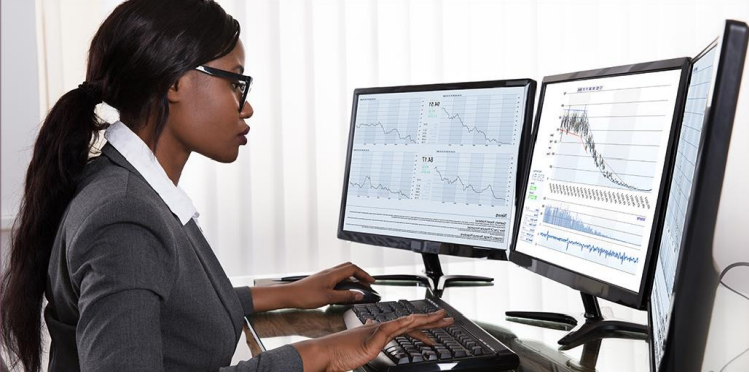


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
06:00	GE	GfK consumer confidence	Sep	-32	-30,6
08:00	EZ	M3 money supply sa y/y	Jul	5,6%	5,7%
12:30	US	Wholesale inventories m/m	Jul P		1,8%
12:30	US	PCE core y/y	Jul	4,8%	4,8%
12:30	US	Advance Goods Trade Balance	Jul	\$-98,95bn	\$-98,2bn
14:00	US	Michigan consumer confidence	Aug F	55,1	55,1
14:00	US	Powell to Discuss the Economic Outlook at Jackson Hole			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Ukrainian nuclear disaster	Ukraine's President Zelenskyy said that a nuclear disaster was narrowly avoided as electricity to the plant was cut due to constant Russian shelling	This highlights how precarious the situation has become at the risk of a possible accident	5/5 (geopolitics)	Another nuclear disaster would have devastating consequences on the European and global economies. It highlights another unwelcome risk of the war that needs to be priced in
ECB minutes	ECB minutes from last month show that members of the committee have turned increasingly concerned that high inflation is becoming entrenched	EZ inflation is just below 9%, and the ECB will be forced to do a lot more to contain expectations	5/5 (economy, monetary policy)	The ECB will not want to risk expectations becoming anchored at much higher levels, or it will be forced to do even more, at great expense to the economy that is already struggling
US consumer demand	While the economic data is not yet clear, the earnings reports from retailers are. Gap earnings showed a decline of 8% y/y in Q2. Earlier this month Walmart and Target started offering discounts	The impact of the cost-of-living crisis coupled with the sharp rise in interest rates will detract from consumer spending	4/5 (economy)	Although the Fed and others would argue that the US economy is far from recession, the aggressive way in which household disposable income has been depleted cannot be ignored. The full impact has yet to unfold.
Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fed policy	On CNBC yesterday, Kansas City Fed President George was non-committal on whether rates would rise by 50bp or 75bp at the next meeting in Sep	While the size of the hike is unknown, it is clear that more work is needed to reign in inflation	4/5 (economy, monetary policy)	Rates have some way to go before they materially impact inflation. Inflation, however, acts with a lag, and in the interim, data needs to be carefully assessed for a recessionary impact
EU Maize crop	The EC has again lowered its projection for usable maize production to 59.3mn tonnes from 65.8mn a month ago. This is over and above the 8% reduction previously anticipated	Drought conditions throughout Europe have impacted crop yields negatively and will compound food price inflation	4/5 (economy, market)	The drought comes over and above the reduction in yield from Ukraine, the higher fuel and energy costs and the removal of monetary support. There is little monetary policy can do about this, but try to contain second-round effects
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 - [Putin signs decree to increase size of Russian military](#)

BUSSINESS LIVE - [Reform the tax regime and keep relief grant, OECD tells SA](#)

FT - [US has 'no good options' on Taiwan as China resets status quo](#)

SOUTH CHINA POST - [Massive US-South Korea military drills watched by China, Russia amid growing tensions](#)

REUTERS - [Japan to pledge around \\$30 bln in African aid at conference](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.257696	1.269024	1.2819329	1.361557
BWPUSD	0.075072	0.093496	0.0765187	0.080958
GBP/BWP	15.598648	15.723656	15.261177	14.816522
BWPEUR	0.081536	0.082264	0.077028	0.080682
JPY/BWP	11.1176	11.2008	10.502925	10.958475
USDZAR	16.083168	17.446	16.460117	17.0685625
EURUSD	0.956832	1.036984	0.9792578	1.01454925
GBPUSD	1.134624	1.229592	1.1612168	1.20299025

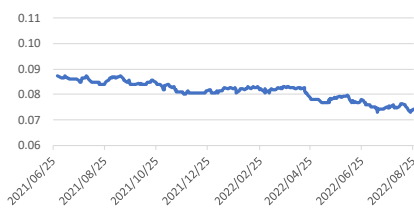
	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWP/USD	BWP/ZAR
BWP/USD	0.0782	0.0003	1m	-1.8915
BWP/GBP	0.0661	0.0001	3m	-6.201
BWPEUR	0.0784	0.00	6m	-12.792
BWP/ZAR	1.3105	0.0026	12m	-26.7735

	Close	Change
Dollar Index	108.509	0.039
EURUSD	0.9967	-0.0007
GBPUSD	1.1821	-0.0008
USD/JPY	136.69	0.19
USD/NGN	421.39	0
USD/ZAR	16.7571	-0.0017

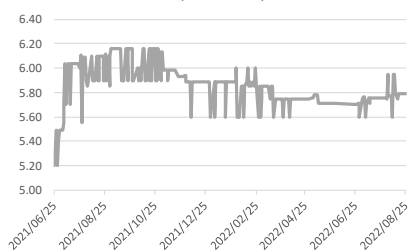
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.101	0	SA 10y	10.205	-0.095
3y	4.24	0	US 10y	3.024	-0.082
5y	5.79	0	German 10y	1.329	-0.034
20y	8.55	0	Spread SA 5y vs Bots 5y bpts		
22y	8.64	0		296	-10

Equities			Commodities		
	Close	Change		Close	Change
VIX	21.78	-1.04	Gold	1758.4374	7.5492
Dow Jones	33291.78	59.64	Brent Crude	1750.8882	-1.88
FTSE	7479.74	-16.6	3m Copper	1747.6746	94.5
JSE All share	70340.7	36.44	LME Index	1735.705	35.1
Bots DCIBT	7364.75	0.7	1 carat index	1747.829	#VALUE!
Nigeria Index	49661.87	108.19			

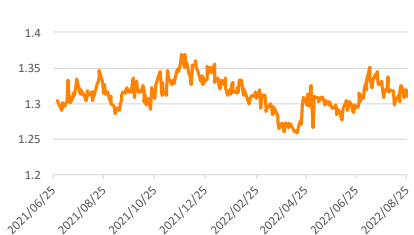
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- The Bank of Botswana (BoB) raised its benchmark interest rate by 50bps to 2.65% at its August meeting, citing the need to keep rising inflation in check. This takes its accumulative interest rate increases to 151bps since adopting the revamped interest rate. The bank noted that the Standing Deposit Facility (SDF) Rate now sits at 1.65% and the Standing Credit Facility (SCF) Rate at 3.65%. The MPC estimates inflation to remain well above the central bank's 3% to 6% target range in the medium term but expects it to trend lower from Q4 of 2022 and fall within the range from Q3 of 2024. This revision to the inflation trajectory from the June forecast is influenced, in part, by subsequent increases in fuel prices. The board acknowledged the elevated inflation outlook partly emanating from supply-side factors and related second-round effects. As a result, it is pertinent that the central bank continues to tighten policy to avoid inflation becoming embedded in the economy. Only two rate meetings remain for the year, in October and December, respectively.

- The MPC will publish its full outlook for the domestic economy and inflation on its website on Sept 1, 2022. In the interim, the bank board lowered its annual GDP forecast to 4.2% this year and 4.1% for 2023. This contrasts with a strong rebound of 11.4% in 2021.

- A report by the International Monetary Fund (IMF) highlighted Botswana's economy returning to pre-Covid levels, one of the few in sub-Saharan Africa. The IMF says the country's performance has been underpinned by careful management of mineral resources and a track record of very strong policies and policy frameworks. *"The recovery is expected to continue through the medium term, but there is significant uncertainty,"* the report noted. The growth will be supported by higher prices and demand for diamonds, increased copper production, prospects for a good harvest, less COVID-19 mobility restrictions, and more international tourist arrivals. *"These factors and a strong fiscal adjustment will strengthen buffers, particularly those held by the government,"* said the IMF. On the other hand, downside risks to this outlook relate to the strength of commodity markets, China's growth, the pace of monetary policy tightening in advanced economies, and climate shocks.

Financial Market Commentary

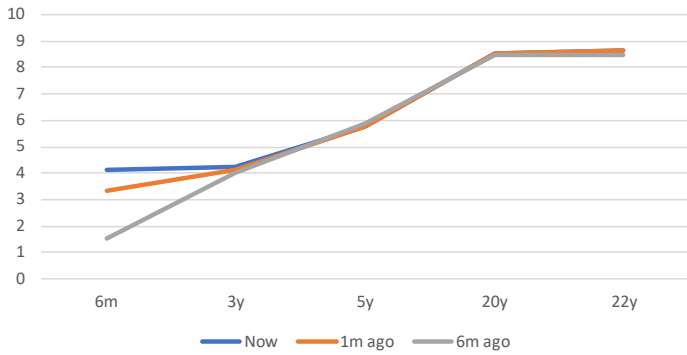
- The USD-BWP eased off its recent highs yesterday, finishing the session at 12.7473, supported by the central bank's hawkish posture and the IMF's upbeat outlook on the economy. Moreover, broad USD weakness added an additional tailwind for the local currency. Meanwhile, the BWP-ZAR cross plummeted below two-key technical levels; namely, the 50- and 200DMA supports, to bring the next support, the 100DMA at 1.3115, into the crosshairs. Which, if broken, would encourage sellers and end the present range-bound trading between 1.300 and 1.3400.

- The Jackson Hole Symposium is officially underway. The USD has consolidated its recent gains ahead of Fed Chairman Powell's speech, which will likely determine how the USD responds later today and the performance of the USD into next week. As expected, Fed officials have reiterated their commitment to restoring price stability and reining in inflation expectations.

- Fed member James Bullard said officials should act quickly and lift rates to a 3.75% to 4.00% range by the end of the year. Other Fed members speaking overnight reserved their judgement on how big the upcoming rate hikes should be but agreed rates need to rise. These comments have prompted a shift in price action in core bond markets. US Treasury yields are trading higher this morning after closing yesterday's session considerably lower. We also have the Fed's favoured inflation measure, PCE Core, scheduled for release today, which has the potential to provide markets with some fresh directional impetus.

- On the commodity front, Brent crude traders are having to mull OPEC's stated intentions to reduce supply, with newswires reporting that OPEC+ is discussing the possibility to "rebalance the market". According to reports, OPEC members have practically reached quorum in calling for supply reduction even as sanctions against Russian oil are set to intensify in the months ahead. The front-month Brent crude price reached as high as \$102.47/barrel yesterday, testing its highest levels since Aug 1 but has backed down to the \$100/barrel mark overnight. Two structural shifts could be driving the move, with Iran set to return to the market after negotiating a nuclear accord with the West, while US oil production is in a bull cycle. Moreover, the lagging nature of futures prices suggests that the market could ultimately be reflecting an increased risk of economic slowdown, which will be amplified by slowing Chinese/global growth and the continuation of monetary policy tightening.

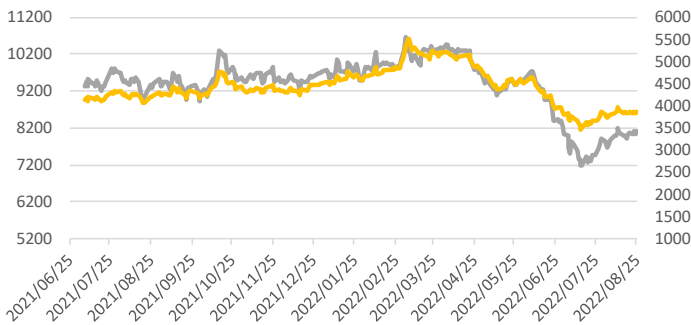
Botswana Yield Curve



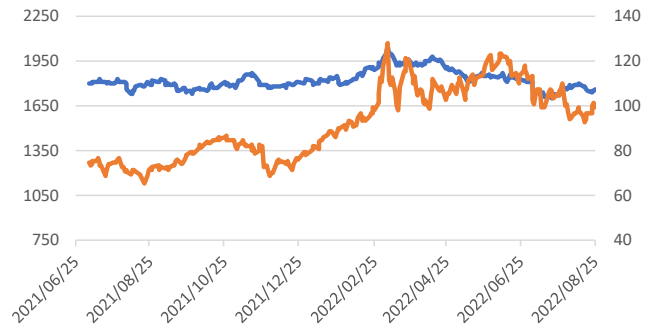
USD Index



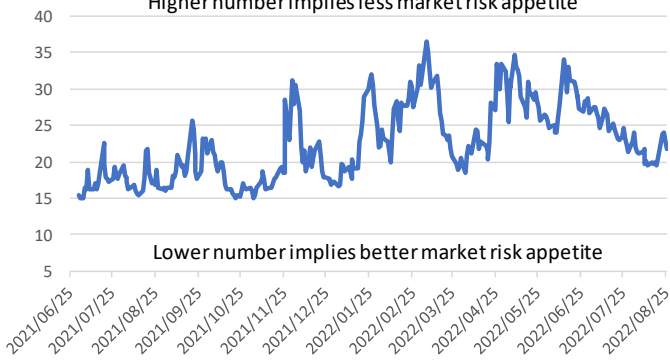
Base metals - Copper L_Hand axis LME Index
R_Hand axis



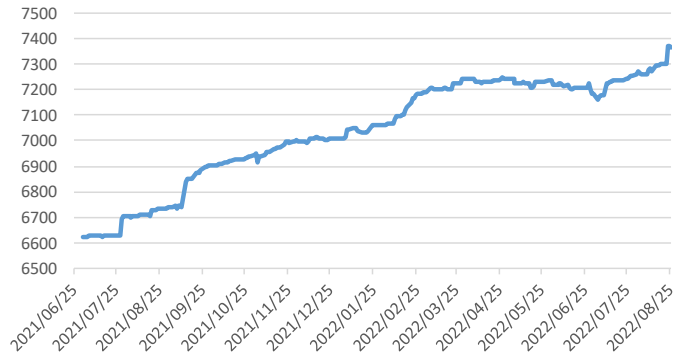
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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