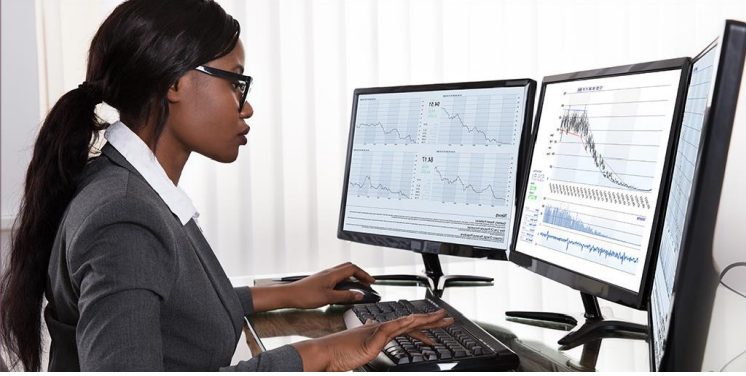


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
06:00	GE	CPI y/y	Aug F	7,9%	7,9%
06:00	GB	ILO unemployment rate (3mths)	Jul	3,8%	3,8%
09:00	EZ	ZEW economic sentiment	Sep		-54,9
09:00	GE	ZEW economic sentiment	Sep	-60	-55,3
12:30	US	CPI y/y	Aug	8,1%	8,5%
12:30	US	Real ave weekly earnings y/y	Aug		-3,6%
18:00	US	Monthly budget statement	Aug		\$-211,1bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Japan wholesale inflation	Japan's Aug wholesale inflation rate rises to 9% as inflationary pressures broaden and may soon start to reflect at retailers	The main culprit has been the weak JPY, with imported prices up 42.5% y/y in Aug	4/5 (economy)	Consumer inflation rose to 2.4% y/y in July, the fastest pace in nearly 8 years and the inflation rate is now set to rise even further as the weak JPY weighs
Russian defaulted bonds	In a long-awaited auction, Russia's defaulted international bonds were valued at 56.125 cents on every dollar	The default became inevitable due to sanctions imposed on Russia by the West	3/5 (market)	The auction was made possible after the US Treasury issued a waiver, temporarily lifting its ban against Americans buying Russian bonds in secondary markets
US oil reserves	US emergency oil reserves have fallen 8.4mn barrels to 434.1mn barrels, the lowest since 1984 as the Biden administration tries to contain oil prices	The US will continue to release 1mn bpd, a programme which ends in Oct as they try tame inflation	5/5 (market)	From Oct onwards, investors will gain a clearer picture of the demand-supply dynamic and whether current prices will hold for a while longer or whether they will trade over \$100pb
Factors on the Radar	What happened?	Relevance	Importance	Analysis
Fed Outlook	Next week the Fed decides on rates, and the latest polls confirm that the consensus anticipates another 75bp interest rate hike with a 61/39 split	Previous decisions were unanimous, so the market is considering smaller hikes	4/5 (monetary policy)	After this decision, it is unlikely that the Fed will lift rates by another 75bp and will likely switch back to 50bp or 25bp. After this decision, they will feel like they have caught back up to the curve
German forecast - Ifo	The Ifo institute has reversed its forecast for German economic growth in 2023 from 3.7% growth to a contraction of 0.3%	This is an enormous reversal for Europe's biggest economy and will weigh on EU GDP	4/5 (economy)	Europe is in for a tough winter and spring unless energy prices fall once more and central banks can turn more accommodative of growth
US inflation	US inflation will be the week's main event and is scheduled for today. Should the data come in a little softer, markets will express some relief	The USD will likely retreat, and equities could rally to raise the level of risk appetite	4/5 (economy, monetary policy)	The outcome of this data will likely determine market performances through the remainder of the week and will be looked at for confirmation of whether monetary tightening is working

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SOUTH CHINA POST - [India replaces UK as world's 5th-largest economy, but analysts call for a 'reality check'](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.2744	1.280352	1.2989588	1.373711
BWPUSD	0.074496	0.093496	0.0759316	0.080237
GBPGBP	15.604056	15.668328	15.266468	14.764386
BWPEUR	0.07956	0.079976	0.0751613	0.078438
JPYBWP	11.5024	11.544	10.86645	11.29425
USDZAR	16.4232	17.805424	16.808119	17.4202105
EURUSD	0.97296	1.054456	0.9957638	1.03164325
GBPUSD	1.121952	1.215864	1.1482478	1.18955925

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0776	0.0011	1m	-2.208375
BWPGBP	0.0664	0.0004	3m	-6.849375
BWPEUR	0.0767	0.00	6m	-12.64575
BWPZAR	1.3288	0.0074	12m	-27.83625

	Close	Change
Dollar Index	108.16	-0.17
EURUSD	1.0135	0.0016
GBPUSD	1.1688	0.0009
USDJPY	142.51	-0.32
USDNGN	427.1	0
USDZAR	17.1068	-0.0176

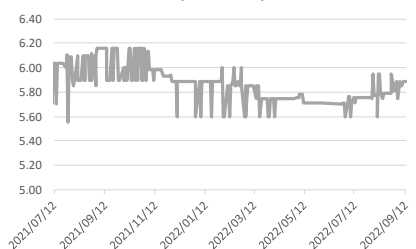
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	0	SA 10y	10.185	-0.12
3y	4.66	0	US 10y	3.362	0.041
5y	5.89	0	German 10y	1.645	-0.055
20y	8.73	0	Spread SA 5y vs Bots 5y bpts		
22y	8.86	0		286	-7

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.87	1.08	Gold	1722.24	-1.8302
Dow Jones	35850.12	0	Brent Crude	1724.0702	-0.22
FTSE	7473.03	89.01	3m Copper	1716.05	#VALUE!
JSE All share	69772.41	1448.25	LME Index	1707.275	#VALUE!
Bots DCIBT	7382.96	0.33	1 carat index	1717.6935	#VALUE!
Nigeria Index	49626.05	42.87			

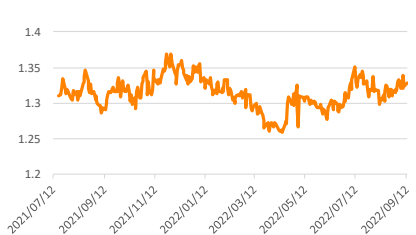
Spot BWP



BWP 5y local bond yield



BWP-ZAR

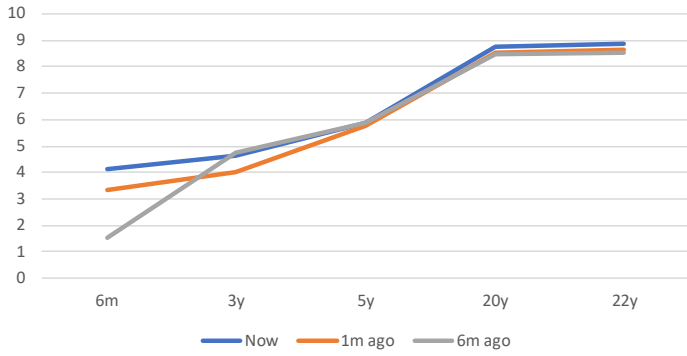


- The average global cost of living has risen more in the last 18 months than in the preceding five years combined. Since the start of the pandemic, supply chains have been disrupted, which has been driving up the price of food. On top of that, the war between Russia and Ukraine has seriously disrupted global food supply. While global food prices have moderated in recent months, the risk to the outlook for food inflation remains tilted to the upside as the war between Russia and Ukraine persists and droughts across the globe impact harvests. The current energy crisis has also intensified due to many western countries placing sanctions on Russian oil. High energy prices have been driving up the price of transportation both directly and indirectly. Energy prices have, however, started to ease slightly recently as Russia continues to find a way to get its crude into the market.
- Although global inflation pressures remain robust, inflation seems to have eased slightly. Looking ahead, the International Monetary Fund forecasts inflation to reach 6.6% this year in advanced economies and 9.5% in emerging and developing markets. While there are signs that global inflation pressures are tempering, central banks worldwide are expected to remain aggressive in their tightening until inflation is brought back under control.

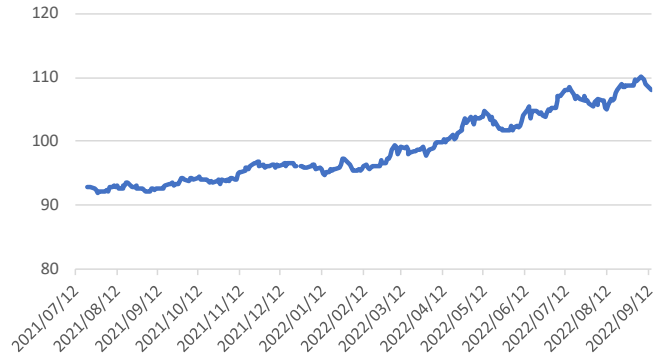
Financial Market Commentary

- It was a bearish start to the week for the USD-BWP as it continued to lose ground after closing at 12.8652, a near two-week low. The dollar again took centre stage at the start of the new week. After correcting lower last Friday, the greenback continued to trade on the back foot today. It coincided with a better risk mood in general, with equities advancing 0.7% in the US and almost 2% in Europe.
- The week's main event unfolds this afternoon with the release of the latest US inflation data. It could determine whether the Fed presses ahead with a more conservative 50bp rate hike or will stick with the outsized 75bp. For today, the USD-BWP will likely tread water ahead of the print. The Fed has been in catch-up mode for several months now, and only a confirmed reversal of inflation will be enough to shift the Fed's narrative. That is why today's inflation reading is as important as it is.
- Any softer than expected reading could see the Fed soften its guidance to some degree. Given the contraction in M2 money supply, the rising interest rates and the more aggressive quantitative tightening that began at the start of this month, there is good reason to believe that inflation will reverse before the end of the year in a confirmed and sustained manner. The USD has retreated in anticipation. Whether that retreat is sustained will be decided by the inflation outcome.
- Core bonds are better bid despite the aggressive ECB and Fed talk late last week and over the weekend. It suggests that currently, enough central bank hawkishness has been priced in. US yield changes range from -1.1 bps (30y) to -3.9 bps (5y) ahead of the widely watched CPI release. Bunds marginally outperform. Yields drop 2.4-5 bps with the belly of the curve (5y, 10y) receiving the best bids.
- On the commodity front, oil prices have rebounded into the start of the week as the market grapples with the trade-off of a lower demand outlook with a weakening USD. The front month Brent contract rose to \$93.7/barrel overnight, now up over 6% from last week's lows. The 12-month ahead contract has practically matched the move and is trading some \$9 below the immediate delivery price. When pulling back the lens, the market's pricing (of the front month price trading above the 12-month price) suggests that it is in a phase of supply deficit that should work out in due course, with the medium-term bias towards \$85 oil prices.
- Yet geopolitical risks continue to simmer in the background amid concerns that Russia may use nuclear weapons in Ukraine, which would be a gamechanger for international relations. An intensification of conflict would support oil prices at the margin at a time when Europe is proposing an all-out ban on Russian hydrocarbons, while only time would tell how Western military powers would react to the use of banned weapons. The other major swing factor remains the USD, keeping focus on US CPI data in the session ahead. A downside surprise could support a USD sell off, supporting oil prices.

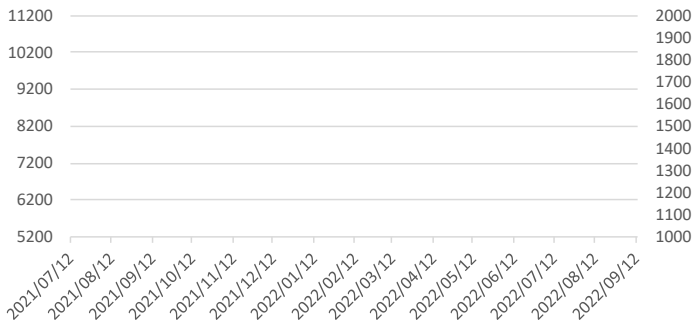
Botswana Yield Curve



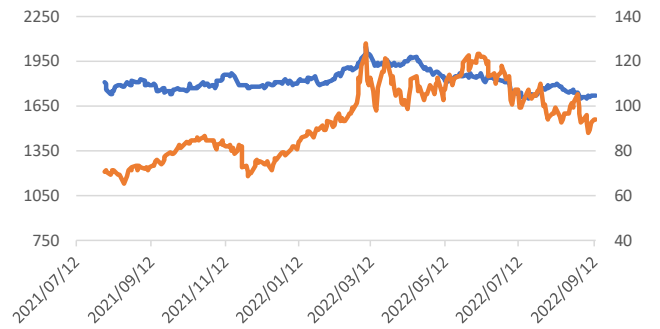
USD Index



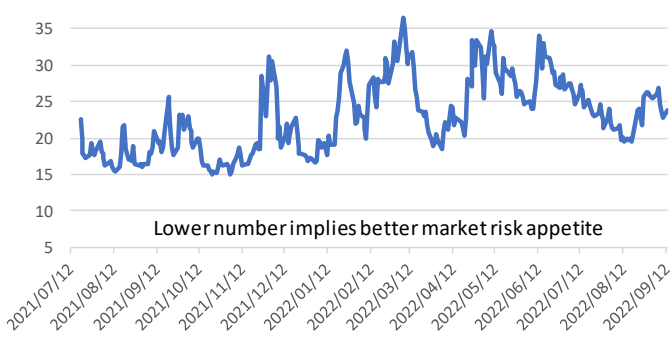
Base metals - Copper L_Hand axis LME Index R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis

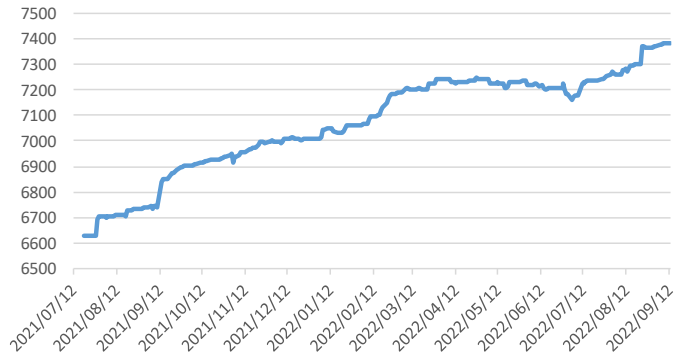


VIX Index - Risk appetite measure Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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