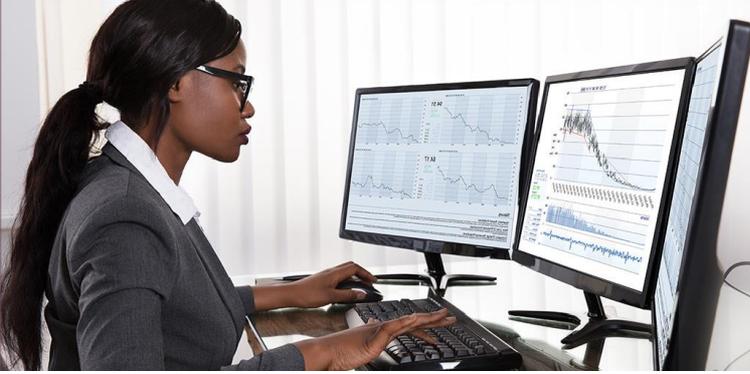


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Benchmark interest rate	Aug 25		2.15%
08:00	GE	IFO business climate	Aug	86,8	88,6
11:30	EC	ECB Publishes Account of July Policy Meeting			
12:30	US	GDP q/q annualised	2Q S	-0,9%	-0,9%
12:30	US	Personal consumption	2Q S		1,00%
12:30	US	Initial jobless claims	Aug 20		250k
15:00	US	Kansas City manufacturing activity	Aug		13

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Student Loans	President Biden indicated yesterday that he would forgive \$10,000 in student loans for millions of former college students saddled with debt	The debt forgiveness rolls up on to the government balance sheet and sets a precedent	4/5 (economy, Fiscal policy, politics)	The timing of it is aimed at shoring up support for the Democrats, but could inadvertently fuel further consumption spending at a time when the Fed is trying to cool that down to fight inflation
Germany's DHK survey	German exporters are facing an intense price squeeze as they are saddled with an extra €70bn worth of costs due to soaring producer and import prices	Germany's healthy trade surplus has reversed due to high import costs and weak demand	4/5 (market, economy)	This will detract from the performance of the EZ economy that is under severe pressure as a result of the rise in energy prices, the weakness of the EUR and weakening global demand
Oil prices	Oil prices are back above \$101 pb on mounting fears of supply tightness concerns amid Russian supply disruptions, a partial shutdown of a US refinery and an OPEC cut in production	The OPEC output cut would be a response to an Iranian nuclear deal, while the US refinery will come back on stream	4/5 (market)	Over time, the weakening global growth backdrop would translate into softer demand growth for oil, although we may need to wait several more months for the full effects of the central bank monetary tightening to take effect.

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Chinese policy	China will focus on job creation through the use of monetary, fiscal and industrial policies to stabilise the labour market	The comments imply further stimulation as youth unemployment surges	4/5 (economy)	At a time when many countries are hiking rates and tightening policy, China is looking to stimulate to fight unemployment and stimulate growth
US Resilience	Core capital goods orders in the US rose 0.4% in July while capital goods shipments rose 0.7%. Only pending home sales fell 1.0% in July	The Capital goods shipments implies there is resilience in the economy but may be a lagging indicator	4/5 (geopolitics)	Recession fears are said to have eased on the data but it really is too soon to make a judgement call ahead of the Jackson Hole symposium this weekend where key guidance will be given
Central banks – Jackson Hole	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	5/5 (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 - [China to promote fiscal and monetary polices to support job stabilization, says minister](#)

BUSSINESS LIVE - [Signs are we've hit peak inflation](#)

FT - [Hedge funds build biggest bet against Italian debt since 2008](#)

SOUTH CHINA POST - [Australia to continue South China Sea patrols despite efforts to improve relations with Beijing](#)

REUTERS – [S.Africa's COSATU leads union protests over high cost of living](#)

Local and regional talking points

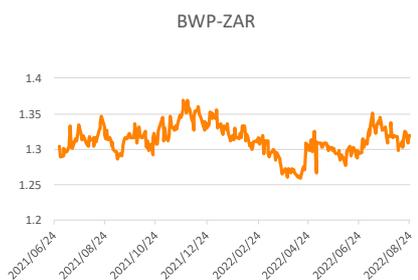
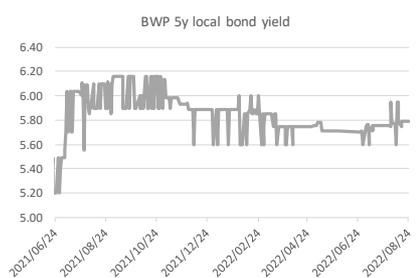
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.262016	1.27344	1.2863361	1.366295
BWPUSD	0.074784	0.093496	0.0762252	0.080649
GBPGBP	15.654288	15.780232	15.315614	14.869834
BWPEUR	0.08112	0.081744	0.076635	0.080172
JPYBWP	11.0864	11.1696	10.47345	10.92795
USDZAR	16.201056	17.573816	16.580768	17.19361325
EURUSD	0.95856	1.038856	0.9810263	1.01638075
GBPUSD	1.134336	1.22928	1.160922	1.202685

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0779	0.0002	1m	-1.911
BWPGPB	0.066	0.0004	3m	-6.3765
BWPEUR	0.0781	0.00	6m	-12.95775
BWPZAR	1.3191	-0.0047	12m	-26.8125

	Close	Change
Dollar Index	108.418	-0.259
EURUSD	0.9986	0.0021
GBPUSD	1.1817	0.002
USDJPY	136.8	-0.31
USDNGN	421.08	0
USDZAR	16.8765	-0.0516

Yield curve	Local Fixed Income		International Fixed Income	
	Close	Change	Close	Change
6m	4.101	0.753	SA 10y	10.3
3y	4.24	0	US 10y	3.106
5y	5.79	0	German 10y	1.363
20y	8.55	0	Spread SA 5y vs Bots 5y bpts	-638.0062
22y	8.64	0		306

	Close	Change		Close	Change
VIX	22.82	-1.29	Gold	1750.8882	3.2136
Dow Jones	32969.23	-154.02	Brent Crude	1747.6746	1
FTSE	7471.51	-45.68	3m Copper	1735.705	-85.5
JSE All share	69808.71	576.67	LME Index	1747.829	-26.4
Bots DCIBT	7372.65	69.51	1 carat index	1758.1956	#VALUE!
Nigeria Index	48675.33	-779.26			



Today's local economic calendar heats up with a much-anticipated monetary policy review. The Bank of Botswana (BoB) will be under pressure to lift its newly introduced Monetary Policy Rate (MoPR) rate due to high commodity prices resulting from the Russia – Ukraine war, global supply bottlenecks and second-round effects of increases in local administered prices. All of which remain a challenge to restoring price stability. Since May last year, inflation has exceeded the upper limit of the central bank's 3% to 6% target band, with July's CPI figure accelerating to a 14-year high. The hawkish posturing and the magnitude of the BoB's interest rate hike should be in favour of 50bps, with more tightening to come. Nevertheless, the risk of a 75bps hike is not entirely off the table. In its June meeting, the policy committee raised the MoPR rate by 50bps to 2.15%, taking its accumulative interest rate hikes to 101bps, in line with its regional peers, Namibia and South Africa.

The BoB's policy tightening would follow similar steps taken by other developing-market central banks to prevent a decline in their currencies that are wresting already-high inflation whilst deterring capital outflows from their markets. That's as investors hunt for higher yields due to the US Federal Reserve and other developed-market central banks putting the brakes on ultra-easy monetary policies.

Financial Market Commentary

The USD-BWP fell slightly yesterday, closing at 12.8126, defying the pull of the US dollar amid some positioning ahead of the local rate decision. Further policy tightening should help stem the decline in the pula, the fourth-worst performing currency on the continent this month, while also reducing short bets.

This morning the USD appears to be coming under pressure, and it is difficult not to link it to Biden's decision to forgive student loans and the upcoming Jackson Hole symposium. The message from the Fed might be softened as economic headwinds blow harder, while the former will impact negatively on the fiscus. There is a lot of tightening already priced into the USD, arguably too much.

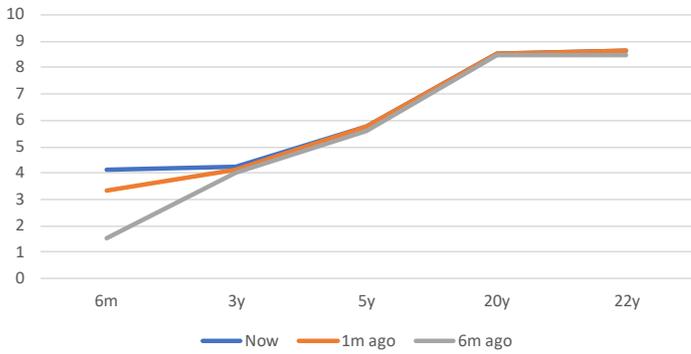
Meanwhile, the bearish bias across core bond markets remained intact yesterday as traders squared up positions ahead of the potentially pivotal Jackson Hole Symposium tomorrow, where the Fed is expected to reinforce its stance on fighting inflation. The 10yr UST yield hit an eight-week high after climbing 6bps on the session, while the shorter-dated 2yr UST yield, which is widely used as a proxy for interest rate expectations, rose by 9bps to a 10-week high. Bund yields continued to spike as concerns over the energy crisis continue to add to inflation expectations. Since the start of the month, the 10yr Bund yield is up 55bps, while the 2yr yield has legged 65bps higher.

Heading into the European open, the bearish bias seems to have tempered with US Treasuries relatively steady overnight. Market focus remains centred on the all-important Jackson Hole Symposium tomorrow, where Fed Chair Powell is expected to provide some forward guidance on the path of interest rates in the US.

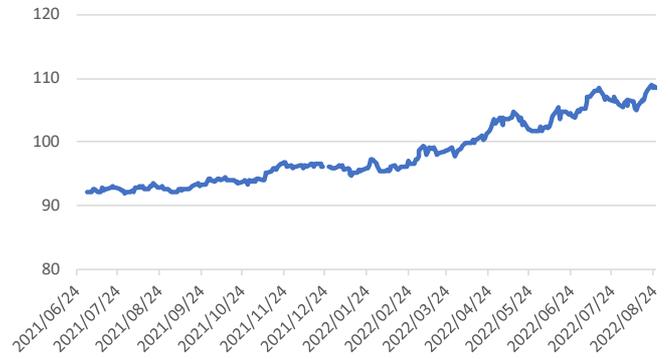
On the commodity front, oil prices are rising for the third straight session, climbing towards \$102 per barrel, the highest in three weeks, as signs of a tightening supply outlook countered fears of a demand-sapping global economic slowdown. Saudi Arabia flagged potential output cuts by OPEC+ earlier this week to deal with market volatility, while an OPEC source told Reuters that any cuts are likely to coincide with a return of Iranian oil to the market. Iran said it is reviewing a US response to the EU's "final" text for the revival of the 2015 nuclear deal which could lead to a surge in oil exports from the Persian Gulf producer. Tehran will reportedly seek to replace Russian oil in Europe, while Moscow approached several Asian countries to explore long-term oil contracts at steep discounts.

Elsewhere, a damage at a terminal may disrupt crude exports from Kazakhstan for months. On the demand side, official data showed that the US exported a record amount of crude and refined products last week.

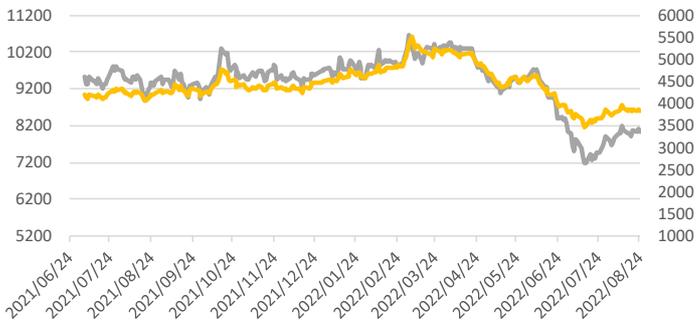
Botswana Yield Curve



USD Index



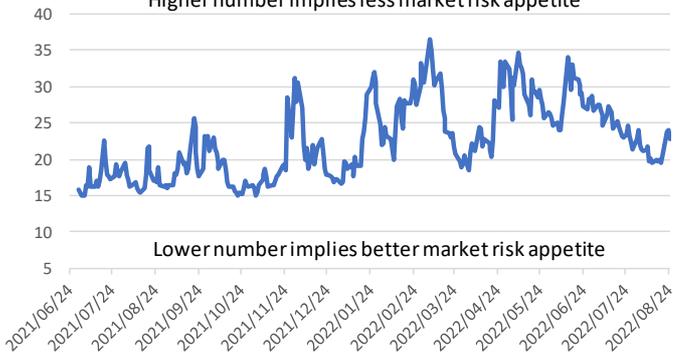
Base metals - Copper L_Hand axis LME Index R_Hand axis



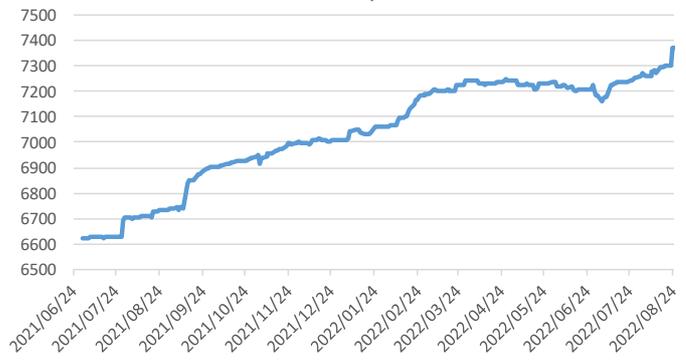
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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