

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
08:00	EZ	M3 money supply sa y/y	Aug	5,4%	5,5%
11:00	GB	BOE Chief Economist Huw Pill speaks			
11:00	EC	ECB's Villeroy Speaks in Paris			
11:30	US	Powell Takes Part in Panel on Digital Currencies			
14:00	US	Consumer confidence	Sep	104,25	103,2
14:00	US	New home sales	Aug	500k	511k
14:00	US	Richmond Fed manufacturing index	Sep	-11	-8

Factors Overnight	What happened?	Relevance	Importance	Analysis
China's industrial profits	Industrial profits fell 2.1% for the first eight months of the year from a year earlier, with August representing some strong resilience	The outlook remains deeply uncertain as global growth is set to slow due to inflation and rate hikes	3/5 (economy)	From Jan-Aug, 24 of the 41 sectors reported a slowdown in profitability. While this is something to keep an eye on, the real pain is still to come as the global slowdown takes hold
Fedspeak	Cleveland Fed President Mester shrugged off the volatility in financial markets, intimating that the Fed will not be deterred from recovering price stability	For now, the Fed is still prepared to tolerate volatility in financial markets and some dislocation	4/5 (monetary policy)	When that pain becomes more severe and starts to reflect in the real economy through a further drop in sentiment and confidence indices, the decisions to hike will become a little tougher to make
East Asia – World Bank	According to the World Bank's latest forecasts, China's economy is set to expand 2.8% in 2022 and 4.5% in 2023. East Asia is forecast to grow 4.6% in 2023	World Bank has slashed 2022 growth for East Asia and Pacific region to 3.2% from 5.0%	4/5 (economy)	The downward revisions could be revised even lower depending on the kind of fallout to global growth that will come from the string of coordinated rate hikes currently underway

Factors on the Radar	What happened?	Relevance	Importance	Analysis
BoE pressure	In response to the dramatic plunge in the GBP to an all-time low following Fin Min Kwarteng's fiscal announcement, the BoE said it would not hesitate to act	Investors have been speculating on the possibility of an emergency rate hike to support the GBP	5/5 (market)	What the government is prepared to offer in fiscal assistance, the central bank may be forced to take away as it struggles to regain control of inflation, especially as financial markets reprice
Italy – ECB – Policy	ECB President Lagarde indicated that while the ECB would be prepared to help Italy, it will not buy government bonds in order to paper over policy errors	Lagarde may be sending a message to Italian PM Meloni but cannot afford not to help Italy	5/5 (monetary policy, fiscal policy)	Italy's bond market is too big to fail, and the ECB will not hesitate to act in stabilising Italy's finances by buying as many bonds as needed. Bond market stress in Italy would devastate the EZ
Russia – Ukraine war	Russia's farcical referendum is drawing to a close and will likely show that the four regions would like to be annexed by Russia	The referendum has no credibility or authority and will be completely ignored	4/5 (geopolitics)	Simply declaring that the four contested regions are now part of Russia's territory will not stop Ukraine from continuing to fight back to reclaim lost ground

Highlights news vendors

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FT - [Fed official warns UK tax cuts increase risk of global recession](#)

REUTERS – [Nigeria suffers widespread blackouts after electricity grid fails](#)

SOUTH CHINA POST - [China's military gives a look at its first dedicated drone squadron](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	TT	CASH	TT
BWPZAR	1.285536	1.291872	1.3103094	1.386071
BWPUSD	0.07152	0.093496	0.0728983	0.077044
GBP/BWP	15.000752	15.066688	14.676217	14.197456
BWPEUR	0.080392	0.080704	0.0759473	0.079152
JPY/BWP	11.1904	11.232	10.5717	10.989
USDZAR	17.254944	18.710016	17.659357	18.305232
EURUSD	0.92544	1.002976	0.94713	0.981277
GBPUSD	1.035936	1.122368	1.0602158	1.098086

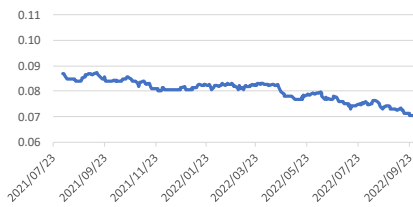
Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0745	0.0000	1m	-2.184	-144.2806
BWP/GBP	0.069	-0.0007	3m	-7.16625	-762.6287
BWPEUR	0.0773	0.00	6m	-12.987	-2470.558
BWP/ZAR	1.3395	0.012	12m	-26.31525	-8913.877

	Close	Change
Dollar Index	113.658	-0.445
EURUSD	0.9642	0.0036
GBPUSD	1.0789	0.0105
USD/JPY	144.41	-0.34
USD/NGN	430.48	0
USDZAR	17.9796	-0.0942

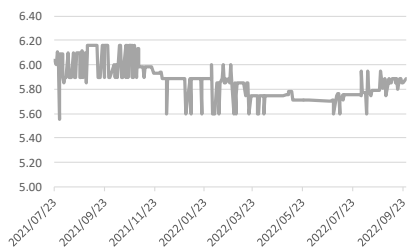
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	0	SA 10y	10.875	0.105
3y	4.66	-0.089	US 10y	3.88	0.183
5y	5.89	0.04	German 10y	2.092	0.061
20y	8.73	-0.07	Spread SA 5y vs Bots 5y bpts		
22y	8.86	-0.04		355.5	6

Equities			Commodities		
	Close	Change		Close	Change
VIX	32.26	2.34	Gold	1621.5675	-21.5225
Dow Jones	29260.81	-486.27	Brent Crude	1643.09	-2.09
FTSE	7020.95	-140.92	3m Copper	1670.5345	-91.5
JSE All share	63625.66	-1860.31	LME Index	1673.7368	-61.6
Bots DCIBT	7411.41	0.94	1 carat index	1663.1089	#VALUE!
Nigeria Index	49218.35	-163.72			

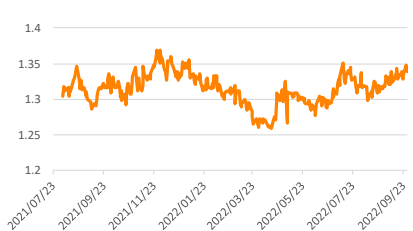
Spot BWP



BWP 5y local bond yield



BWP-ZAR

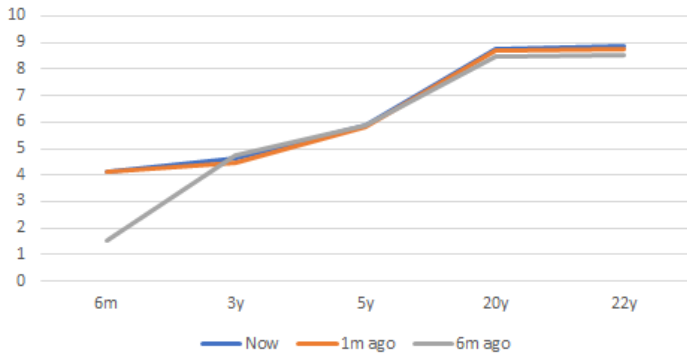


- The global economy will take a bigger hit next year than previously forecasted due to the impact of Russia's war in Ukraine, as energy and inflation crises risk snowballing into recessions in major economies, the Organisation for Economic Co-operation and Development (OECD) reported yesterday. The organisation slashed its 2023 global growth forecast to 2.2%, down from 2.8% in its previous estimate in June. The outlook for nearly all nations in the Group of 20 top economies was cut, except for Turkey, Indonesia and the UK, though the latter is forecast to have zero growth.
- The OECD also revised lower its prediction for SA's GDP forecasts as indicators point to stagnating output and falling consumer confidence, reaching levels last seen more than three decades ago. Specifically, SA's GDP outlook for 2022 and 2023 was revised to 1.7% and 1.1%, respectively.
- With businesses across many economies passing through higher energy, transportation and labour costs, inflation is reaching levels not seen since the 1980s, forcing central banks to rapidly tighten monetary policy settings faster than anticipated. Lastly, with increased government support packages to help households and businesses cope with high inflation, the OECD said such measures should target those most in need and be temporary to keep down their cost and not further burden high post-COVID debts.

Financial Market Commentary

- The dollar index fell below 114 on Tuesday, easing slightly from a fresh 20-year high of 114.5 reached in the previous session as investors took some profits and paused for breath following a sharp rally. Still, the bias remains in the USD's favour, but all eyes will be on the US data this afternoon in the form of the latest house price data, durable goods orders and consumer confidence for signs that the economy is under strain. The GBP currently trading around 1.0765, while the JPY is trading around 144.50.
- As for the BWP, it weakened to a new all-time low of 13.3472/USD yesterday, and while there may be some reprieve on offer for the local currency in the session ahead, the underlying bias is in favour of more losses. Q2's GDP figures, due tomorrow, may offer some support and keep the BWP from plunging to the 13.500/USD mark.
- Global bond yields continued to rally yesterday when looking at the core markets, with 2yr UST yields breaching the 4.3000% level while 10yr yields climbed above 3.8500%. Gilt yields also kept up the topside momentum, surging by more than 40bp across the curve once again as investors continued to digest the new spending plans and sold off UK assets in the process. Bund yields were also higher across the board, tracking their peers. The driver for the general sell-off in bonds remains the same, with tighter monetary policy still expected, as was flagged by several Fed members yesterday. Adding to the pressure was a poor auction for 2yr notes, while inflation-linked bond yields also increased to highs not seen since 2010, further tightening financial conditions.
- These three bond curves are now screaming recession risk, with the US and UK yield curves at their most inverted in decades, while the bund yield curve continues to flatten and appears to be heading for inversion in the very near future. This will keep investors short of risk, given the uncertainty over the future growth outlook for these major economies.
- Oil prices are stabilising this morning following a continued decline yesterday, which took Brent front-month futures to their lowest since January. A pause in the USD rally is giving oil some respite this morning, although prices are still down more than 7.50% over the last two sessions. Demand concerns remain the core theme at the moment, and these were exacerbated yesterday by the release of the OECD's latest economic forecasts, which pointed to slower growth than previously expected for the world economy, with China's outlook taking on a significantly dimmer picture. It will take quite a big shift in global monetary policy to alleviate these growth concerns, and we don't see that occurring in the near term, indicating that oil prices may remain under some pressure.
- This is being reflected in oil futures timespreads, with the near-dated spread narrowing its backwardation in recent weeks to show easing tightness in the market. Brent's prompt timespread is currently at around \$1.20 per barrel in backwardation, down from more than \$2 per barrel a month ago. Contracts for January 2023, meanwhile, are trading below \$80 a barrel

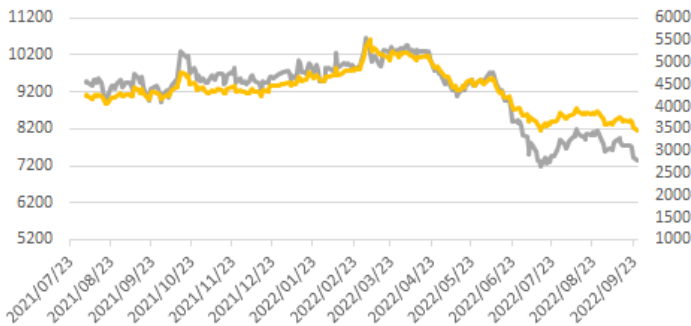
Botswana Yield Curve



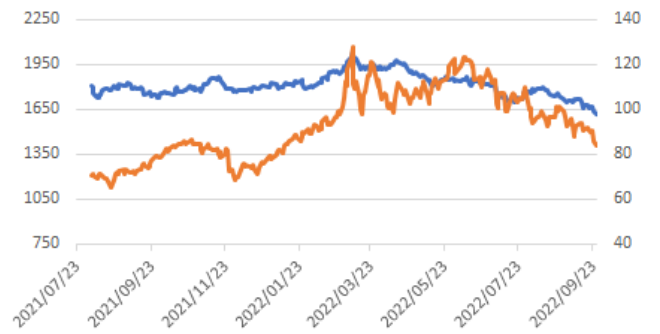
USD Index



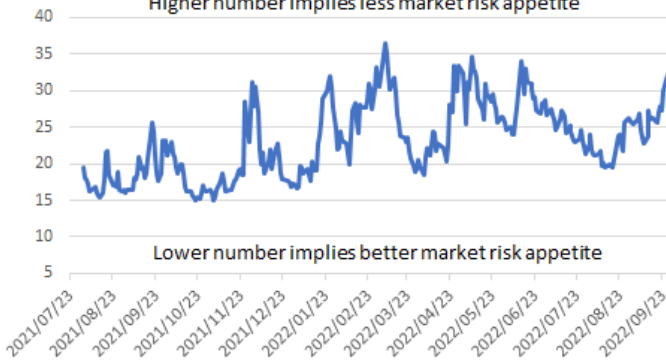
Base metals - Copper L_Hand axis LME Index R_Hand axis



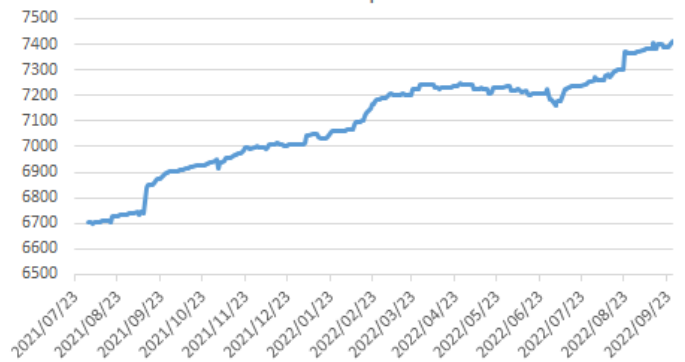
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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