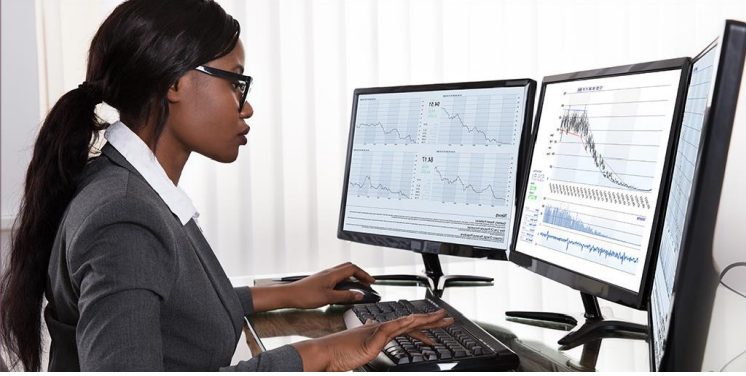


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
-	CH	Trade balance (USD)	Aug	\$79,4bn A	\$101,26bn
05:00	JN	Leading index	Jul P	99,6 A	100,9
06:00	GE	Industrial production wda y/y	Jul	-2,1%	-0,5%
09:00	EZ	GDP sa y/y	2Q F	3,9%	3,9%
09:00	UK	BOE Governor and MPC testify to Parliament			
11:00	US	MBA mortgage applications	Sep 2		-3,7%
12:30	US	Trade balance	Jul	-\$70,3bn	-\$79,6bn
14:00	CA	Canada central bank rate decision	Sep 7	3,25%	2,5%
18:00	US	US Federal Reserve Releases Beige Book			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>Chinese trade</b>	China's trade data reflected a dip in the surplus from July's record, but exports grew at 7.1% y/y, well down from the 18.1% y/y growth in July and softer than expected	The softer export growth may raise some concerns about global demand, but it is not alarming	<b>3/5</b> (economy)	China's exports can be used as a barometer for global demand. Although the trade data has softened in terms of growth, it is not at the point where it signals danger
<b>US services</b>	The ISM non-manufacturing PMI held up well and improved to 56.9 in Aug from 56.7 in July. Business activity rose to 60.9 in Aug from 59.9 in July	This data suggests some resilience and that the economy has not yet tipped into recession	<b>3/5</b> (economy)	The services sector will likely respond to the economic slowdown with a bit of a lag, especially once the employment data starts to deteriorate and the pressure on households builds
<b>Oil prices</b>	Notwithstanding OPEC's decision to reduce production, oil prices are still down and threatening to break below Aug lows, a break of which will sink oil into the 80s	A dip in the oil price will be welcome news but also reflects expectations of a global slowdown	<b>4/5</b> (economy)	Economic activity has not fully reflected the effects of the spike in energy and oil prices. That will manifest with a lag, especially as monetary policy tightens in response to inflation

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>Truss on China</b>	As Liz Truss now takes over as PM, she also ushers in a tougher stance on China, citing unfettered investment access to Britain as a security threat	Truss will push back against the investment invasion of Britain by China and regain control	<b>4/5</b> (politics, economy)	China views Truss' stance against China as populist, but within the Conservative ranks, Johnson was criticised for not moving far enough to curtail China's access, so Truss will enjoy some support
<b>FX intervention</b>	Japan has expressed concern about the rapid, one-sided moves in the FX market and threatened to intervene. The PBoC is concerned about similar issues	Increasingly, the issue of USD strength will permeate market thought and become an overriding theme	<b>4/5</b> (market)	With the global economy set to slow down and eventually impact the US, investors will likely soften their expectations of what the Fed might do to detract from the USD's appreciation
<b>ECB</b>	On Thursday, the ECB will decide on interest rates, and the latest polls suggest that a 75bp move is indeed on the cards	A 75bp move could have implications for the USD that is fully priced	<b>4/5</b> (market)	The ECB has lagged the Fed and the result has been that the USD has surged in response. A strong commitment from the ECB could see some of that reverse

## Highlights news vendors

**CNBC** - [New British Prime Minister Liz Truss brings tougher UK stance on China](#)

**BUSINESS LIVE** - [Economists dial back full-year forecasts after GDP shrinks 0.7%](#)

**FT** - [Zambia seeks \\$8bn relief on debts to Chinese lenders](#)

**SOUTH CHINA POST** - [China trade: export growth slows, misses expectation, weak offshore yuan tests key level](#)

## Local and regional talking points

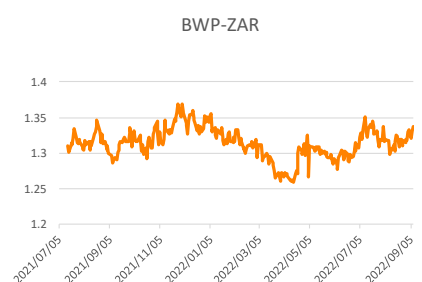
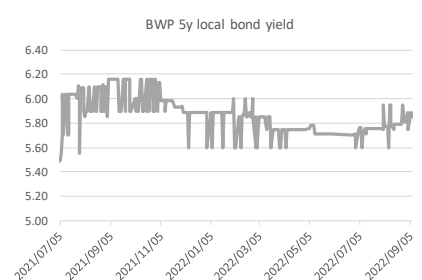
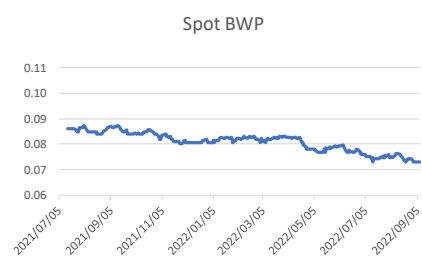
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.28448	1.290144	1.309233	1.384217
BWPUSD	0.07392	0.093496	0.0753445	0.079619
GBP/BWP	15.425072	15.486536	15.091357	14.593082
BWPEUR	0.081016	0.081328	0.0765368	0.079764
JPY/BWP	11.5336	11.5752	10.895925	11.324775
USDZAR	16.681824	18.081128	17.072804	17.68994975
EURUSD	0.94896	1.028456	0.9712013	1.00620575
GBPUSD	1.100352	1.192776	1.1261415	1.16697075

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWP/USD	BWP/ZAR
BWP/USD	0.077	0.0000	1m	-2.29125
BWP/GBP	0.0671	0.0003	3m	-6.0645
BWPEUR	0.0779	0.00	6m	-14.132625
BWP/ZAR	1.338	0.0058	12m	-26.091

	Close	Change
Dollar Index	110.631	0.417
EURUSD	0.9885	-0.0017
GBPUSD	1.146	-0.0056
USD/JPY	143.99	1.2
USD/NGN	425.28	0
USD/ZAR	17.3766	0.0822

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	0	SA 10y	10.51	0.185
3y	4.75	0.09	US 10y	3.34	0.149
5y	5.85	-0.04	German 10y	1.605	0.085
20y	8.5	-0.23	Spread SA 5y vs Bots 5y bpts		
22y	8.65	-0.21		315.5	15.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	26.91	0.92	Gold	1701.1531	-9.0532
Dow Jones	31145.3	0	Brent Crude	1710.2063	-2.91
FTSE	7300.44	6.24	3m Copper	1711.44	29.5
JSE All share	67538.77	21.08	LME Index	1696.09	-8.3
Bots DCIBT	7376.21	3.01	1 carat index	1710.705	#VALUE!
Nigeria Index	49644.92	-54.42			



Given the sensitivity of financial markets to inflation and monetary policy dynamics at the moment, it is worth having a look at the latest United Nations Food and Agriculture Organization world food price report. Note that the main drivers of the marked acceleration in global inflation this year have been food and energy prices. The FAO Food Price Index fell for the fifth consecutive month in August.

Specifically, the Food Price Index was 1.9% lower in August than in July. Despite the month-on-month drop, the index remained 7.9% above its value a year ago. All five of the sub-indices fell moderately last month, with the most significant decline being in vegetable oil prices (-3.3%) and the smallest decline in cereal prices (-1.4%). The decline in the index indicates that global food prices may have peaked. The main factor resulting in declining food prices has been the increase in grain exports from Ukraine. Vegetable oil prices, meanwhile, have fallen as more palm oil supplies from Indonesia and seasonally rising outputs in southeast Asia have pushed prices down.

Looking ahead, while it is encouraging that global food prices fell for a fifth straight month in August, the risks to the outlook for world food prices remain tilted to the upside. This is partly a function of increasing processing costs due to high energy prices and curbed fertiliser usage due to exorbitant global fertiliser prices. Meanwhile, severe drought conditions are affecting crops in the EU and US, which may also result in smaller harvests. For Africa, which is largely dependent on food imports, this suggests that risks to the regional inflation outlook remain to the upside.

## Financial Market Commentary

The USD-BWP pulled back slightly yesterday after a move through the 13.000-handle was rejected, with the pair settling at 12.9553 instead. The BWP has been among some of the worst performing African currencies over the past month, weakening more than 2.6%, although still fairing better than the South African Rand, not helped by higher US interest rates, geopolitical tensions, and more broadly growing fears of a global economic slowdown. The BWP-ZAR cross, meanwhile, is gaining some topside momentum, trading above the 1.3400 mark at the time of writing, opening the way higher to its July high of 1.3680.

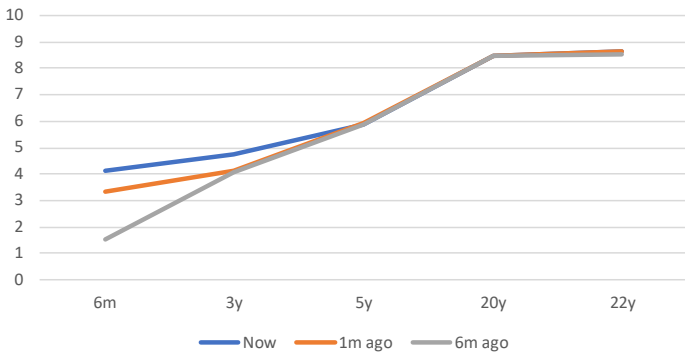
There appears to be almost no respite from the USD that has consolidated its recent gains. Most currencies find themselves on the defensive, despite the USD trading in overbought territory. Still, the USD remains the safe-haven destination of choice for many, but this, too, is a cycle that will turn. Although it is unclear what the catalyst for the reversal in the USD might be, the USD's strength will cause its reversal when it becomes unsustainable through the trade account and GDP. That will likely take a little more time, but the changes are coming.

In the fixed income market, there was some notable steepening pressure seen along core bond market yield curves yesterday, with 10yr yields in the US popping higher by 15bp on the session. There was a similar jump for UK 10yr gilts and a 7bp increase for benchmark bund yields. Some positive economic data out of the US, backing the case for a more aggressive Fed rate hike and a massive surge in corporate issuance, supported the shift higher for bond curves. In the wake of this, we have Aussie bond yields rallying this morning, playing catch-up and rising by more than 7bp so far when looking at the 10yr yield. Aussie bonds have been placed under further pressure by a strong Q2 GDP print from down under, bolstering the case for more RBA rate hikes following the 50bp increase announced earlier this week.

With all this hawkishness being priced into the market and the Fed still leading the way in terms of policy tightening, the dollar has surged to new multi-decadal highs this morning. These higher yields globally and a stronger dollar have put some pressure back onto risk assets this morning.

Oil prices have fallen to their lowest since the start of the year this morning, with demand concerns more than offsetting the support provided by OPEC+'s announced output cut. The front-month Brent contract has slipped below \$91.50 per barrel this morning, while WTI has sunk to \$85 per barrel. China's latest round of lockdowns has made a notable dent in the demand outlook from Asia, leading Saudi Arabia to lower the price of its crude sent to the region and Europe for next month. This indicates that expected demand is perhaps weaker than what OPEC+ have wanted the market to believe. If prices continue to weaken, however, we could see rumours begin to circulate that OPEC+ could be considering an emergency meeting, as they indicated on Monday that they might do, to try and prop up prices.

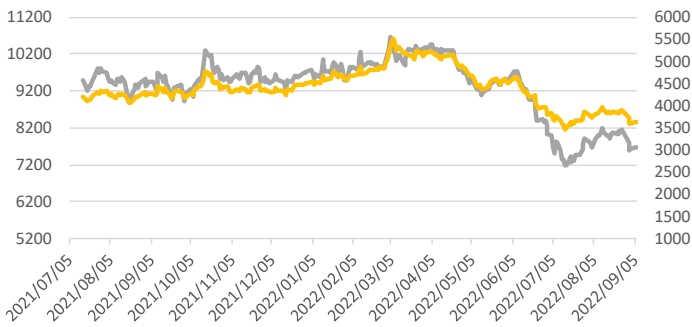
### Botswana Yield Curve



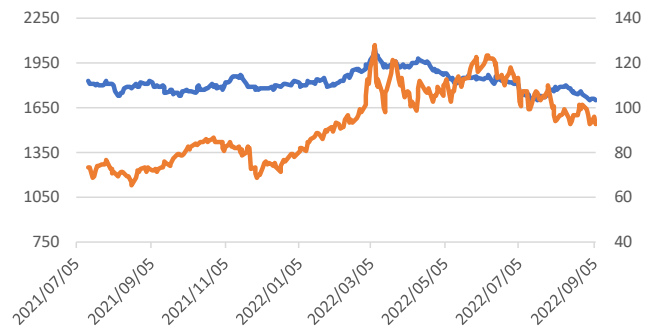
### USD Index



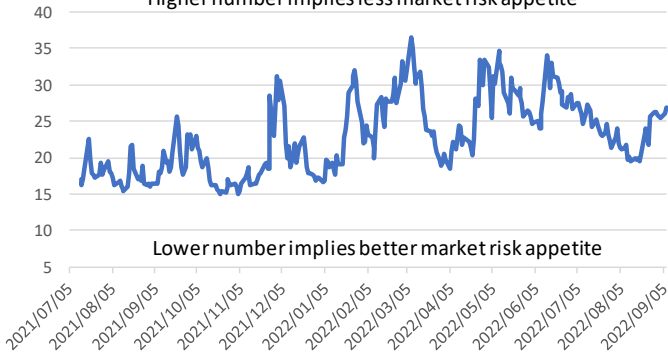
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



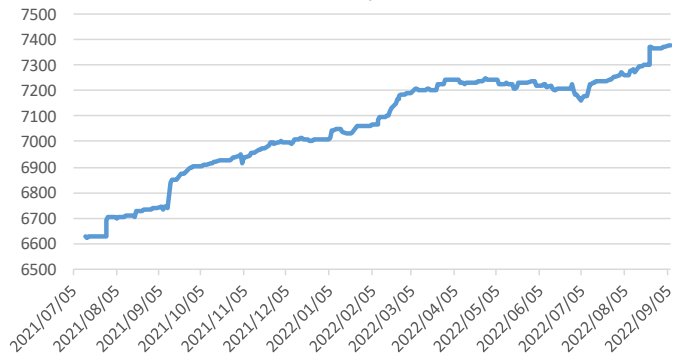
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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