

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
04:30	AU	RBA rate decision	Sep 6	2,35%	1,85%
06:00	GE	Factory orders y/y	Jul	-13,4%	-9,00%
08:30	GB	PMI construction	Aug	48	48,9
13:45	US	S&P composite PMI	Aug F	45	45
13:45	US	S&P services PMI	Aug F	44,3	44,1
14:00	US	ISM non-manufacturing composite PMI	Aug	55	56,7

Factors Overnight	What happened?	Relevance	Importance	Analysis
UK leadership	Liz Truss was elected to replace Boris Johnson on Monday and will assume the reigns on Tuesday as she travels to see the Queen, who will ask her to form a government	Truss has indicated that she will immediately tackle the cost-of-living crisis	4/5 (politics)	Utilising more fiscal resources to help households with expenses through the upcoming winter will exert a strong influence on the country's finances and impose a larger debt burden
India on oil price cap	India has indicated that it will carefully look at the Russian oil price cap and will not automatically sign up to it, rejecting the moral duty to do so	Without the likes of China and India agreeing to the price cap, it is likely the initiative will fail	5/5 (geopolitics, economy)	The irony is not lost on the market that desperate buyers of oil are looking to dictate the price at which they will buy the good to hamper the seller from funding their military objectives
RBA	The RBA hiked interest rates by 50bp today and signalled that there would be more tightening to come. The board indicated it was committed to reducing inflation	RBA expects to lift rates further in the months ahead to bring inflation back to its 2-3% range	4/5 (economy)	Inflation is expected to peak later this year and then gravitate lower through 2023. One potential source of uncertainty is what household consumption will do

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Nord Stream 1 pipeline	Russia has indicated that Nord Stream 1 will not resume shipments until Siemens energy has repaired faulty equipment	Russia is likely looking for reasons to disrupt the pipeline supplies to Europe	5/5 (geopolitics, economy)	For its part, Siemens has indicated that the problem identified by Russia is small, can be fixed on-site and would not disrupt the turbines in any way
BoE outlook	BoE policymaker Catherine Mann indicated that the Bank is prepared to raise interest rates rapidly to avoid restricting the economy over a prolonged period of higher interest rates	The message is one of doing more in the short-term to kill inflation quickly rather than fight it over a longer period	4/5 (monetary policy, economy)	Most central banks have adopted a similar stance, and it has become a globally coordinated effort to reign in inflation. The concern is that too much tightening too soon will plunge the global economy into recession
OPEC+	OPEC+ surprised the energy markets with a small production cut. From October, production will be reduced by 100k barrels per day to keep oil prices supported	This unfolds against the backdrop of the ongoing sanctions against Russia that are impacting the EU	4/5 (economy)	While the EU may be acting on principle to hold Russia to account, the cost of doing so is high as energy supplies remain heavily constrained and energy prices high

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Local and regional talking points

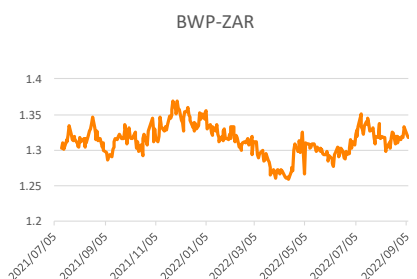
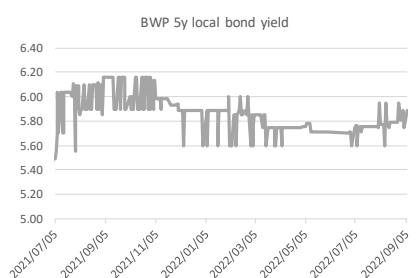
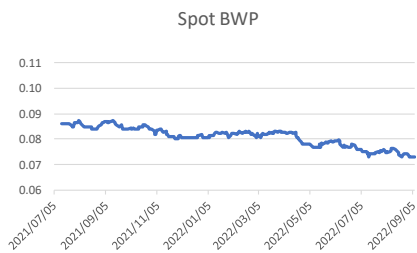
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.265664	1.276128	1.2900544	1.369179
BWPUSD	0.07392	0.093496	0.0753445	0.079928
GBP/BWP	15.49548	15.621632	15.160241	14.720384
BWPEUR	0.080496	0.081224	0.0760455	0.079662
JPY/BWP	11.2632	11.3464	10.640475	11.100925
USDZAR	16.435584	17.817488	16.820793	17.4320135
EURUSD	0.954432	1.034384	0.9768015	1.0120055
GBPUSD	1.110144	1.20276	1.136163	1.17673875

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.077	0.0000	1m	-1.72575	-66.79149
BWP/GBP	0.0666	-0.0003	3m	-5.8695	-302.0508
BWPEUR	0.0774	0.00	6m	-14.386125	-892.6285
BWP/ZAR	1.3182	-0.0116	12m	-25.63275	-3003.268

	Close	Change
Dollar Index	109.615	-0.211
EURUSD	0.9944	0.0018
GBPUSD	1.1565	0.0052
USD/JPY	140.55	-0.04
USD/NGN	422.92	0
USD/ZAR	17.1188	-0.0511

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	-0.001	SA 10y	10.325	-0.225
3y	4.66	-0.04	US 10y	3.191	-0.074
5y	5.89	0.14	German 10y	1.52	-0.051
20y	8.73	-0.07	Spread SA 5y vs Bots 5y bpts		
22y	8.86	-0.04		300	-10

Equities			Commodities		
	Close	Change		Close	Change
VIX	25.99	0.52	Gold	1710.2063	-1.2337
Dow Jones	31318.44	-337.98	Brent Crude	1711.44	2.72
FTSE	7287.43	132.69	3m Copper	1696.09	20.5
JSE All share	67399.39	1356.6	LME Index	1710.705	29.7
Bots DCIBT	7375.29	-1.08	1 carat index	1723.5498	#VALUE!
Nigeria Index	49991.41	155.95			



- The inaugural Botswana-Namibia Bi-National Commission (BNC) kicked off in Gaborone yesterday to enhance their cooperation with a new commission. According to statements by the foreign affairs ministry, the BNC will discuss a wide range of issues of mutual interest under four thematic committees, namely: politics, diplomacy, economic cluster, defence and security matters. The commission will also discuss issues from various sectors of cooperation, including agriculture, water and transport and logistics. Last month, Namibia and Botswana stopped agricultural imports from South Africa to protect their local agriculture industries from outside competition. Therefore, talks over agricultural linkages will be one of the top items on the agenda this week.

- On the mining front, Botswana Diamonds plc has been awarded a five-year prospecting licence until June 2027 on ground containing the Reivilo cluster of kimberlites in the Barkley West area of South Africa. "Botswana Diamonds management have long been aware of the diamond potential of this ground, and so we are delighted to have finally been awarded this high-profile exploration ground," Botswana Diamonds chairperson John Teeling said.

Financial Market Commentary

- In the FX market, African currencies continued to suffer further losses as global conditions remain mixed. FX traders remain focused on the problems of the European economy after Russia's Gazprom halted supplies via Nord Stream 1. As a result, demand for the safe-haven USD continues to grow, driving the trade-weighted DXY to new highs. Though the USD remains overbought, it remains to be seen whether it will face material resistance due to profit-taking in the upcoming trading sessions. As for the BWP, it continued its string of losses, falling towards the 13.000/USD handle, which is a record low for the local currency. As such, we can expect some resistance around the current level, in addition to the oversold nature. That said, a strong leg higher in the USD would encourage fresh BWP selling, moving the local currency further into uncharted territory.

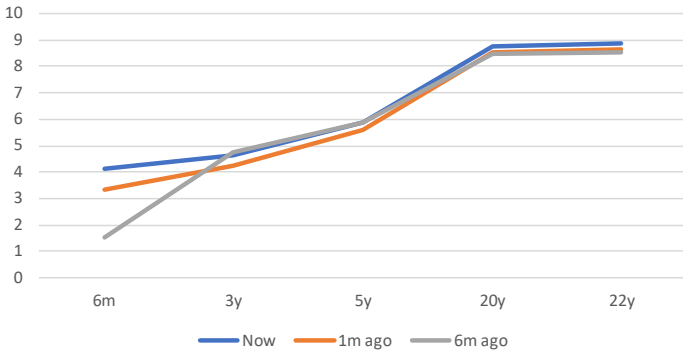
- In the fixed income market, UST futures are back under pressure this morning, with yields rising on the session thus far to take the 2yr back towards 3.45% as oil prices have risen through the week so far on the back of yesterday's OPEC+ output reduction announcement. Focus, however, for yesterday was on gilts as Liz Truss was named the new Prime Minister of the UK. Gilts initially weakened on the announcement, but have since pared some of those losses after she announced plans to limit energy bills in the country, offsetting some inflationary pressures. The measures, however, are set to cost the government billions, which means more supply of bonds ahead, preventing a full rebound from occurring.

- Looking ahead, hawkish central bank expectations will remain the main driver of direction in the markets, with focus likely to turn to Wednesday's Fed Beige Book release. The last edition was relatively bearish on the economy, and if this has worsened since, it may lead to some repricing of rate hike risk in the US. It could, therefore, be a case of bad news is actually good news for the market.

- Oil is paring its rally from yesterday, with the front-month Brent contract dipping back below the \$95 per barrel level in early trade today. Oil gained almost 3% yesterday as OPEC+ delivered a somewhat unexpected output cut for October, with all members agreeing to the 100k bpd reduction in output. While the cut is minuscule compared to total output, it is seen as a symbolic move, indicating that the cartel and its allies are willing to do what they must do to support the market if needed. OPEC+ also announced that it could hold an emergency meeting at any time in the coming weeks, if the market continues to weaken. This effectively puts a floor on prices for now, with OPEC+ returning to more of an active management strategy of the market.

- For now, however, the cut does little to change the overall demand-supply dynamic of the market, with focus turning to China as lockdowns in the country are spreading once again, crimping demand for fuel in the world's largest oil importer. This will limit any further gains for crude for now and will be something that OPEC+ needs to keep an eye on over the coming weeks.

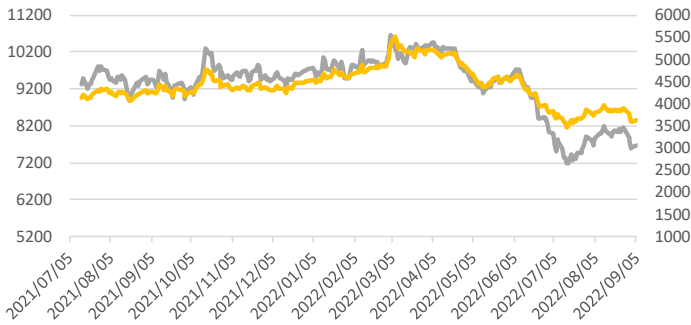
Botswana Yield Curve



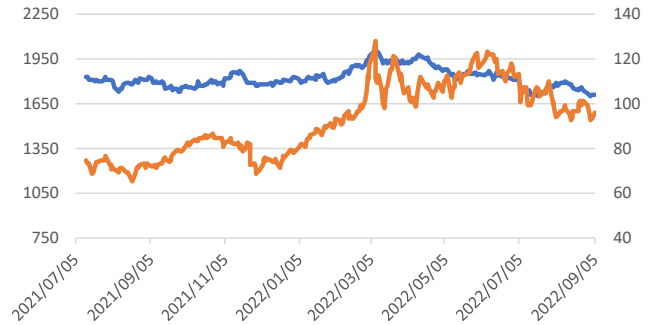
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

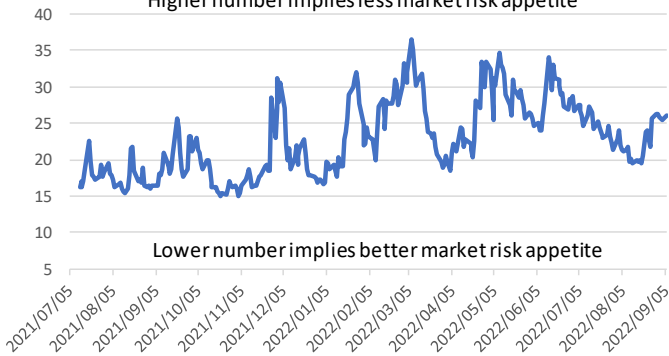


Oil R_Hand Axis - Gold L_Hand Axis

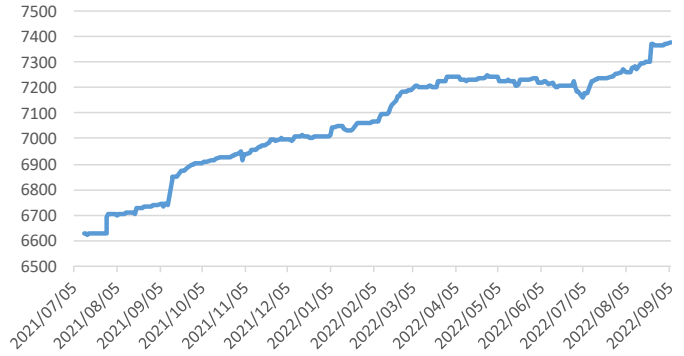


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Local stockmarket performance



Access Bank Global Markets & Treasury Team

e-mail	First Name	Surname	Direct Line
nkatem@accessbankplc.com	Mogamisi	Nkate	2673674335
masalilap@accessbankplc.com	Phillip	Masalila	2673674621
kebaetsek@accessbankplc.com	Kefentse	Kebaetse	2673674336
thembaa@accessbankplc.com	Amogelang	Themba	2673674370
bogalet@accessbankplc.com	Tshwanelo	Bogale	2673674622
davidbat@accessbankplc.com	Batanani Pearl	David	2673644382
magashulan@accessbankplc.com	Ntebang	Magashula	2673644382
segwabek@accessbankplc.com	Keategile	Segwabe	2673644382

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