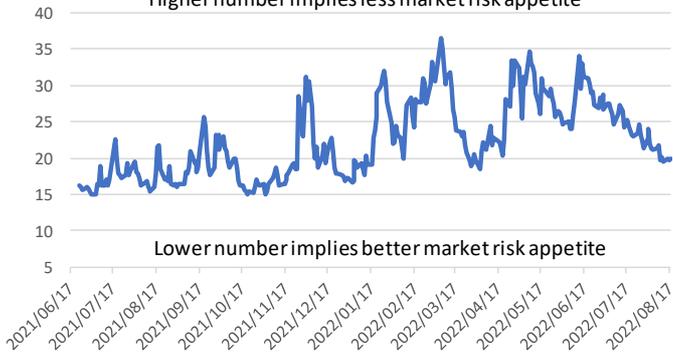
Base metals - Copper L_Hand axis LME Index R_Hand axis



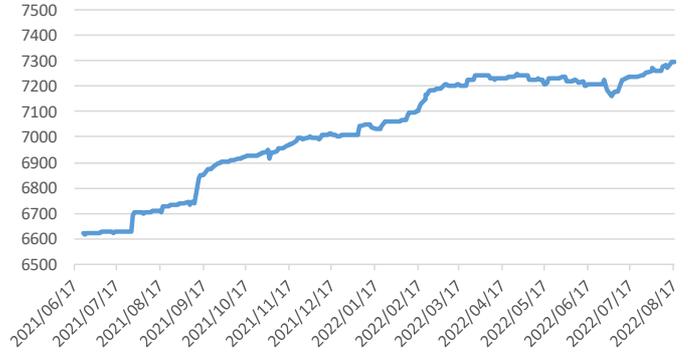
Oil R_Hand Axis - Gold L_Hand Axis



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

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