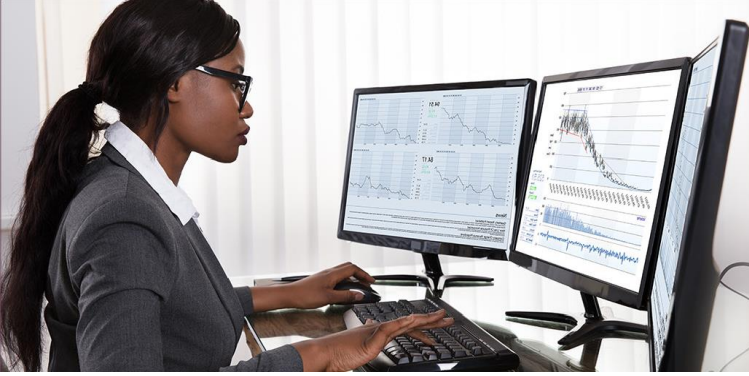


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
09:55	BW	Bloomberg economic survey			
12:30	US	Chicago Fed activity index	Jul		-0,19

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Chinese rate cut</b>	China cuts its ending rates again, just one week after cutting key lending rates. It cut its 5yr lending rate by 15bp to 4.30% and the 1yr by 5bp to 3.65%	The aim is clearly to revive China's credit demand and further ease pressure on the property sector	<b>4/5</b> (economy, monetary policy)	This runs against the action of the developed economy central banks. However, it reflects the degree of concern the Chinese authorities have about the state of the economy
<b>Russian war on Ukraine</b>	Six months from the start of the war and Russia is still bombing Ukraine as missiles rain down on Ukraine's Odesa region	Odesa is important as it is Ukraine's last remaining port and where its exports flow	<b>5/5</b> (economy, geopolitics)	Losing Odesa would place Ukraine in the unenviable position of having to negotiate with Russia to use the port or find alternative routes to export product
<b>US 10yr bond yield</b>	The US 10yr yield has nudged back up to 3.0% following German data that reported record-high increases in producer prices that will still filter through	Producer prices in Germany surged 37.2% y/y due to rising energy costs and raised eyebrows	<b>4/5</b> (market)	Investors worldwide paid attention to the outcome given what an important manufacturing production hub energy is, not just for Europe by the globe. This degree of inflation poses serious risks

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>RBNZ monetary policy</b>	RBNZ deputy Governor Hawkesby said on Mon that policymakers want rates comfortably above neutral, to slow core inflation	The comment implies rates have a lot further to rise as inflation remains high	<b>4/5</b> (economy, market)	This is the guidance and the trend that has permeated most central bank thinking. Rates globally are all still set to rise a lot further. Recession risks grow
<b>Poll on US rates</b>	A poll conducted by Reuters shows that the Fed plans on raising rates by 50bp in Sep according to 76 of the 94 respondents polled	It is an overwhelming majority that expects the Federal Reserve to slow the pace of tightening	<b>4/5</b> (economy, monetary policy)	Interestingly, the probability of a US recession within one year has risen to 45% and within two years to 50%. The more the Fed hikes and the weaker the data becomes, the more this will rise
<b>Central banks – Jackson Hole</b>	This week, global central banks gather for the annual Jackson Hole Symposium held by the Kansas City Fed in Wyoming	Further monetary tightening will be balanced against the impact on GDP	<b>5/5</b> (economy, monetary policy)	Never before have so many central banks hiked so aggressively simultaneously. Although united against inflation, they risk doing too much

## Highlights news vendors

**CNBC** - [South Korea and U.S. begin their largest military drills in years after North Korea backlash](#)

**BUSSINESS LIVE** - [Godongwana faces headache of sparse kitty for growing wish list](#)

**FT** - [Soaring fertiliser prices threaten to spark Africa food crisis](#)

**SOUTH CHINA POST** - [50 years on, Chinese role in Africa's Freedom Railway from Zambia to Tanzania remains on track](#)

**REUTERS** – [China steps up easing, cuts lending benchmarks to revive faltering economy](#)

## Local and regional talking points

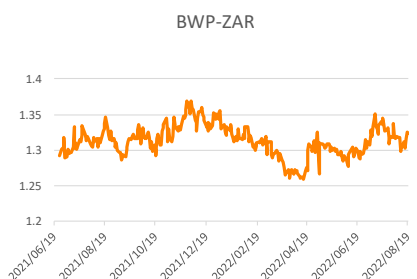
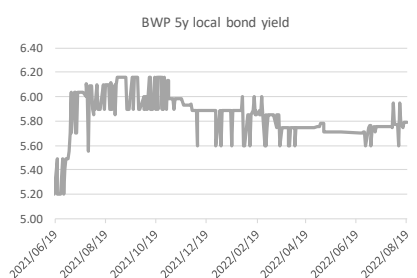
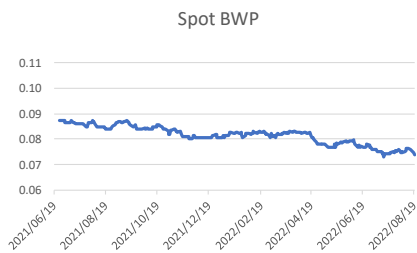
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.27056	1.281888	1.2950448	1.375359
BWPUSD	0.074784	0.093496	0.0762252	0.080649
GBPBPW	15.6702	15.796248	15.331181	14.884926
BWPEUR	0.080704	0.081328	0.076242	0.079764
JPYBWP	11.1072	11.2008	10.4931	10.958475
USDZAR	16.310304	17.691232	16.692577	17.308489
EURUSD	0.963552	1.044264	0.9861353	1.02167175
GBPUSD	1.13568	1.230424	1.1622975	1.20380425

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0779	-0.0007	1m	-1.95975	-49.58338
BWPGBP	0.0658	-0.0001	3m	-6.34725	-204.9288
BWPEUR	0.0776	0.00	6m	-13.15275	-584.1389
BWPZAR	1.3238	0.0206	12m	-27.339	-1838.923

	Close	Change
Dollar Index	108.122	-0.047
EURUSD	1.0039	0.0005
GBPUSD	1.183	0.0003
USDJPY	137.17	0.24
USDNGN	419.83	0
USDZAR	16.9882	-0.0052

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.348	0	SA 10y	10.325	0.14
3y	4.239	-0.001	US 10y	2.989	0.109
5y	5.79	0	German 10y	1.234	0.136
20y	8.55	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		313.5	13

Equities			Commodities		
	Close	Change		Close	Change
VIX	20.6	1.04	Gold	1747.829	-10.3666
Dow Jones	33706.74	18.72	Brent Crude	1758.1956	0.13
FTSE	7550.37	26.1	3m Copper	1761.05	47
JSE All share	69719.43	44.03	LME Index	1775.5417	16.1
Bots DCIBT	7300.16	3.2	1 carat index	1778.91	#VALUE!
Nigeria Index	49370.62	-144.79			

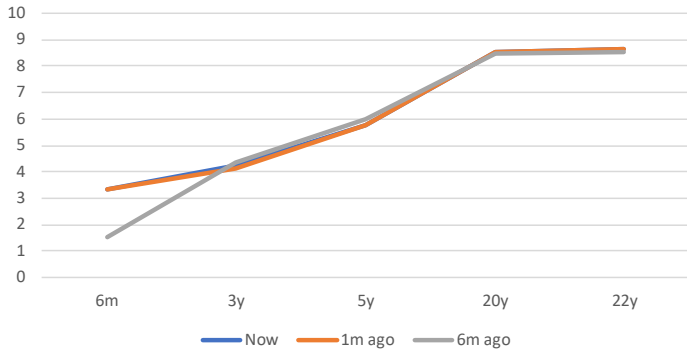


- The Retirement Fund Act in Botswana has been updated with new amendments that will enable pension fund members to borrow money from their pensions and use a portion of their pensions as collateral for mortgage loans. This was passed in Parliament at the end of last week. Minister of Finance and Economic Development Peggy Serame explained that the amendments were intended to bring the country's Retirement Fund Act into compliance with contemporary international standards and best practices in managing pension funds to safeguard the members' benefits. Serame stated that under the newly amended Act, a board of funds would be established to assure corporate governance and prevent money laundering and financing of terrorism per the Financial Intelligence Act.
- This comes after the Pension Prudential Rules were reviewed to allow an increase in the limit of funds which can be invested locally by Pension Funds from the current minimum of 30% to a minimum of 50%. Serame explained that the rationale behind this is to make funds held by Pension Funds available for developmental purposes in Botswana, contribute towards boosting the local economy, and create much-needed sustainable jobs.
- In terms of economic data, Botswana's week starts slowly with a Bloomberg economic forecast, but later in the week, things heat up with a crucial risk event: a monetary policy update by the Bank of Botswana.

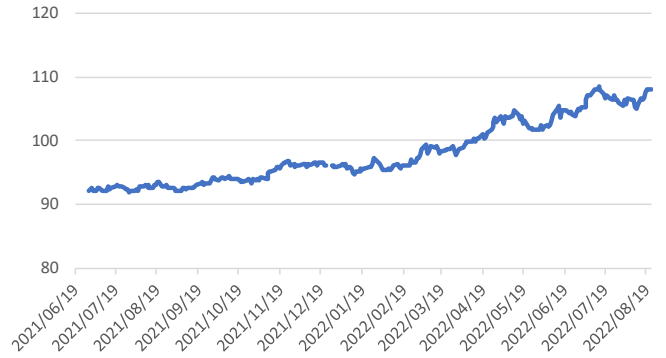
## Financial Market Commentary

- It was another bullish week for the USD-BWP, with the pair finishing the week at 12.7690 after lacking the impetus to pierce through the 12.800-handle, which would see the pair revisit its all-time high of 12.8456. The sharp deterioration in global risk appetite brought on by an uncertain macroeconomic backdrop, which is playing into the Dollar's favour, is keeping the pair topside focused. At the end of the week, the pair gained more than 2% to place in the top five best-performing African FX pairs. Heading into the final week of August, FX traders will be on the lookout for a key domestic trigger, the central bank rate decision. Investors' anticipation before the verdict will be a major factor in this week's price action.
- The USD surged last week and, although off its highs, is consolidating those gains this morning. More hawkish Fedspeak on Friday and the upcoming Jackson Hole Symposium, where central bankers will extol the virtues of higher rates, will keep equity markets on the defensive and the USD on the front foot. Higher levels of risk aversion and the rising risk of a global recession keep investors inclined to back the USD even though there is a lot of monetary tightening and monetary policy differentials already priced into the USD.
- Global bond yields surged last week, with US 10yr yields nearing 3.00% while benchmark gilts have closed in on 2.500%. The market has increased its bets that policymakers from the US and Europe will continue with their hawkish policy stances despite the more uncertain growth outlook that is emerging. This view was corroborated by the latest CFTC data, which shows that net shorts on US Treasury futures rose to their highest since 2018.
- The market is clearly pricing in for central banks to commit to their inflation-fighting positions at this week's Jackson Hole symposium, which will be the week's main event and will very likely drive sentiment into the final stages of Q3. With global bond yields likely to remain elevated leading up to the event, risk assets will remain under a bit of pressure as a result and we will need to see some tempering of rate hike risk for equities and emerging market assets to resume the kind of gains seen at the earlier stages of this month.
- Oil has resumed its drop this morning as focus in the market at the start of the new has been on the possible return of Iranian crude. Brent futures have lost around 1% when looking at the front-month contract, trading near \$95.50 per barrel as investors factor in this weekend's talks between US President Biden and his counterparts from Europe and the UK regarding reviving the nuclear deal. With prospects high for a return of Iranian crude, the outlook for the structure of the market is changing, with the year-end supply deficit unlikely to be as large as previously expected. Further supporting this notion is the view that the global economy is slowing, with weakness especially pronounced in major importer China.
- With weaker demand and expectations of more supply coming online, we have seen timespreads across the futures curve narrow quite sharply in recent sessions. Brent's prompt timespread is back down to 50 cents per barrel today, well below levels of almost \$5 seen just a month ago. This suggests that market supply issues are easing and that topside pressure for prices is fading. This should keep prices contained for now and could see this week lead to another drop in prices globally.

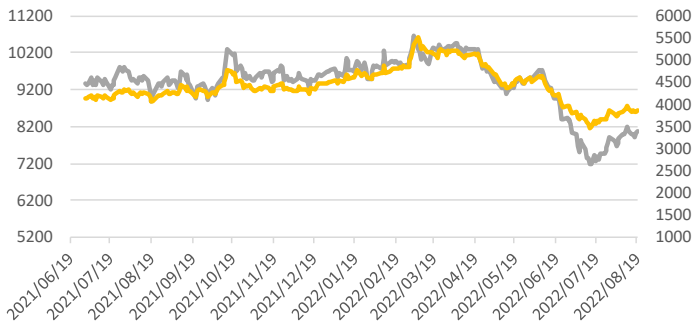
### Botswana Yield Curve



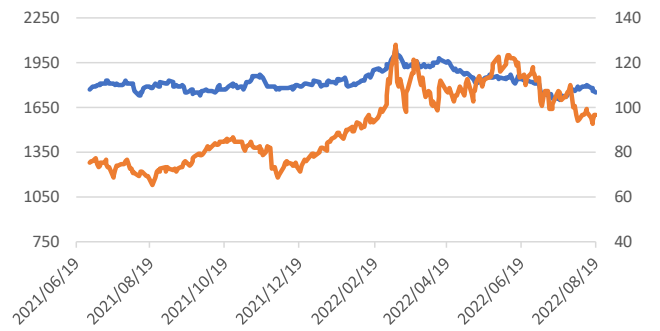
### USD Index



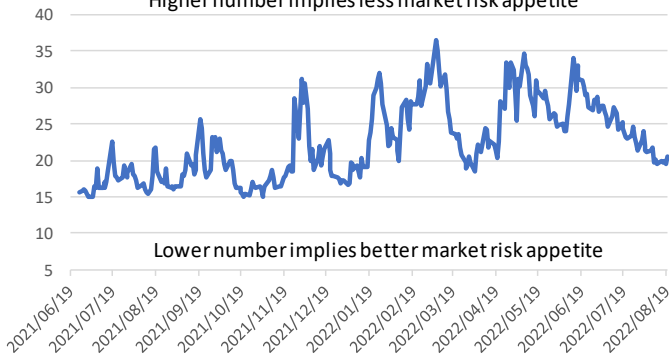
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



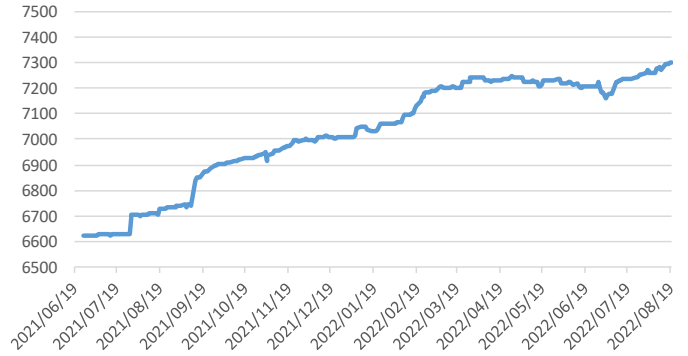
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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