

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
08:00	EC	ECB's Rehn Speaks on Monetary Policy at Bank of Finland			
08:30	GB	Net consumer credit	Aug	1,43bn	1,4bn
08:30	GB	M4 money supply y/y	Aug		4,4%
09:00	EZ	Consumer confidence	Sep F		-28,8
12:00	GE	CPI y/y	Sep P	9,5%	7,9%
12:30	US	GDP q/q annualised	2Q T	-0,6%	-0,6%
12:30	US	Personal consumption	2Q T	1,5%	1,5%
12:30	US	Initial jobless claims	Sep 24	220k	213k

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoE intervention	Bond yields soared after UK Fin Min announced its recent stimulus plan, which would crater the budget. The BoE had to intervene for stability purposes	The move may stabilise rates and the GBP in the short-term, but it is a GBP depreciative event	5/5 (economy, monetary policy)	While the rest of the world is tightening, the BoE was forced into QE to stabilise the bond market and ward off an even larger economic catastrophe following a badly received budget update
USD correction	Thanks to the BoE's intervention announcement yesterday, the USD corrected to stop the persistent appreciation that has pressured so many central banks	Most currencies registered a slight recovery vs the USD, but it may prove unsustainable	4/5 (market)	The USD remained in extremely overbought territory against most currencies and was always vulnerable. Many central banks are now considering interventions of their own
Bond yields	Bond yields across the globe have fallen in response to the BoE's £65bn bond purchase programme. At the margin, this eases the pressure on markets	Financial markets stabilised as yields dipped. More central bank intervention may follow	4/5 (market, economy)	The constant rise in bond yields proved to be a risk too large for the BoE to tolerate, and it has intervened. More such interventions may follow if the Fed persists with its aggressive hiking

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK housing market	A surge in borrowing costs threatens the UK housing market and as thousands of property funding deals are cancelled, and banks prepare for a jump in NPLs	With so many property owners on interest-only loans, a correction in prices seems inevitable	5/5 (market)	Many property owners will find themselves under enormous pressure, which might also explain the BoE's decision to stabilise markets and avoid an economic catastrophe
Central bank interventions	The BoJ has intervened, the PBoC has intimated that it will, while the BoE stepped in to stabilise the UK's gilt markets following persistent USD appreciation	The Fed-induced USD rally is forcing more and more central banks to respond to restore order	4/5 (monetary policy, fiscal policy)	More central bank interventions of one sort or another will likely be announced unless the USD stops its depreciation and consolidates around current levels for a while longer
Ukraine - Russia war	Fears are growing that Russia will make use of nuclear weaponry in an escalation of a badly managed war that has left the Russian army thwarted and depleted	Although the risk is considered low, such action by Russia would hold significant consequences for all	4/5 (geopolitics)	Europe could plunge into a catastrophic large-scale war with Russia if this unfolds. For now, that is not the core scenario, but the threats by Russia are being taken seriously

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REUTERS - [EU tells countries gas price cap would come with risks](#)

SOUTH CHINA POST - [Japan and China mark 50 years of ties, but tensions unlikely to ease](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.27392	1.290336	1.2984695	1.384423
BWPUSD	0.07104	0.093496	0.072409	0.077147
GBP/BWP	14.993264	15.179736	14.668891	14.303982
BWPEUR	0.079456	0.080496	0.075063	0.078948
JPY/BWP	11.1176	11.2528	10.502925	11.00935
USDZAR	17.215104	18.663112	17.618583	18.25934275
EURUSD	0.929376	1.00724	0.9511583	0.98544875
GBPUSD	1.036608	1.123304	1.0609035	1.09900175

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.074	0.0000	1m	-2.223	-325.2183
BWP/GBP	0.0685	0.0006	3m	-7.137	-1405.836
BWPEUR	0.0764	0.00	6m	-13.01625	-4067.322
BWP/ZAR	1.3271	-0.0201	12m	-26.91	-13401.95

	Close	Change
Dollar Index	113.296	0.692
EURUSD	0.9681	-0.0053
GBPUSD	1.0801	-0.0087
USD/JPY	144.47	0.31
USD/NGN	430.83	0
USD/ZAR	17.9335	0.0881

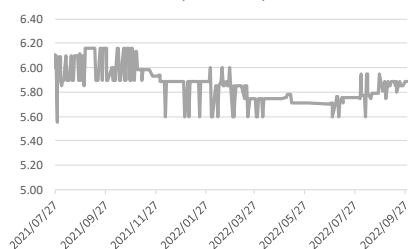
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.119	0	SA 10y	10.81	0.03
3y	4.66	-0.001	US 10y	3.707	-0.256
5y	5.89	0	German 10y	2.155	-0.097
20y	8.73	0	Spread SA 5y vs Bots 5y bpts		
22y	8.86	0		352.5	3.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	30.18	-2.42	Gold	1659.4449	30.6425
Dow Jones	29683.74	-125.82	Brent Crude	1628.8024	3.05
FTSE	7005.39	-36.36	3m Copper	1621.5675	69
JSE All share	63808.32	400.29	LME Index	1643.09	28.5
Bots DCIBT	7407.78	0.41	1 carat index	1670.5345	#VALUE!
Nigeria Index	49171.7	-56.9			

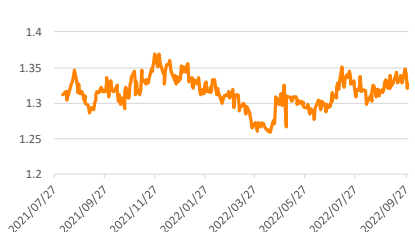
Spot BWP



BWP 5y local bond yield



BWP-ZAR

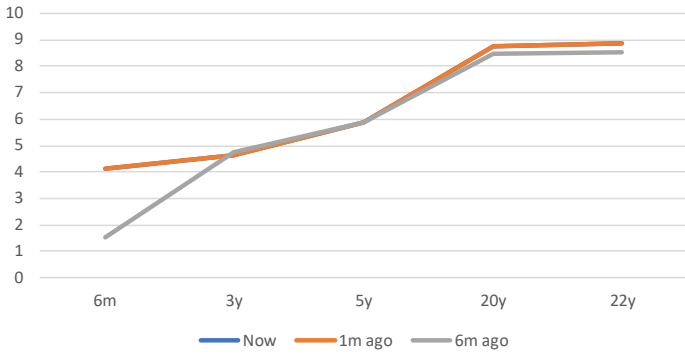


- While Botswana has resumed exports of live cattle and beef declared free from foot and mouth disease, sales to Europe remain suspended, according to a senior government official. According to the official, "following an outbreak, there are specific processes to be implemented and arrangements that must be negotiated with the European Union before exports are resumed, and this process is going on." Europe has tighter restrictions, and the continued suspension will see Botswana miss out on a valuable source of foreign exchange income. Along with Namibia, Botswana is one of the biggest beef exporters to Europe, where it enjoys duty-and-quota free access.
- A 1.4 million tonne per year coal mine at state-owned Morupule Coal Mine (MCM) commissioned by President Mokgweetsi Masisi on Wednesday aims to increase exports as demand surges on the back of the war in Ukraine. The new open cast mine, which will increase MCM's output by 50% to 4.2mn tonnes per year, is set as part of a strategy to supply various markets with a cumulative 7.6 million tonnes of coal a year by 2027, in turn, growing revenue to BWP 3bn (\$222.6mn) from BWP 1bn forecast next year. Botswana is aiming to become a key coal producer, having already increased sea-borne exports in 2022 through Maputo and Walvis Bay. The moves come at an opportune time when many European countries are seeking alternative sources of fuel given the global energy crisis.

Financial Market Commentary

- After initially spiking above the 13.400 mark, the USD-BWP moderated and finished yesterday's session at 13.3917, following a late staged pullback in the USD combined with a general risk appetite that prompted some profit-taking after a rally that saw the US currency hit its highest level since May 2002. However, this morning, the USD seems to be making back some ground and continues to point in a one-way direction for the pair, which is up.
- Global fixed income markets were offered some temporary reprieve yesterday with the announcement that the BoE would be delaying its QT program and would look to purchase bonds over the next few weeks to stabilise the market. This announcement led to a historic rally for longer-dated gilts, with the 10yr benchmark yield down almost 50bp on the session, while the 30yr saw an even greater move. This filtered through to the rest of the market, with US yields down between 15bp and 20bp on the session, while bunds saw similar moves. The rally for bonds gave risk appetite a boost, and helped to bring the USD off from its highs reached earlier in the session.
- While Asian markets are enjoying this support in early trade today, the impact is starting to wear off as UST yields are rising once again. The market reactions to yesterday's announcement were nothing more than tactical plays and with the Fed and others still remaining so hawkish, profits will likely be booked on the rallies and the bearish bias for bonds will entrench itself once again. It should also be noted that the recent volatility in the market may be being exaggerated by the close of the quarter, as portfolios are adjusted, which drains liquidity.
- Oil markets caught a bid yesterday, extending Tuesday's gains to help Brent rise more than 7% since bottoming earlier in the week. The gains came as market risk appetite found some support after the BoE announced that it would be stepping in to help ease conditions in the UK bond market. This helped to bring the USD off its highs, which in turn gave oil and other commodity markets a boost. There were some other bullish factors yesterday that gave the move higher a bit more legs, and could see the gains made sustained over the coming sessions. US inventories unexpectedly declined last week, while the energy conflict between Russia and the rest of Europe has intensified. Europe has announced new sanctions on the Kremlin, which include a ban on European companies shipping crude from Russia to third countries above a certain price cap.
- Overall, these factors have given oil bulls something to smile about as we near the end of the week. However, the outlook over the next few months remains quite bearish, barring any shocks from the war. This suggests that OPEC+ will need to announce further supply cuts next week in order to prevent a further price plunge. Without intervention, the market could shift into oversupply sooner than what was previously expected.

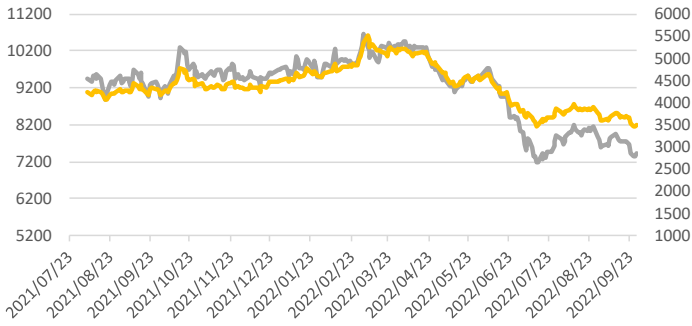
Botswana Yield Curve



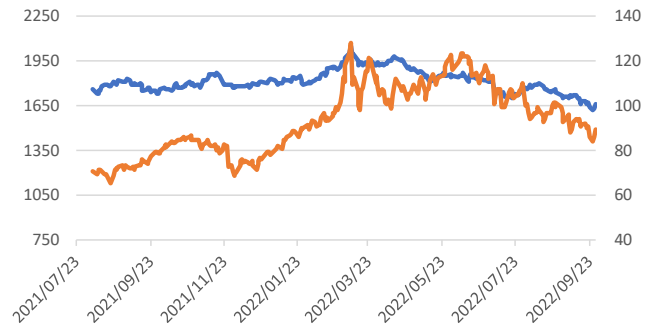
USD Index



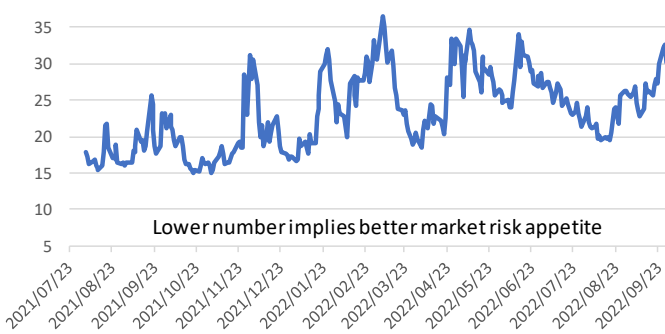
Base metals - Copper L_Hand axis LME Index R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis

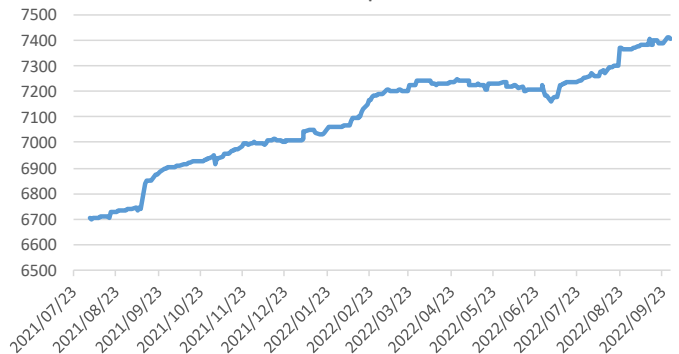


VIX Index - Risk appetite measure Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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