

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
	BW	Nothing on the cards			
07:55	GE	S&P services PMI	Aug F	48,2	48,2
08:00	EZ	S&P composite PMI	Aug F	49,2	49,2
08:00	EZ	S&P services PMI	Aug F	50,2	50,2
08:30	GB	S&P composite PMI	Aug F	50,9	50,9
08:30	GB	S&P services PMI	Aug F	52,5	52,5
08:30	EZ	Sentix investor confidence index	Sep	-27	-25,2
09:00	EZ	Retail sales y/y	Jul	-0,8%	-3,7%
15:30	UK	BOE's Cathrine Mann speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Chinese service sector PMI	China's strong rebound in the services PMI appears to have waned slightly in Aug due to fresh Covid flare-ups as the PMI dipped down to 55.0 from 55.5 in July	This is in line with the official data. Although the services sector is growing, it will be at a slightly slower pace	3/5 (economy)	One bit of good news in the sub-components is that new orders rose for the third month in a row, although foreign demand predictably remained subdued given current headwinds
EU energy crisis	The EU's energy crisis has now deepened on news that Russia will not be reopening the gas pipeline as planned, as the EU mulls price caps for oil prices	This holds the potential to precipitate an ugly financial market backdrop	5/5 (geopolitics, economy)	Equity markets will lose more before they stabilise. This news does little to build confidence that the authorities can indeed continue with sanctions without doing more damage to themselves
US payrolls	Friday's payrolls report showed a rise in the unemployment rate to 3.7% and a weaker-than-expected rise in wages, which eases the pressure on the Fed	The labour market remains resilient for now, and the Fed will still hike, but perhaps less aggressively	4/5 (economy)	Labour market data is notoriously lagging. Any early signs of loosening in the labour market will be a warning to the authorities not to push too aggressively to reign in inflation

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK's leadership	At the end of some hard debates and contests, Liz Truss is expected to be named Britain's next prime minister today to bring Johnson's tenure to an end	This marks the fourth PM in seven years, reflecting the high degree of fluidity in British politics	5/5 (politics, economy)	Truss has promised to act quickly to tackle the cost-of-living crisis without blowing out government finances and offsetting the efforts of the central bank to reign in inflation
OPEC+	OPEC+ will meet on Monday to decide what to do with their quotas. While it is likely that the quotas will remain the same, there is a chance of a small cut	OPEC will not let prices drop much past \$90pb. Production is close to maxed out	4/5 (market)	Opec will be mindful of developments in the EU and the damage to demand from high prices, which is what will prevent them from gauging the market out with even less supply and higher prices
China's Covid lockdowns	China's southern tech-hub of Shenzhen will adopt a tiered anti-virus restriction measure starting today as the country battles fresh outbreaks	This is on top of Chengdu locking down a city of 21mn people, and curbs will remain in place	4/5 (virus, economy)	China continues to persist with its zero-Covid policy, which has prevented natural mass immunity and left the country's population more vulnerable to outbreaks

Highlights news vendors

CNBC - [The U.S. and China are one step closer to preventing mass stock delistings. What to watch next](#)

BUSINESS LIVE - [Global chip shortage slows motor vehicle production](#)

FT - [Oil supply cuts on table as Opec+ meets amid crude sell-off](#)

SOUTH CHINA POST - [Why is retirement beckoning for 11 members of China's Politburo?](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.284192	1.29504	1.3089395	1.38947
BWPUSD	0.073824	0.093496	0.0752467	0.079619
GBP/BWP	15.36652	15.490488	15.034071	14.596806
BWPEUR	0.080912	0.081536	0.0764385	0.079968
JPY/BWP	11.2216	11.3152	10.601175	11.0704
USDZAR	16.699776	18.102656	17.091177	17.711012
EURUSD	0.949056	1.02856	0.9712995	1.0063075
GBPUSD	1.099296	1.191216	1.1250608	1.1654445

Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0769	-0.0001	1m	-1.72575
BWPGBP	0.0671	0.0002	3m	-5.8695
BWPEUR	0.0778	0.00	6m	-14.469
BWPZAR	1.3377	0.0205	12m	-25.63275

Dollar Index	Close	Change
EURUSD	0.9885	-0.0066
GBPUSD	1.1452	-0.0055
USDJPY	140.37	0.17
USDNGN	422.92	0
USDZAR	17.392	0.0912

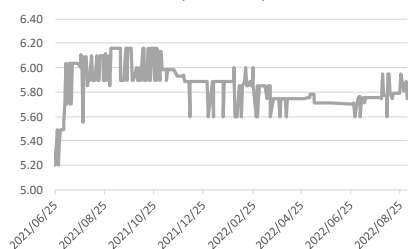
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.138	0.003	SA 10y	10.325	-0.225
3y	4.7	0.04	US 10y	3.191	-0.074
5y	5.75	-0.14	German 10y	1.52	-0.051
20y	8.8	0.07	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0.04		311	1

Equities			Commodities		
	Close	Change		Close	Change
VIX	25.47	-0.09	Gold	1711.44	15.35
Dow Jones	31318.44	145.99	Brent Crude	1696.09	0.66
FTSE	7281.19	-135.65	3m Copper	1710.705	36
JSE All share	67378.31	-1235.43	LME Index	1723.5498	-3
Bots DCIBT	7372.28	5.87	1 carat index	1736.86	#VALUE!
Nigeria Index	50045.83	53.37			

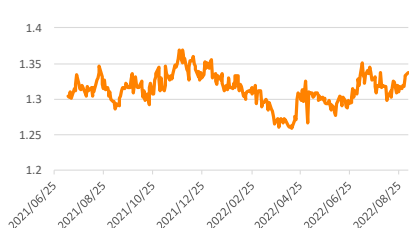
Spot BWP



BWP 5y local bond yield



BWP-ZAR



• The Bank of Botswana was in the spotlight again last week as investors unpacked the bank's responses to the questions posed to it by BusinessWeek. Understandably there are growing concerns that inflation may spiral out of control, however, the bank has assured investors that it has the matter firmly in its grasp and remains committed to bringing higher prices under control.

• The BoB Executive has defended the banks approach to dealing with the inflation monster - *At some point in the past, we had inflation as high as 13% and we were able to bring it down to the objective range and in fact for a long time, inflation was below the three percent lower band of the objective range,* Deputy Governor Tshokologo Kganetsano told BusinessWeek. *"This shows that we are confident in what we are doing and that we have the ability and capability to control inflation. "We have a good track record and we hope the general public and businesses have that confidence in us so that when we say we are trying by all means to bring it down, that should influence expectations among them."*

• The rising inflation and thus higher rates have impacted the government's cost of funding. The government's latest issuance into the market via the Central Bank saw an average increase in yields across the tenors on offer of around 20 bps. There will certainly be a balancing act going forward as it is well known that the investment community have been unhappy with the return on offer and will demand higher yields going forward given the current macro environment.

Financial Market Commentary

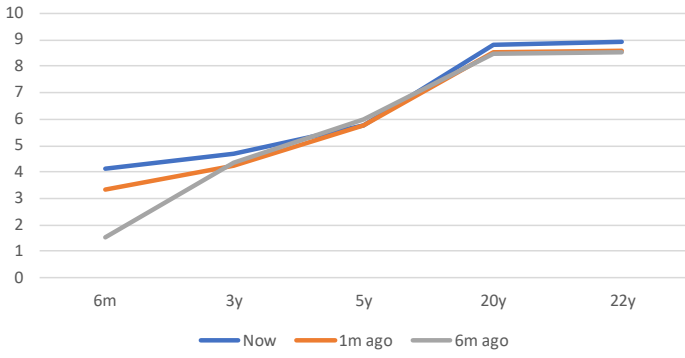
• Friday saw traders in US rates markets pare their expectations for Fed rate hikes, following the jobs report that showed an uptick in the unemployment rate and wage growth that may have peaked. UST yields fell across the board as a result, with the curve steepening out a bit as the 2yr tenor closed the week at 3.3980% and the 10yr at 3.1910%. The pullback in yields, however, has not stopped the USD from rallying further, keeping risk assets under pressure as we enter the new week. It should be noted that there will be no cash trading of USTs today, with the US markets closed for a national holiday. This long weekend may have exacerbated Friday's decline in yields, with traders closing out their positions.

• Oil has rallied this morning, paring some of last week's losses as the energy crisis in Europe continues to deepen, and traders turn their attention to the OPEC+ meeting. The front-month Brent contract has risen back towards \$95 per barrel this morning after closing last week below \$92, with news coming that Russia has extended a nat gas pipeline shutdown indefinitely in response to the G7 decision to place a price cap on Russian crude. The Nord Stream 1 pipeline was meant to be shut for three days, but this has been extended now in a move that will crimp gas supplies to Europe, forcing a switch to crude oil, which will keep prices supported. The aim of the price cap is to limit Russian income while still keeping supply levels secure. However, this will unlikely be the case as Russia will keep responding by limiting supply.

• Meanwhile, OPEC+ will meet today and announce their supply decisions for October. Saudi Arabia has floated the idea of reinstating some production cuts in order to balance the market. However, the most likely outcome is that we see no change today but suggestions that output could be cut at the next meeting if prices continue to fall.

• Looking at the FX markets, the USD is on the front foot and has surged again this morning on news that Russia would not be opening its gas pipeline as originally planned. This is likely retaliation for the price cap the EU wishes to impose on Russian energy. The EU now finds itself in the awkward position of prolonging the cost-of-living crisis and the relative scarcity of energy through the Northern Hemisphere winter on principle or choosing to soften its stance on Russia. Given the number of protests that are unfolding throughout Europe at the moment, the political pressure is building on politicians to approach this differently. The EUR and the GBP have found themselves under considerable pressure, with the EUR about to punch through 0.9900, while the GBP is now trading comfortably below 1.1500. The JPY, for its part, continues to trade above 140.00 and the combination keeps the USD well supported. BWP is likely to have a measured start given this backdrop.

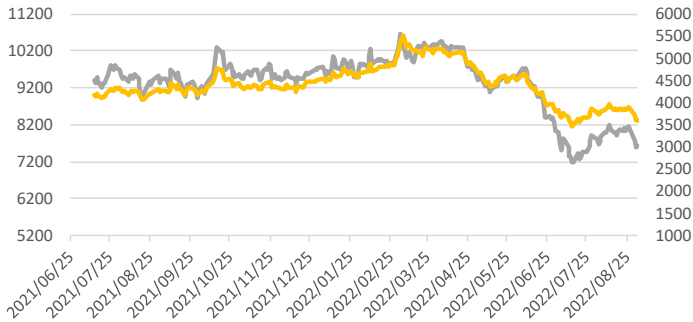
Botswana Yield Curve



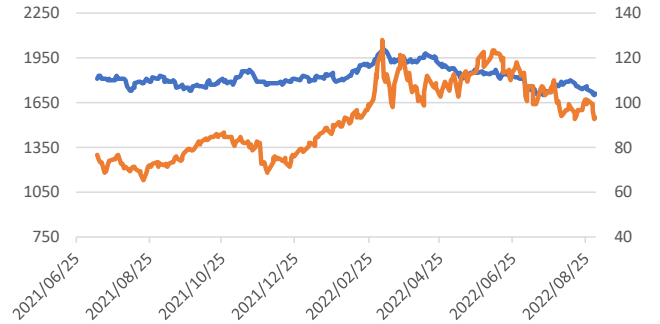
USD Index



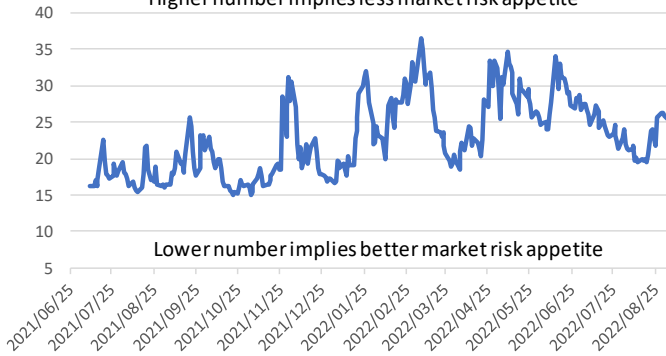
Base metals - Copper L_Hand axis LME Index R_Hand axis



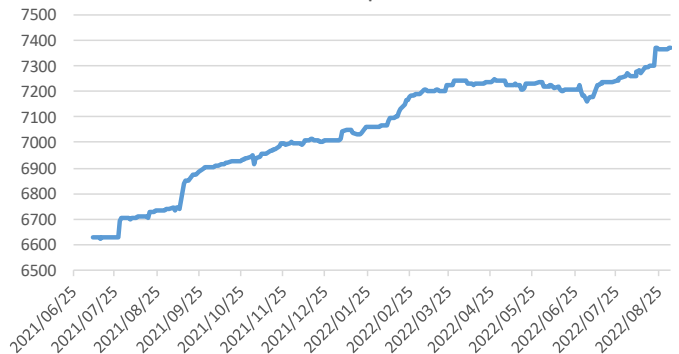
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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