

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
01:30	CH	CPI y/y	Aug	2,5% A	2,7%
08:30	GB	BoE/GfK inflation (next 12 months)	Aug		4,6
08:30	UK	Powell Speaks at Monetary Policy Conference			
14:00	US	Wholesale inventories m/m	Jul F	0,8%	0,8%
14:00	US	Wholesale sales m/m	Jul		1,8%
14:00	US	Fed's Evans Discusses Careers in Economics			
16:00	US	Fed's Waller Discusses Economic Outlook			

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoJ on JPY	BoJ Governor Kuroda said on Friday that he discussed currency market moves at a meeting with PM Kishida, warning that rapid JPY moves are undesirable	The insinuation is that the BoJ may look to intervene in a way that helps some stability return	4/5 (market, monetary policy)	The USD has wreaked havoc across many currency markets and in many instances exacerbated the inflation episode with commodities and factors of production priced in dollars
Chinese inflation	China's consumer prices rose at a slower-than-expected pace at 2.5% y/y in August, while the rate of producer inflation slipped to an 18m low	Retreating commodity prices, weak demand and a high statistical base will ease inflationary pressures	3/5 (economy)	As the global economy slows and margin compression becomes a more dominant factor, the inflation cycle will once again reverse to keep inflation below the PBoC's 3% upper limit
ECB rate hike	The ECB obliged with an unprecedented increase in interest rates of 75bp to take the depo rate up to 0.75%	The ECB responded to forecasts of inflation remaining higher for longer	5/5 (economy, monetary policy)	ECB President Lagarde further signalled that more rate hikes would come as the central bank sought to protect the EUR and regain control of prices

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Protests	Protests in Germany, France, Prague against NATO and other governments have erupted all across Europe and there is threat of more to come this weekend	Politicians are under immense pressure to find a solution to the fallout of geopolitical decisions	5/5 (politics, economy)	Governments are under huge pressure to respond and will likely do so through targeted interventions. Those interventions will come at a cost for the next generation to repay
EU energy crisis	EU energy ministers will be meeting today to search for solutions to the surging energy prices as they try to shield consumers from the shock	Curbs to power demand, fiscal support and provision of liquidity for struggling companies	3/5 (economy, market)	A range of interventions will be spoken about, but very few will be sustainable. In most cases it will be a stop-gap introduced to soften the current blow to household finances
USD	The USD's recent rapid rise has caused great consternation across many jurisdictions and many different markets.	Such USD strength threatens to influence global monetary policy significantly	4/5 (market)	In order to shield against such USD appreciation, many central banks are following the Fed's lead, resulting in an unprecedented

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Local and regional talking points

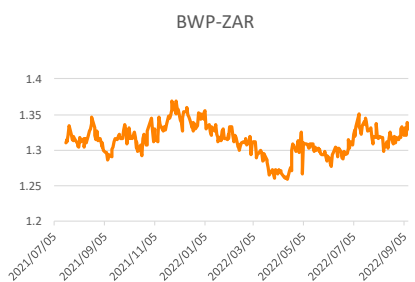
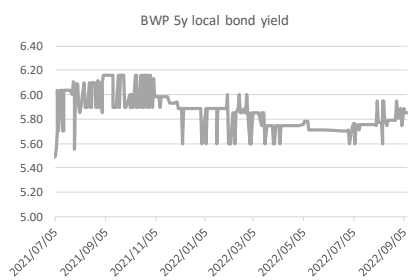
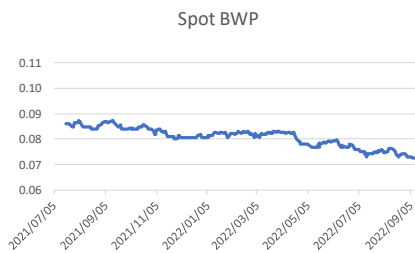
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.275552	1.284	1.300133	1.377625
BWPUSD	0.07344	0.093496	0.0748553	0.079207
GBP/BWP	15.673008	15.756312	15.333929	14.847294
BWPEUR	0.078936	0.079352	0.0745718	0.077826
JPY/BWP	11.3568	11.4192	10.7289	11.17215
USDZAR	16.673856	18.088928	17.06465	17.697581
EURUSD	0.967104	1.048112	0.9897705	1.0254365
GBPUSD	1.112544	1.20536	1.1386193	1.1792825

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0765	0.0000	1m	-2.03775	-76.89091
BWP/GBP	0.066	-0.0005	3m	-5.91825	-357.7736
BWPEUR	0.0759	0.00	6m	-14.01075	-1087.119
BWP/ZAR	1.3293	-0.0015	12m	-25.6815	-3678.772

Dollar Index	Close	Change
EURUSD	1.0073	0.0079
GBPUSD	1.1586	0.0086
USD/JPY	142.78	-1.31
USD/NGN	426.43	0
USD/ZAR	17.3774	-0.1283

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.137	0	SA 10y	10.38	0.005
3y	4.751	0.001	US 10y	3.292	0.027
5y	5.85	0	German 10y	1.712	0.137
20y	8.5	0	Spread SA 5y vs Bots 5y bpts		
22y	8.65	0		304.5	1.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.61	-1.03	Gold	1707.275	-10.4185
Dow Jones	31774.52	435.98	Brent Crude	1717.6935	1.15
FTSE	7262.06	-62.61	3m Copper	1701.1531	188
JSE All share	67260.23	-822.94	LME Index	1710.2063	65.3
Bots DCIBT	7382.63	6.42	1 carat index	1711.44	#VALUE!
Nigeria Index	49652.25	-9.16			

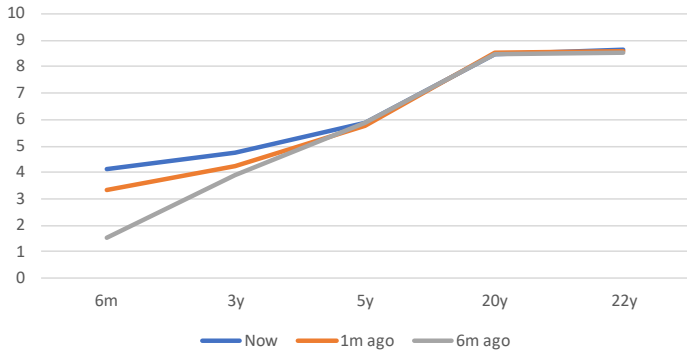


- The looming trade dispute between Botswana and South Africa has escalated, with some sections of that country's government weighing several options. Initially, it was only the South African private sector which has spoken out about the decision by Botswana and Namibia to close their borders to some of the vegetable imports from South Africa. The Western Cape Province has now weighed in on the matter, recommending that instead of dealing with it at the national or diplomatic levels, other options or interventions be explored.
- According to Daniel Johnson, the spokesperson for Western Cape Provincial Minister for Agriculture Ivan Meyer, better coordination and collaboration can speed up the process of resolving Botswana and Namibia's bans on South African vegetable exports. Despite urges by Johnson to reopen borders, trade diplomacy is facilitated at a national government level. Given that the prohibitions were intended to protect local producers, SA's partners continued to export their produce, which is seen as a direct violation of the Southern Africa Customs Union Agreement, aimed at facilitating free trade among countries in the region.

Financial Market Commentary

- In some choppy trading yesterday, the USD-BWP's bulls came out on top after the bears searched for a break below 13.000. Instead, the pair finished higher at 13.0425 but slightly off its recent highs. Now that the USD has come under pressure, albeit very close to its highs of the year, it may offer the BWP some relief. It is worth noting that the USD is overvalued and has a lot of monetary policy tightening and the risk of further rotation to safety, priced in. As more central banks express their concerns about the USD's strength, pressure is building on the Fed to act a little less aggressively. Furthermore, other central banks will do what they can to shield their currencies against the USD appreciation and limit their impact on their own inflation rates.
- In the fixed income market, US Treasury yields rebounded yesterday, while German bund yields and those for gilts all saw similar movements. The ECB delivered an outsized rate hike of 75bp yesterday, an unprecedented move for the central bank, and suggested that more are to come. This hawkish message was matched by Fed Chair Powell, who remained tough on inflation and kept market pricing for another 75bp increase from the Fed this month alive. As a result of all of this, 2yr UST yields rose to 3.500%, while the 10yr benchmark climbed to 3.300%. The 10yr bund yield, meanwhile, broke through 1.700%, while the front-end of the curve ended the day around 1.315% when looking at the 2yr.
- We are seeing a minor rebound for UST futures this morning ahead of the European open, but this is likely nothing more than general market machinations. Aussie and New Zealand bonds have slumped following yesterday's losses for USTs and European bonds. Even so, we are seeing a positive start in terms of risk for the final session of the week, with the peak hawkishness of global central banks looking to be almost fully priced in now.
- On the commodity front, there is a tentative rebound taking place in the oil markets this morning, with the front-month Brent contract rising back above \$89.50 per barrel and WTI trading just below \$84 per barrel at the time of writing. However, the market is still on track for a second-straight weekly loss, pressured by rising demand concerns, increasing stockpiles, a stronger US dollar, and the possibility that the US could look to release another tranche from its Strategic Fuel Reserves. The anticipated release from the US reserves comes as a price spike is expected in December when EU sanctions on Russian energy supplies take effect, unless other measures are implemented before then to ease the pressure in the market.
- What we have seen so far, however, is that Russia will continue to find a way to get its crude into the market, easing some of the expected pressures. However, Europe's reliance on gas remains a bullish factor for oil, as crude will need to be substituted in place of gas to keep the heat on during the winter months. This expectation, coupled with OPEC+ being willing to intervene in the market at any time and cut production, should provide a floor for crude prices for now.

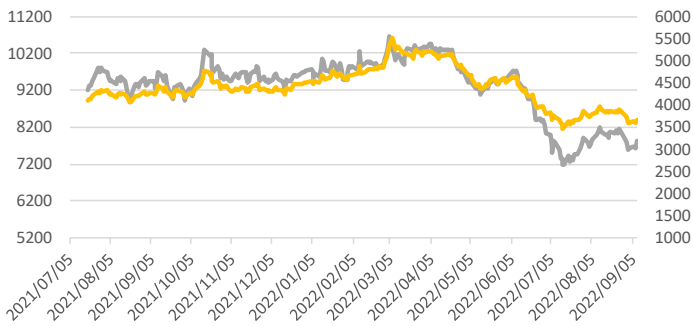
Botswana Yield Curve



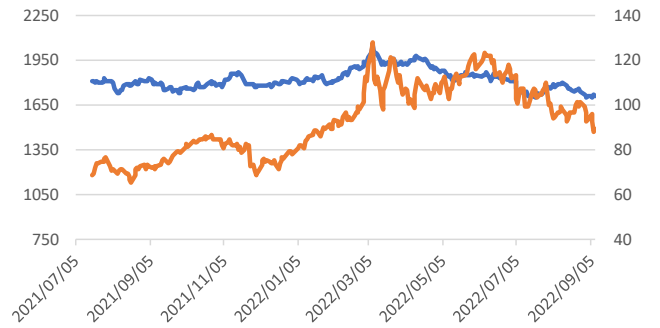
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

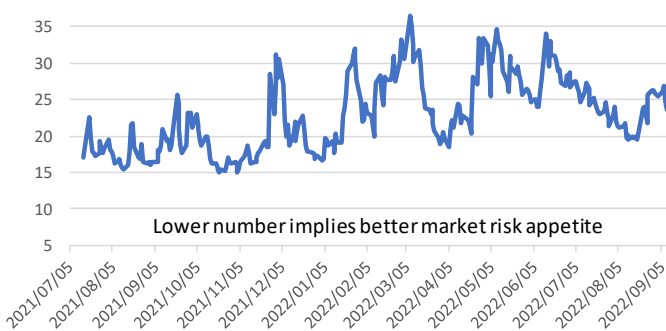


Oil R_Hand Axis - Gold L_Hand Axis



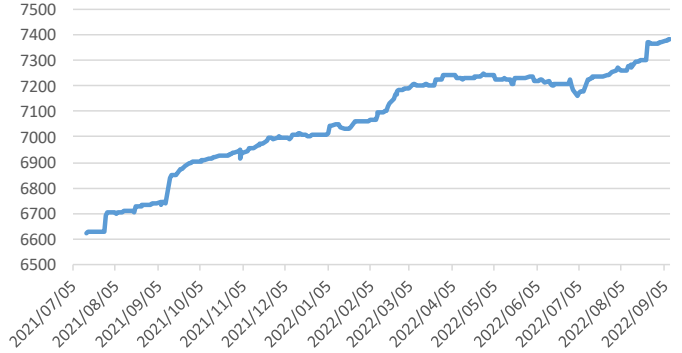
VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance



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