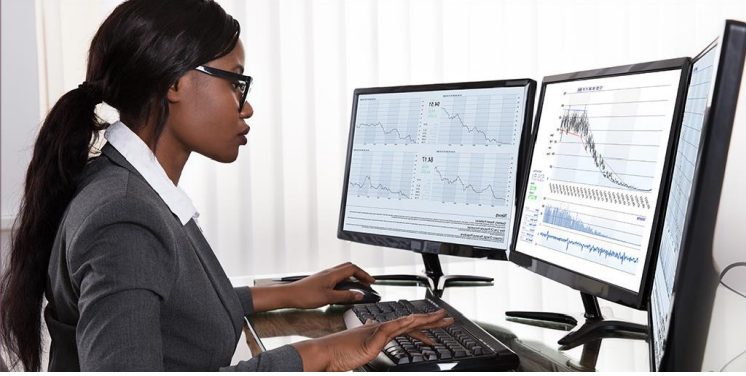


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
06:00	GB	CPI y/y	Aug	10,2%	10,1%
09:00	EZ	Industrial production (wda) y/y	Jul	0,6%	2,4%
11:00	US	MBA mortgage applications	Sep 9		-0,8%
12:30	US	PPI final demand y/y	Aug	8,9%	9,8%
14:30	EC	ECB's Villeroy speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US CPI</b>	Headline CPI rose 0.1% in Aug, while core inflation rose 0.6% m/m to drive core inflation up to 6.3% y/y. The readings were much higher than expected	The result will be to bolster the Fed's resolve to hike rates so as to regain control of inflation	<b>5/5</b> (economy)	Rents, food and healthcare accounted for the bulk of the disappointing increase, implying that pressures have now become quite broad-based. Fed will likely hike 75bp next week
<b>Japan – Reuters Tankan</b>	The business confidence of manufacturers retreated in Sep from a seven-month high, while services fell to a 5m low	Inflation appears to be squeezing the profitability of firms amid weak growth	<b>4/5</b> (economy)	Inflation is impacting firms heavily, especially through the JPY channel, as imported factors of production spike and constrain profit margins
<b>USD</b>	Following the CPI surge, the USD surged to a fresh 24yr peak against the JPY on Wed in a move that will prompt some discussions with many central banks	Other central banks will be mindful of the effects of USD pricing and the risk of imported inflation	<b>5/5</b> (market)	As the USD surges and places all other currencies on the defensive, those economies will fret about the inflationary consequences of the rise in prices

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Fed Outlook</b>	Following yesterday's inflation shock, the 75bp has become an inevitability, while speculation is building of a possible 100bp hike to stamp out inflation	Yesterday's inflation data will keep the Fed aggressive in its fight against inflation as expectations rise	<b>5/5</b> (monetary policy)	The softening in interest rate decisions may now take a little longer. Although such strong rate hikes will eventually impact heavily on growth, runaway inflation is considered undesirable
<b>Wall St</b>	US equities tumbled on yesterday's news, with investors speculating on a 100bp rate hike in Sep after the inflation surge	This is the largest sell-off in two years and could be the start of a larger rout	<b>5/5</b> (market)	The risk-off sentiment is now dominating, and investors are rapidly rotating to a more conservative portfolio stance in a bid to preserve some wealth
<b>BoE outlook</b>	Next week will see the BoE move on interest rates, and the market expectation is that the central bank will lift rates by a further 50bp to tame inflation	The aggressive hiking will persist for so long as inflation remains elevated. Growth is set to suffer	<b>5/5</b> (economy, monetary policy)	Aggressive hiking by the Fed and the weakness in the GBP as the BoE struggles to keep pace will impact negatively on the UK economy, and a recession is looking likely

## Highlights news vendors

**BUSINESS LIVE** - [Political turbulence lurks in the grants space](#)

**FT** - [King Charles faces delicate balancing act as Commonwealth head](#)

**REUTERS** – [South Africa close to producing plan for Western climate aid despite hurdles](#)

**SOUTH CHINA POST** - [Japan holds joint drills with India, US in show of force to China, Russia](#)

## Local and regional talking points

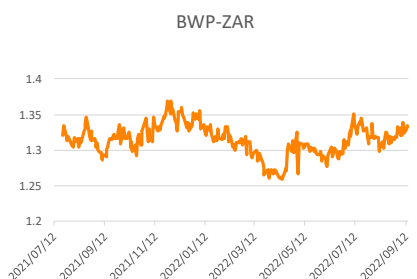
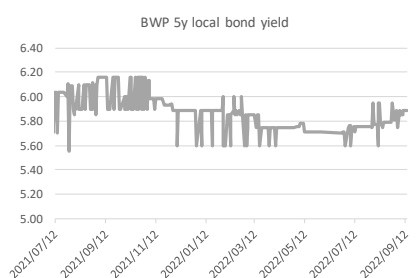
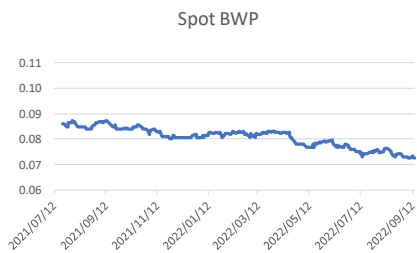
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.279584	1.292832	1.3042427	1.387101
BWPUSD	0.07344	0.093496	0.0748553	0.079516
GBP/BWP	15.500264	15.643472	15.164922	14.740964
BWPEUR	0.079664	0.080392	0.0752595	0.078846
JPY/BWP	11.4816	11.5856	10.8468	11.33495
USDZAR	16.72416	18.135728	17.116133	17.7433685
EURUSD	0.958656	1.03896	0.9811245	1.0164825
GBPUSD	1.104576	1.196728	1.1304645	1.17083725

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0765	0.0000	1m	-2.38875	-91.77542
BWP/GBP	0.0665	-0.0001	3m	-6.73725	-400.6852
BWPEUR	0.0766	0.00	6m	-12.02175	-1220.826
BWP/ZAR	1.333	0.0094	12m	-26.04225	-4209.358

Dollar Index		
	Close	Change
EURUSD	0.9986	0.0016
GBPUSD	1.1506	0.0015
USD/JPY	144.34	-0.21
USD/NGN	427.51	0
USDZAR	17.4254	-0.0243

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	0	SA 10y	10.195	0.01
3y	4.66	0	US 10y	3.423	0.061
5y	5.89	0	German 10y	1.724	0.079
20y	8.73	0	Spread SA 5y vs Bots 5y bpts		
22y	8.86	0		296	10

Equities			Commodities		
	Close	Change		Close	Change
VIX	27.27	3.4	Gold	1699.91	-1.644
Dow Jones	per mission	0	Brent Crude	1701.554	-0.44
FTSE	7385.86	121.96	3m Copper	1724.0702	#VALUE!
JSE All share	68273.71	1063.93	LME Index	1716.05	#VALUE!
Bots DCIBT	7404.73	0	1 carat index	1707.275	#VALUE!
Nigeria Index	49627.72	-69.07			



- On the news front, Botswana and Namibia have removed a barrier to the free movement of people through the Trans-Kalahari-Mamuno entry point. This was revealed by Botswana's permanent secretary in the ministry of foreign affairs, Gladys Mokhawa, during the opening inaugural session of the Namibia-Botswana Bi-national Commission (BNC) in Gaborone, Botswana, yesterday, which is set to end tomorrow.

- This development is expected to address issues of delays, which are often experienced at most border posts, as well as promote the smooth flow of goods through the removal of often perceived "restrictive" operational procedures at borders. Once the agreement is in place, nationals of Namibia and Botswana will no longer require passports to travel between the two nations and instead will only need to present their IDs to cross the border. The neighbouring nations have cordial relations, and the latest developments will continue to support their collaboration in economic growth.

## Financial Market Commentary

- Yesterday was an extraordinary day. The USD-BWP's bearish bias was short-lived, with the pair bouncing off its two-week low to revisit the 13.000-handle yesterday. Once again, this is a story of USD strength as investors digested a hotter-than-expected US inflation reading, which boosted speculation that the Fed will have to move even more aggressively to tame runaway price growth. This resulted in a dramatic fall in riskier assets. The BWP was not alone in its reaction, with the ZAR ending yesterday's session closer to 17.40, reversing from the 17.00 handle.

- Overnight, the USD appears to have lost some ground, and many currencies worldwide have regained their composure. US equity market performances this afternoon may equally play an important role in driving sentiment, and investors will therefore trade cautiously this morning, waiting for further direction through the US trading session. A sustained break through 17.5400 could trigger a bigger USD-ZAR surge, but as things stand now, that level holds much resistance and could stall the move.

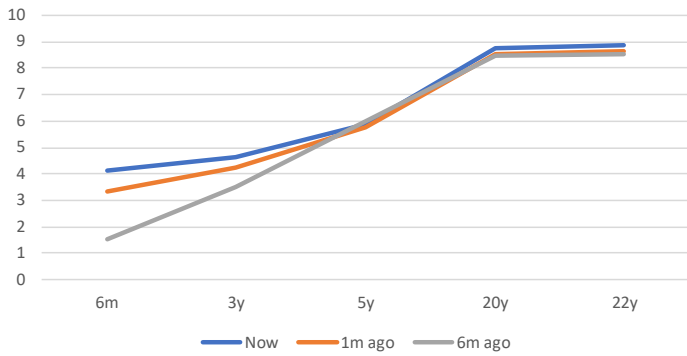
- Yesterday's US inflation report caused a mini crash on bond markets. US Treasury yields shot higher on Tuesday as investors bet that a hot inflation reading will keep the Federal Reserve aggressive in tightening monetary policy. The yield on the 2-year Treasury, the part of the curve most sensitive to Fed policy, soared more than 17bps to 3.748%. The yield climbed to 3.794% at one point, its highest level since November 2007. Meanwhile, the yield on the benchmark 10-year Treasury note surged 6bps, trading at 3.42%. A 75bps move at the Fed meeting next week with this data is a done deal. US money markets indeed discount a more than 100% chance. They even attach a 65% probability for a similar move in November. European yields were also caught in the slipstream yesterday, with the German 10-year Bund rising above 1.7% and holding close to over 8-year highs.

- With US inflation coming in a little hotter than consensus estimates, the market has priced in expectations for another lofty rate hike at the Fed. This strengthened the USD and led oil prices a little lower on the session, while prices have nudged even lower ahead of the European open to trade around \$92.7/barrel.

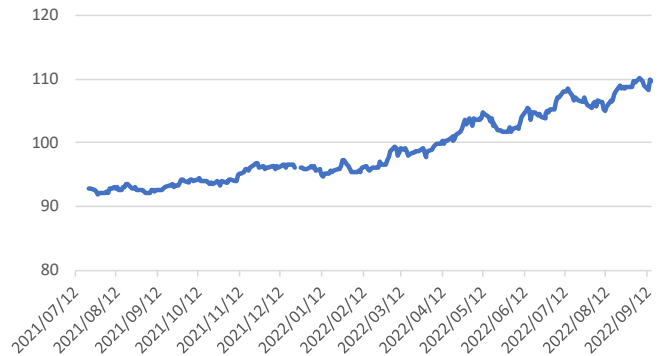
- Data has been mixed. American Petroleum Institute data has shown that US inventories are stabilizing at the margin with inventories up a little over 6 million barrels last week, which could quell prices. Baker Hughes rig count data showed that mining activity dipped a little in response to falling oil prices in recent months, which appears to have led to a retrenchment of mining activity. The 12-month ahead contract has meanwhile stabilized around \$84/barrel, with the longer-term contract price still well below the spot price by a margin of around \$8.50/barrel.

- This suggests that the market remains in an environment of current undersupply but ample supply in the future. However, a floor on pricing could emerge in relation to US strategic oil reserves. News reports suggest that the US is mulling replenishing its strategic oil reserves if oil prices dip below \$80/barrel, which could support prices on any dips towards \$80.

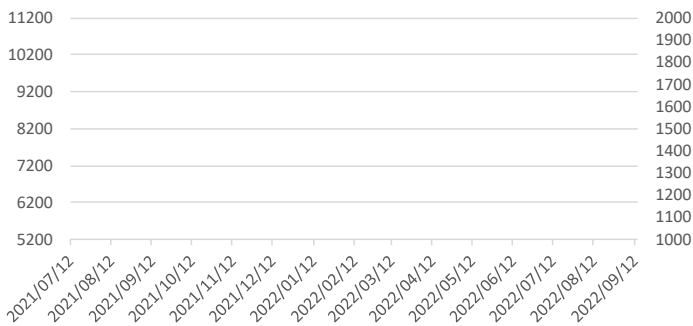
### Botswana Yield Curve



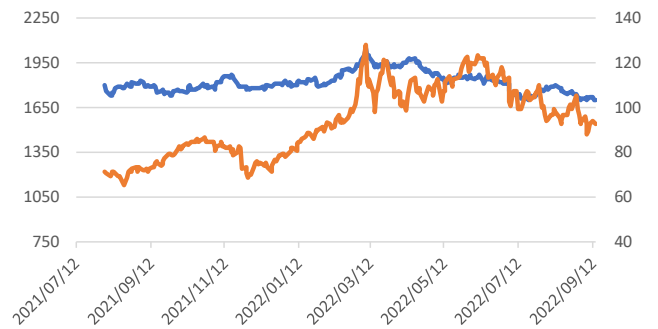
### USD Index



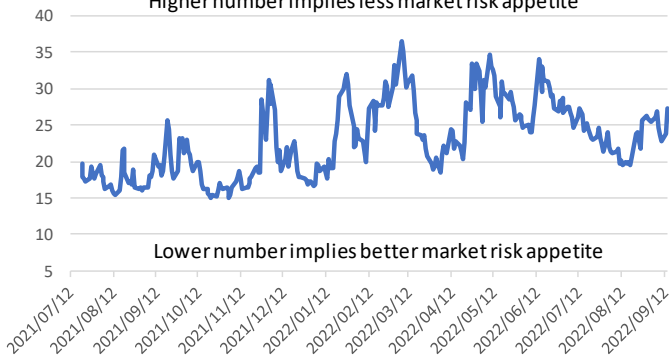
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



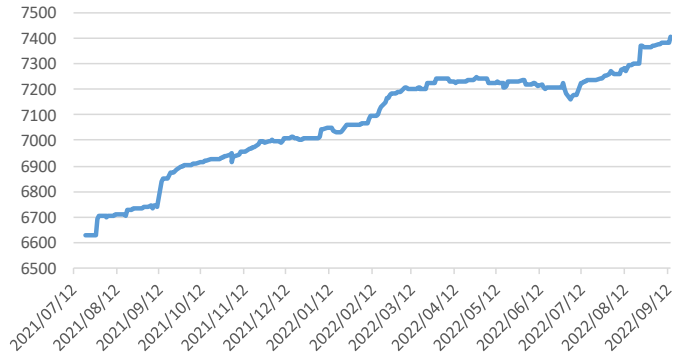
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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