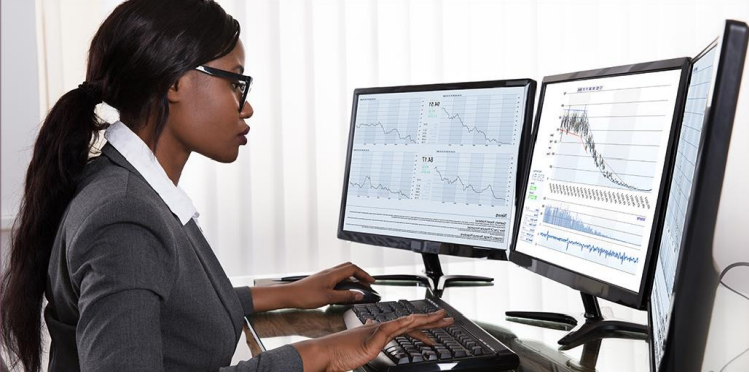


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	CPI y/y	Aug		14.3%
09:00	EZ	Trade balance nsa (EUR)	Apr		-24,6bn
09:15	EC	ECB's Guindos Speaks			
11:00	EC	ECB's Centeno Speaks			
12:30	US	Empire manufacturing	Sep	-12,8	-31,3
12:30	US	Retail sales ex. auto and gas	Aug	0,7%	0,7%
13:15	US	Industrial production m/m	Aug	0,1%	0,6%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Japanese trade	Japan ran its biggest monthly trade deficit on record in Aug on a combination of high energy prices and a collapsing JPY, which drove imports substantially higher	This huge deficit brings into question the sustainability of its economic recovery which is fragile	4/5 (economy)	Imports surged 49.9% y/y in Aug vs growth of 22.1% in exports. The usual suspects of crude oil, coal and natural gas which were priced even more expensively due to JPY depreciation
China – monetary policy	China maintained its interest rate on Thursday at 2.75%, broadly in line with expectations. It partially rolled over maturing medium-term policy loans	The behaviour of the Fed and the aggressive hiking in rates put the brakes on further easing	4/5 (monetary policy)	Cutting rates any further under current circumstances might've been counter-productive if it translated into more pressure on the CNY. That said, the PBoC will keep liquidity ample
Stock markets	While the response to Tuesday's US inflation miss was brutal, it now appears as though the move was not sustainable as stock markets stabilise this morning	The risk of a deeper sell-off remains ever-present as the Fed and other central banks drain liquidity	4/5 (market)	It is too soon to celebrate stability returning to stocks with the full effects of rate hikes and liquidity removal far from understood or fully experienced. The risk of volatility is still high

Factors on the Radar	What happened?	Relevance	Importance	Analysis
EU energy taxes	The EU is planning on raising more than \$140bn from energy firms running super-normal profits as they try raise money to help households	In most cases, this comes in the form of electricity price caps for households in a bid to ease pressure	5/5 (fiscal policy)	Such policies are usually unsustainable, and the EU will be hoping their intervention runs the course of the disruption in energy supply and the huge price increases. It poses a fiscal risk
IMF to central banks	The IMF has indicated that central banks must remain persistent and vigilant in their fight against inflation	Inflation has proved stubbornly high and has become more broad-based	4/5 (central banks)	Nothing surprising in this statement, with central banks already highly coordinated and expected to continue hiking aggressively to reduce inflation
ECB neutral rate	French ECB policymaker Villeroy de Galhau has indicated that the ECB could reach its neutral rate by the end of the year	This implies rates will rise further and that inflation will moderate once more	4/5 (economy, monetary policy)	The ECB promised more tightening in the months ahead to tackle inflation and prevent a further collapse in the EUR. But rates may rise beyond 2.0%

Highlights news vendors

BUSINESS LIVE - [Economy battles for momentum as all sectors take strain](#)

FT - [US and EU step up pressure on Turkey over Russia sanctions](#)

REUTERS – [European governments defy market volatility with green bond bonanza](#)

SOUTH CHINA POST - [Russia and China hold joint naval patrols in the Pacific](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.284192	1.293312	1.3089395	1.387616
BWPUSD	0.07344	0.093496	0.0748553	0.07931
GBP/BWP	15.568904	15.673424	15.232077	14.769188
BWPEUR	0.079768	0.080288	0.0753578	0.078744
JPY/BWP	11.4088	11.4816	10.778025	11.2332
USDZAR	16.78704	18.196464	17.180486	17.8027905
EURUSD	0.95712	1.037296	0.9795525	1.0148545
GBPUSD	1.106592	1.199016	1.1325278	1.17307575

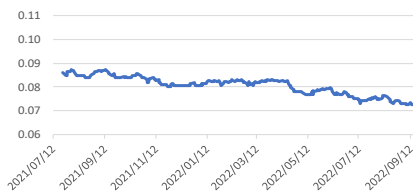
Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change		
BWPUSD	0.0765	0.0000	1m	-2.23275
BWPGBP	0.0663	0	3m	-6.36675
BWPEUR	0.0767	0.00	6m	-11.427
BWPZAR	1.3375	0.0087	12m	-25.20375

Dollar Index		Change
EURUSD	0.9971	-0.0006
GBPUSD	1.1526	-0.0009
USDJPY	143.33	0.18
USDNGN	427.81	0
USDZAR	17.4833	0.0144

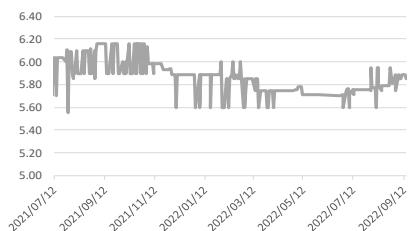
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	0	SA 10y	10.32	0.125
3y	4.751	0.091	US 10y	3.412	-0.011
5y	5.85	-0.04	German 10y	1.698	-0.026
20y	8.5	-0.23	Spread SA 5y vs Bots 5y bpts		
22y	8.65	-0.21		312	16

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.16	-1.11	Gold	1690.226	-5.569
Dow Jones	35812.12	100.00	Brent Crude	1695.795	-0.13
FTSE	7277.3	-87.17	3m Copper	1701.554	#VALUE!
JSE All share	67964.02	-1498.7	LME Index	1724.0702	#VALUE!
Bots DCIBT	7382.8	21.77	1 carat index	1716.05	#VALUE!
Nigeria Index	49576.05	1.67			

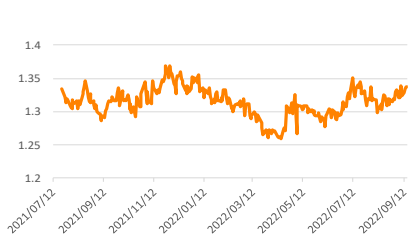
Spot BWP



BWP 5y local bond yield



BWP-ZAR

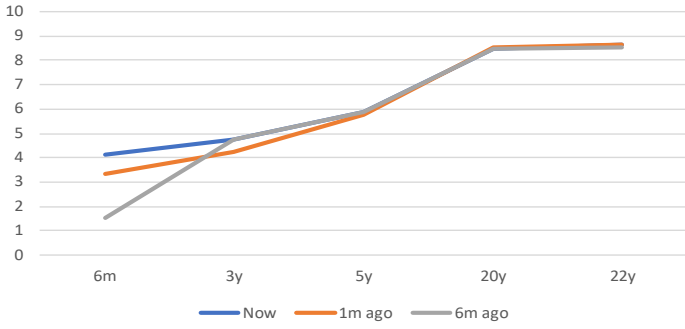


- According to the African Development Bank (AfDB), Africa is losing around 5-15% of GDP growth due to climate change and is facing a gaping climate finance shortfall. African nations received around \$18.3bn in climate funds between 2016 and 2019 and are now facing an almost \$1.3trn climate finance gap for the 2020 to 2030 period. According to the African lender, the required funding reflects the crisis, and *“investing in climate adaptation in the context of sustainable development is the best way to cope with climate change impacts.”* Africa has been hit disproportionately hard by the fallout from climate change which has aggravated droughts, flooding, and cyclones across the continent in recent years.
- The day ahead features inflation figures which are expected to have continued its surge higher in August, rising to a new multi-decade high, despite several measures by the government and the central bank to cushion consumers against inflation. Increased selling pressure on the Botswana Pula and the effect of strong-paced price gains from high food and energy prices likely continued to keep inflation elevated. Botswana has been facing a spiralling cost-of-living crisis as energy and food prices have surged due to choked supply chains caused by Russia’s invasion of Ukraine, extreme weather, and Covid-19 lockdowns.
- Inflation has exceeded the upper limit of the central bank’s 3% to 6% target band for 15 months and quickened to 14.3% in July, the highest level since the global financial crisis. The surge in inflation has prompted the central bank to increase interest rates by 151bps since April, aligning with monetary policymakers across the globe who are raising borrowing costs to quell decades-high inflation. Another bumper CPI figure will prompt the central bank to aggressively raise its key interest rate when it meets again in late October.

Financial Market Commentary

- It has been a volatile week for emerging market currencies. Broadly, all African currencies have suffered losses halfway through the week, with the South African Rand and the Botswana Pula among some of the worst performers, down more than 2% and 1.3%, respectively. Yesterday, the BWP weakened to 13.0425/USD, not far off its monthly lows and building on its year-to-date losses of close to 9.9% and placing as the sixth worst performing African currency this year. All eyes today will be on the CPI figures, which, if they continue to rise, should support the BWP, owing to the central bank’s resolve in fighting inflation.
- Meanwhile, the USD holds its advance, trading just below 110 on Thursday and hovering near a 20-year high, underpinned by expectations that the Federal Reserve will need to move even more aggressively to combat inflation. Producer prices fell for the second straight month in August, providing investors with some relief. Markets are currently expecting the Fed to deliver its third straight 75bps rate hike next week, while Fed funds futures are pricing a 37% chance of a bigger 100bps increase.
- The 2-year Treasury yield remained at its highest level since November 2007 on Wednesday, as traders continued to digest unexpectedly high consumer price inflation in August and a second straight monthly drop in the costs of US wholesale goods and services. The US 10yr bond yield is moving closer to the 3.50% mid-June peak. Traders are still trying to absorb the CPI release and are reluctant to backtrack on Tuesday’s positioning. This morning, US Treasuries have edged lower ahead of the US retail sales data as investors look for clues on the economic outlook.
- On the commodity front, the monthly IEA report has elucidated one of the reasons why oil prices have been trending lower, with oil prices nearly 25% lower than June peaks. Front month Brent crude is trading around \$94/barrel ahead of the European open, which compares with recent peaks towards \$125/barrel and COVID peaks towards \$140/barrel. The IEA report highlighted that Chinese demand has been falling precipitously as the country continues in its zero COVID policies, leading to mass lockdowns alongside a lot of red tape.
- Chinese oil demand is expected to be around 2.7% y/y lower in 2022, which will push the market towards oversupply territory in the not-too-distant future. WTI prices have similarly reflected a reduced level of market fervour, with the front month contract set to close the quarter nearly 20% lower, marking the first quarterly loss since Q1 2020. It is worth noting that there is also talk of a looming rail strike in the US, which holds risks to commodity markets. The broader macroeconomic environment remains skewed towards slower growth on the back of central bank policy tightening, which could further crimp oil demand in the months ahead.

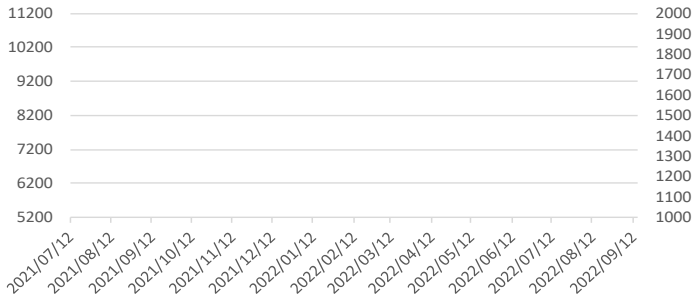
Botswana Yield Curve



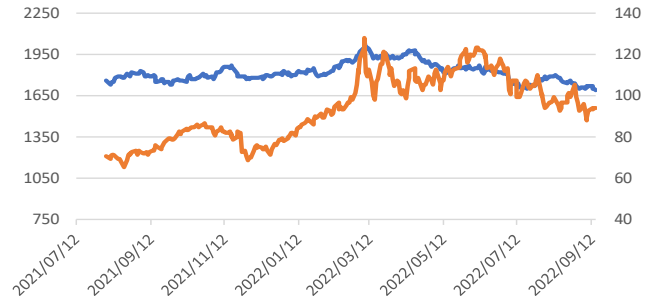
USD Index



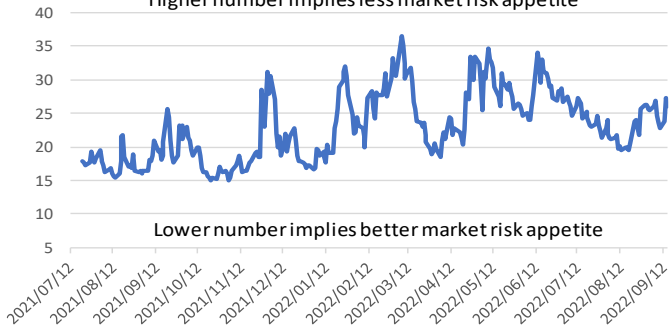
Base metals - Copper L_Hand axis LME Index R_Hand axis



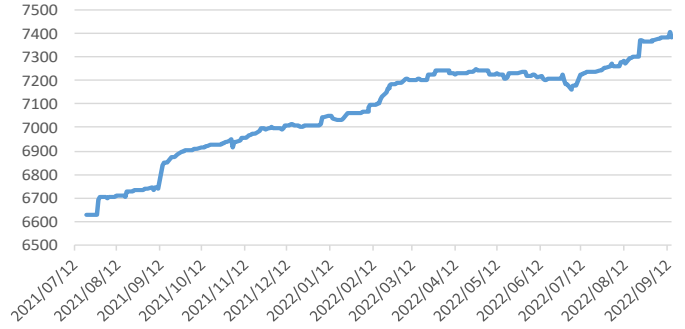
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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