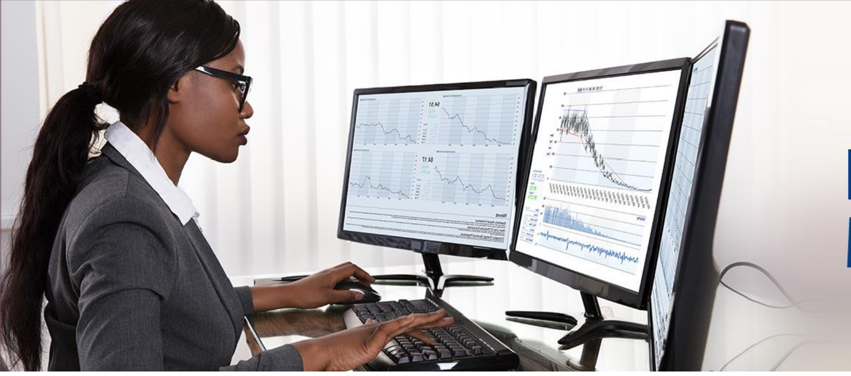


Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
-	JN	BOJ Policy Rate	Sep 22	-0,1% A	-0,1%
08:00	EC	ECB Publishes Economic Bulletin			
11:00	GB	BoE bank rate	Sep 22	2,25%	1,75%
11:00	UK	Bank of England Bank Rate			
12:30	US	Initial jobless claims	Sep 17	220k	213k
14:00	EZ	Consumer confidence	Sep P	-25,2%	-24,9%
14:00	US	Leading Indicators	Aug	0,00%	-0,4%
15:00	US	Kansas City manufacturing activity	Sep	5	3

Factors Overnight	What happened?	Relevance	Importance	Analysis
FOMC decision	In line with the broad consensus, the Fed hiked rates 75bp to take the rate to between 3.00-3.25%, with the market anticipating another 75bp by year-end	Short-term rates spiked, 10yr vs 2yr most inverted since the early 1980s, which is extraordinary	**5/5** (monetary policy, economy)	While the Fed may be comfortable continuing to act aggressively while the US data continues to hold up, the data will turn, and the economy will slow more dramatically in the months ahead
Stock markets	Stocks tumbled overnight after the Fed did not commit to easing its monetary tightening as Powell remained committed to reducing inflation	While this stance may be possible while US economic data holds up, the cycle will eventually turn	**4/5** (market)	The economic reversal may happen dramatically when debt servicing costs take their toll. That is likely towards the end of 2022 or the start of 2023. There are early signs that earnings are eroding
US home sales	US home sales have dropped for the 7th consecutive month, while median house prices have cooled to reflect growth of 7.7% y/y.	The aggressive hiking will see the credit cycle turn and the housing market hit	**5/5** (economy, market)	According to the National Association of Realtors, confidence among single-family homebuilders eroded for a 9th consecutive month in Sep

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia-Ukraine referendum	Under pressure and at risk of losing credibility, Putin appears to be doubling down and threatening to use nuclear bombs in retaliation against the West	The UN will debate this, and calls have been made for Russia to lose its UN veto rights	**5/5** (geopolitics)	Although the consensus is that Russia will not dare to use nuclear force, it is a clear threat that must be taken seriously. It will also impose higher degrees of risk aversion on markets
BoE	Following on from the Fed's decision, all eyes now turn to the BoE, which is faced with the task of reducing inflation from its 40yr high	Fiscal stimulation or spending and a depreciating GBP are forcing the BoE's hand despite GDP	**5/5** (central banks)	The market consensus is that the BoE will press ahead and lift rates by a further hefty 50bp to pile the pressure on a population already dealing with a cost-of-living crisis
US Yield curve inversion	One of the most reliable predictors of the US economic cycle remains the shape of the yield curve, and it is signalling danger ahead	The 10yr vs 2yr US has inverted further to the deepest levels of inversion since the early 1980s	**4/5** (market, economy)	This is a significant inversion that stands in stark contrast to the Fed's guidance that the US economy should enjoy a soft landing and remains resilient to the monetary tightening unfolding

Highlights news vendors

BUSINESS LIVE - Thabo Mbeki takes aim at Eskom's leadership
FT - Powell warns no 'painless' way to tame inflation as US recession risks rise
REUTERS – Default 'a real possibility' for Ghana, Fitch senior director says
SOUTH CHINA POST - Chinese envoys help plan likely visits to Beijing by French and German leaders

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.287552	1.298592	1.3123642	1.393281
BWPUSD	0.07248	0.093496	0.0738768	0.078383
GBPBWP	15.355392	15.482896	15.023184	14.589652
BWPEUR	0.079872	0.0806	0.075456	0.07905
JPYBWP	11.3672	11.4608	10.738725	11.21285
USDZAR	17.043264	18.494736	17.442716	18.0946095
EURUSD	0.943104	1.022112	0.965208	0.999999
GBPUSD	1.078656	1.16896	1.103937	1.14367

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0755	0.0000
BWPGBP	0.0672	0.0002
BWPEUR	0.0768	0.00
BWPZAR	1.341	0.007
Dollar Index	111.529	0.887
EURUSD	0.9826	-0.0011
GBPUSD	1.1237	-0.0029
USDJPY	144.83	0.79
USDNGN	429.37	0
USDZAR	17.7618	0.0302

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.262	-118.9546
3m	-6.8055	-574.0421
6m	-12.831	-1812.628
12m	-26.62725	-6519.309

Local Fixed income

Yield curve	Close	Change
6m	4.137	0
3y	4.75	0.09
5y	5.85	-0.04
20y	8.8	0.07
22y	8.9	0.04

International Fixed Income

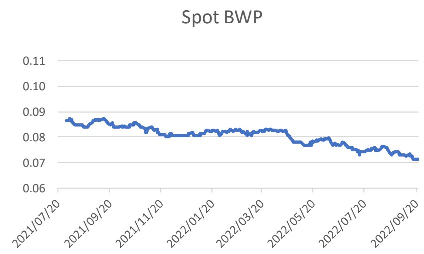
	Close	Change
SA 10y	10.51	-0.025
US 10y	3.512	-0.061
German 10y	1.892	-0.047
Spread SA 5y vs Bots 5y bpts		
	325	-1

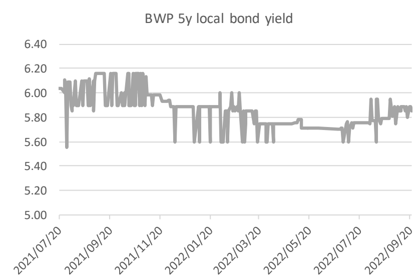
Equities

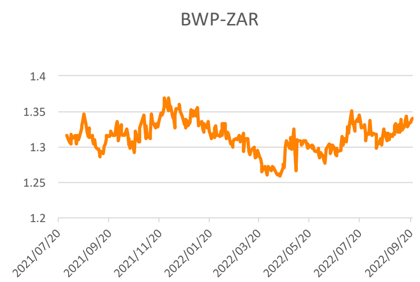
	Close	Change
VIX	27.99	0.83
Dow Jones	30183.78	-313.45
FTSE	7237.64	-44.02
JSE All share	66208.71	127.98
Bots DCIBT	7389.77	-8.09
Nigeria Index	49421.91	5.1

Commodities

	Close	Change
Gold	1673.7368	10.6279
Brent Crude	1663.1089	-0.79
3m Copper	1675.7758	-68
LME Index	1674.9448	-37.3
1 carat index	1663.7408	#VALUE!





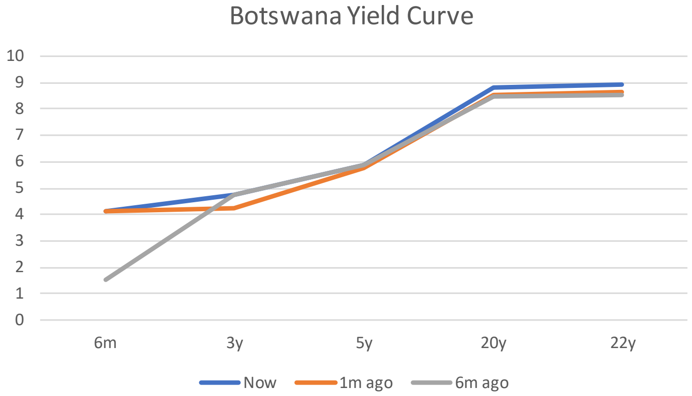


Local and regional talking points

- According to Statistics Botswana, first-time vehicle registrations fell by 247 to 7,727 in the second quarter, which came off another low of 7,974 printed in the first three months of the year. The latest figure compared to an average of more than 10,000 per quarter in 2021. The data reinforces the current environment of spiralling inflation, declining disposable income, and a shift in consumers' spending habits as the primary reason behind the decline in the purchases of vehicles. For perspective, the only quarter with lower first registrations was the period between April and June of 2020, when the government imposed a travel ban, lockdown and movement restrictions in response to the outbreak of COVID-19. During that period, just 5,281 first-time registrations were recorded.
- Today's focus will shift to developments in SA, with the central bank delivering its rate verdict. SARB has been intent on achieving its inflation target as the South African economy faces high consumer prices. At the last MPC meeting in July, the central bank hiked interest rates by an unexpected 75bps, taking the total rate hikes to 200bps since the SARB began its tightening cycle. Market expectations are for the SARB to deliver another sizeable rate hike, with elevated inflation and the ZAR sell-off on the back of an aggressive US Fed as the underlying drivers. The SARB will also seek to maintain a healthy interest rate differential between South Africa and the US. However, the risk is the central bank delivering a smaller rate hike than the market anticipates amid mounting risks of an economic slowdown.

Financial Market Commentary

- Surprisingly, the USD-BWP retreated yesterday, closing the session at 13.1359, despite the USD surging to a fresh twenty-year high after the US Federal Reserve raised benchmark interest rates by another three-quarter of a percentage point and indicated it would keep hiking well above the current level. It could come at the cost of financial market volatility, triggering a massive rotation away from higher beta currencies and riskier investment destinations. Additionally, the USD received an extra boost from safe-haven flows after President Putin announced a partial military mobilization in Russia, in a significant escalation of the conflict in Ukraine.
- The hawkish FOMC meeting last night has propelled front-end UST yields higher, with the 2yr tenor trading at over 4.100% this morning. This has deepened the inversion of the US yield curve, with the 2v10 spread currently at around -56bp, the most inverted it has been since the early 80s. Interestingly, the OIS market is currently pricing around a 67% chance of a 100bp increase at the next FOMC meeting. During his press conference yesterday, Powell suggested that the remaining two meetings of the year could yield between 100bp and 125bp worth of increases between them, suggesting that the market is overpricing rate hike risk at the moment. The path of the Fed will, however, depend on what happens with upcoming data, but there will only be one CPI reading before the next meeting, indicating that there is very little space to see a drop in inflation that would prompt a less hawkish Fed. Therefore, market pricing will likely remain relatively excessive, which will keep front-end UST yields propped up, and the curve deeply inverted. The market, therefore, will likely remain short risk for the near term.
- Oil prices are steady this morning after quite a volatile session yesterday. The oil market was supported following the news of Russia's new troop mobilization, with this escalation further threatening global crude supply. However, the gains were quickly offset by the hawkish FOMC meeting last night, which saw a 75bp hike and indications that more outsized increases are to come. Powell and co, therefore, managed to push the Brent front-month contract back below $90 per barrel, with the price consolidating around that level this morning. While Putin's escalation of his war does throw some uncertainty regarding supplies into the mix, the hawkish Fed and weakening macroeconomic backdrop will continue to weigh on sentiment towards crude over the near term.
- Adding to the bearish sentiment in the market later in the day yesterday was the release of the EIA inventory figures. Crude and distillate stockpiles declined across the board last week, with a key measure of diesel demand in the US slumping to suggest that tougher economic times are starting to pressure demand for fuels. With all of this in mind, it is difficult to see a sustained recovery in oil prices over the next few weeks


Botswana Yield Curve
10
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
120
110
100
90
80
2021/07/20
2021/08/20
2021/09/20
2021/10/20
2021/11/20
2021/12/20
2022/01/20
2022/02/20
2022/03/20
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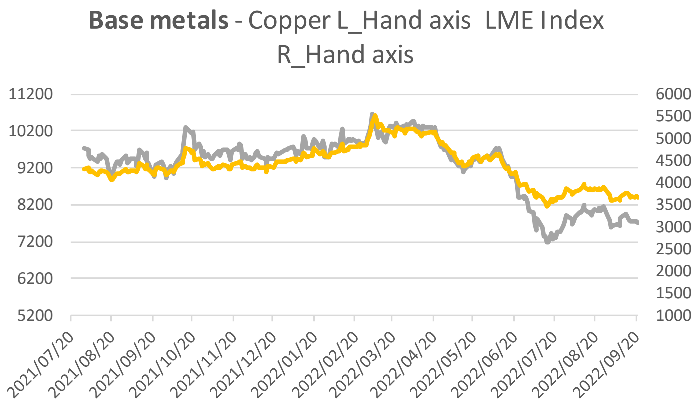
2022/08/20
2022/09/20


Base metals - Copper L_Hand axis LME Index R_Hand axis
11200
10200
9200
8200
7200
6200
5200
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
2021/07/20
2021/08/20
2021/09/20
2021/10/20
2021/11/20
2021/12/20
2022/01/20
2022/02/20
2022/03/20
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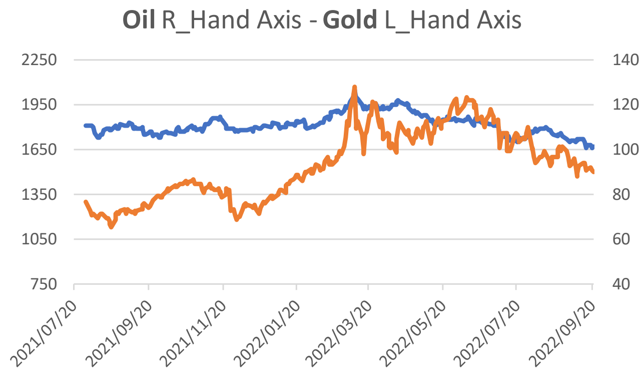
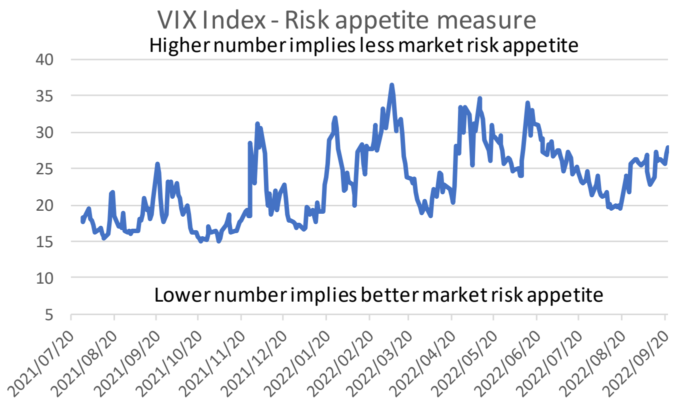
2022/08/20
2022/09/20


Oil R_Hand Axis - **Gold** L_Hand Axis
2250
1950
1650
1350
1050
750
140
120
100
80
60
40
2021/07/20
2021/09/20
2021/11/20
2022/01/20
2022/03/20
2022/05/20
2022/07/20
2022/09/20


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
Lower number implies better market risk appetite
40
35
30
25
20
15
10
5
2021/07/20
2021/08/20
2021/09/20
2021/10/20
2021/11/20
2021/12/20
2022/01/20
2022/02/20
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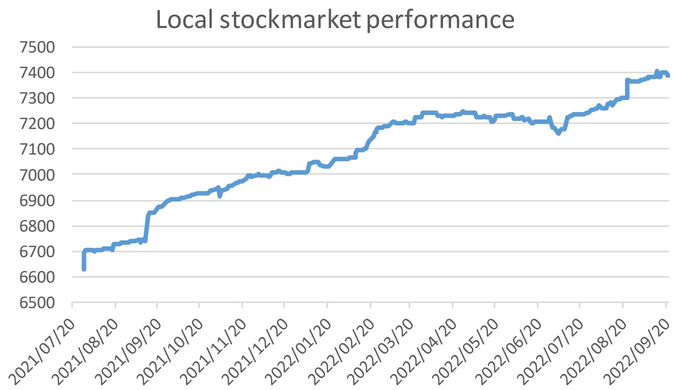
2022/08/20
2022/09/20


Local stockmarket performance
7500
7400
7300
7200
7100
7000
6900
6800
6700
6600
6500
2021/07/20
2021/08/20
2021/09/20
2021/10/20
2021/11/20
2021/12/20
2022/01/20
2022/02/20
2022/03/20
2022/04/20
2022/05/20
2022/06/20
2022/07/20
2022/08/20
2022/09/20

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