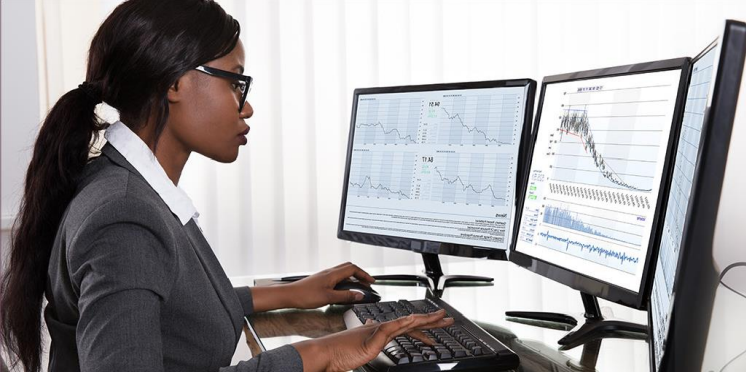


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
06:30	US	Riksbank's Breman speaks	Aug 19		-2,3%
11:00	US	MBA mortgage applications	Jul P	0,6%	2,00%
12:30	US	Durable goods orders m/m	Jul		-19,8%
14:00	US	Pending home sales y/y			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US new home sales</b>	New single-family home sales dropped 12.6% in July. Partly to blame was the fact that prices remain elevated for now.	It is a matter of time before inflation and higher rates take their toll	<b>5/5</b> (economy, market)	A severe contraction in the property sector will impact the balance sheets of households quite directly and impact the credit cycle with a lag
<b>Stock markets</b>	Strong data last week gave the impression that the economy was holding up ok. Yesterday's data did the opposite	Although stocks may cheer bad news, for now, that will weigh on performance	<b>4/5</b> (market, economy)	Companies still need to generate revenue from the economy. If it is faltering, so will their revenues, given that this is a global GDP slowdown
<b>UK bond yields</b>	UK 20 and 30yr gilt yields have risen to the highest levels since 2014 as the sell-off fuelled by the recent inflation data extended	Traders are pricing in a BoE that is forced to keep rates higher for longer	<b>4/5</b> (economy, market)	The UK yield curve has continued to invert to position for the real risk of a deep recession in the UK that may extend through several quarters

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Fedspeak</b>	The Fed's Kashkari passed comment yesterday and listed the biggest threat as the Fed underestimating the persistence of inflation	This would eventually lead to the Fed hiking even more aggressively to tame inflation	<b>4/5</b> (economy)	Although this is a risk, M2 money supply is contracting, the USD remains strong, and commodity prices are retreating off their highs to offer some reprieve and limit the extent of the inflation rise
<b>Ukraine warning</b>	Ukrainian President Zelenskiy has warned of possible brutal attacks by Russia as they celebrate 31 years since they broke away from the Soviet Union	Ukraine's Independence Day also marks the 6m anniversary of the Feb 24 invasion	<b>4/5</b> (geopolitics)	Public gatherings have been banned, although the government has laid out bombed and burnt-out tanks and military vehicles in a show of defiance to the Russian military
<b>Central banks – Jackson Hole</b>	This week, 25-27 Aug, global central banks gather for the annual Jackson Hole Symposium held by the Kansas City Fed	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** - [Iran's pivot to China and Russia means a nuclear deal would now look very different](#)

**BUSSINESS LIVE** - [Higher jobs rate gives solace, but hopes remain dashed](#)

**FT** - [US says Iran nuclear deal has made progress but warns 'gaps' remain](#)

**SOUTH CHINA POST** - [South Korean firms in Hong Kong want 'free and open' business climate, as Seoul marks 30 years of ties with China](#)

**REUTERS** – [U.S. to return \\$23 million looted by late dictator Abacha to Nigeria](#)

## Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.271616	1.282368	1.2961211	1.375874
BWPUSD	0.074592	0.093496	0.0760295	0.080855
GBP/BWP	15.684968	15.80748	15.34563	14.89551
BWPEUR	0.081224	0.081848	0.0767333	0.080274
JPY/BWP	11.0552	11.1384	10.443975	10.897425
USDZAR	16.365696	17.7424	16.749267	17.35855
EURUSD	0.954912	1.034904	0.9772928	1.01251425
GBPUSD	1.133664	1.22824	1.1602343	1.2016675

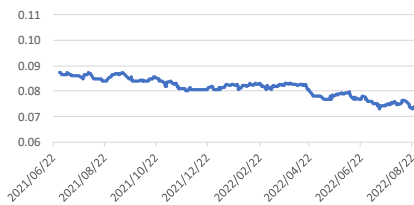
Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0777	0.0007	1m	-1.97925	-53.59251
BWPGBP	0.0656	0.0002	3m	-6.26925	-214.7612
BWPEUR	0.0779	0.00	6m	-13.03575	-626.3973
BWPZAR	1.3196	-0.0052	12m	-26.715	-1947.465

	Close	Change
Dollar Index	108.747	0.123
EURUSD	0.9947	-0.002
GBPUSD	1.1807	-0.0024
USDJPY	136.79	0.01
USDNGN	420.71	0
USDZAR	17.0401	0.0572

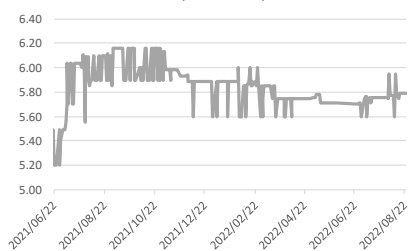
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	3.348	0	SA 10y	10.34	0.025
3y	4.24	0	US 10y	3.054	0.019
5y	5.79	0	German 10y	1.321	0.096
20y	8.55	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		315.5	3.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	24.11	0.31	Gold	1747.6746	11.9696
Dow Jones	32909.59	-643.13	Brent Crude	1735.705	3.74
FTSE	7488.11	-16.58	3m Copper	1747.829	93
JSE All share	69772.27	-523.83	LME Index	1758.1956	21.8
Bots DCIBT	7371.95	2.28	1 carat index	1761.05	#VALUE!
Nigeria Index	48567.14	-24.22			

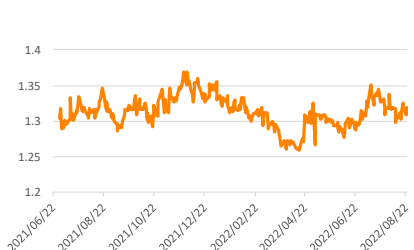
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- On the commodity front, industrial metals have staged a meaningful recovery over the last few days due to low inventories and signs of improving demand in China. Iron ore and steel prices bounced higher after China's latest rate cut, which boosted the outlook for China's construction sector. The improved demand prospects ahead of peak season for construction steel have also helped to support iron ore and steel. Inventories are low, and any more disruptions at smelters that are facing soaring energy prices will support industrial metals prices that would otherwise be under pressure from a stronger dollar. The main suppliers of base metals within Africa, such as Zambia and the Congo, will likely continue to benefit from high base metal prices.

- Going forward, we expect industrial metals to remain relatively buoyant. Although industrial metal prices have pulled back from their recent peaks, they are still trading around 16% above their long-term average despite factors such as a high dollar and concerns about a global economic slowdown weighing on them.

- In Southern Africa today, the focus will be on inflation figures out of South Africa. Inflation continued on its steep upward pathway in June, accelerating for the second month to reach 7.4% y/y. This was a 0.9% increase from the reading in May. High food and fuel prices and ongoing supply chain problems were the main culprits driving headline inflation. Forecasts compiled by Bloomberg show that inflation will edge higher for July, emboldening the case for the SARB to remain hawkish in the coming months. However, moderating inflation pressures due to a drop in global crude oil and still weak domestic demand could see inflation surprise to the downside in the final quarter of the year.

## Financial Market Commentary

- It has been a strong week for the USD that has continued to defy gravity, trading on expectations of a further widening in monetary policies as the Fed prepares to hike, while others face major growth headwinds. However, that appreciation trend halted yesterday after a string of weaker-than-expected data weighed on sentiment and caused investors to rethink their outlook. The more the data disappoints, the more investors will position for a Fed that cannot continue hiking without significant consequences.

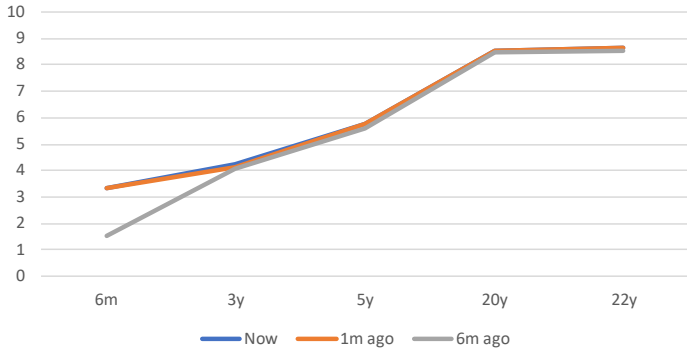
- In the case of the BWP, it was offered a lifeline yesterday, closing little changed at 12.8288/USD after initially posting a record low of 12.8701/USD. However, the BWP is expected to remain under pressure in the short term amid sustained USD buying and gyrations. The currency risks weakening towards the 13.00-handle in the coming sessions.

- Meanwhile, the sell-off in global bonds persisted on Tuesday. Core bond yields trended higher yesterday as markets repriced for increased inflation risks as the global energy crisis intensifies. While global growth concerns have intensified, inflation remains stubbornly high, with the World Economy Weighted Inflation Index sitting at 9.74%, up more than 400bps since the start of the year. Although we expect inflation pressures to ease next year as supply chains normalize and base effects take hold, major central banks are expected to remain aggressive in their fight against inflation, suggesting that the bearish bias across global bond markets is expected to persist in the near term, unless we see a material shift in rhetoric from the Fed on Friday.

- Brent crude front month oil prices have held just below \$100/barrel overnight and is notably up nearly \$7 since August lows. The market had been under pressure from the prospect of lower global demand and returning supply, ultimately moderating from peaks towards \$124/barrel reached in June, but seems to be stabilizing this week amid comments from Saudi Arabian officials regarding the potential for supply cuts. This links to the need for the OPEC member to maximize their selling price in order to maintain fiscal stability. Therefore, the comments are well timed; particularly when considering that the average fiscal breakeven rate for OPEC+ is around \$90/barrel. This is roughly where oil is trading in the 12-month generic contract that delivers around this time next year, providing some incentive for forward-sellers.

- USD strength and the potential for a US economic slowdown remain bearish factors when looking ahead, but for now, prices are stabilizing given the added support of the API report. It showed a draw of 5.63 million barrels last week, supporting the bulls. Looking at the shape of the futures curve, and oil prices remain in a supply squeeze currently, but there is certainly a lot of forward-selling at these levels, with the 12-month contract changing hands around \$9 lower than the front month price. If the market believes in the Saudi guidance, one could expect this spread to narrow in the sessions ahead.

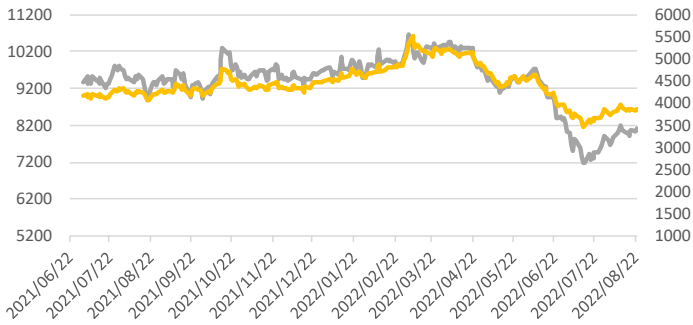
### Botswana Yield Curve



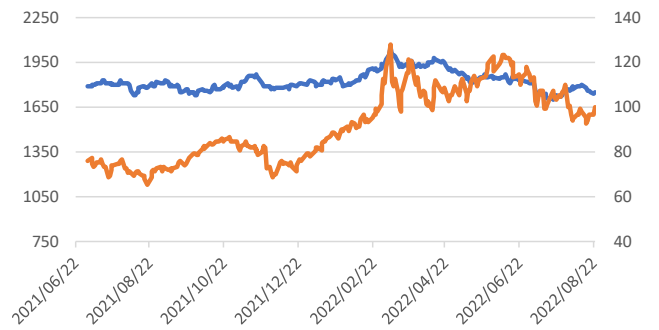
### USD Index



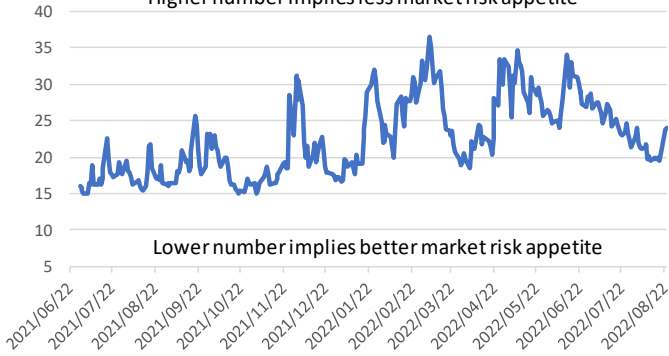
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



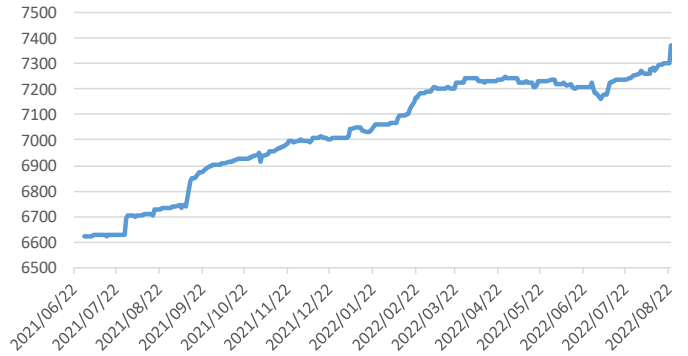
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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