

# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
07:55	GE	S&P Global/BME manufacturing PMI	Sep F	48,3	48,3
08:00	EZ	S&P Global/BME manufacturing PMI	Sep F	48,5	48,5
08:30	GB	S&P Global manufacturing PMI	Sep F	48,5	48,5
13:05	US	Fed's Bostic Gives Opening Remarks at Technology Conference			
13:45	US	S&P Global PMI manufacturing	Sep F	51,8	51,8
14:00	US	ISM manufacturing PMI	Sep	52,3	52,8
19:10	US	Fed's Williams Speaks to Hispanic Chamber Conference			

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>UK ratings</b>	S&P Ratings cut the outlook for the UK's AA credit rating to negative from stable following the recent tax change announcement	S&P added that their forecast for UK GDP was now subject to additional risk	<b>5/5</b> (fiscal policy)	More pressure has been heaped on to the fiscus, and should GDP growth disappoint, the country's debt dynamics could deteriorate rapidly
<b>Fedspeak</b>	Fed Vice Chair Brainard added her support for monetary policy as its unfolding at the moment and alluded to more to come	With inflation still too high, interest rates are likely to remain higher for longer	<b>4/5</b> (monetary policy)	There is no deviation from the Fed's hymn sheet, which at the moment continues to allude to higher rates for longer and another 75bp hike in Nov
<b>Housing markets</b>	House prices in Australia fell for the 5 <sup>th</sup> consecutive month and the 3 <sup>rd</sup> in China. In the UK, prices are expected to drop as higher interest rates weigh	House prices impact the balance sheets of both households and banks and can detract from outlook	<b>4/5</b> (market)	The consequences of higher rates will be lower asset prices. Central banks are prepared to tolerate that up to a point but will be mindful of the negative credit cycle that such action can exert on GDP
Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>OPEC +</b>	OPEC+ will consider an oil production cut of up to 1mn bpd when they meet this week in a bid to shore up the oil price	This would be the biggest move since the pandemic to protect producers	<b>4/5</b> (market)	The oil price retreating may be a good thing for inflation and growth but detracts from the sustainability of the oil industry, which still needs to reinvest
<b>Investment bank stress</b>	Rumours have flooded social media on whether two key investment banks in Europe are under considerable pressure	With the benefit of hindsight, the central banks may be forced to assist these banks	<b>5/5</b> (market)	Substantially higher interest rates, the cost-of-living crisis, higher risk profiles, overextended asset prices and a slowing economy have been a bad combination
<b>Central banks on high alert</b>	The BoE was forced to intervene to calm bond markets last week, while the BoJ is trying to prevent yields from rising too far. Others are concerned over FX moves and their consequences	While CBs may be doing everything they can to bring inflation back under control, they are inducing damaging stress	<b>5/5</b> (monetary policy)	As the effects of higher interest rates exert pressure on the economy, so central banks may be drafted into intervening to prevent undue volatility and uncertainty from undermining their efforts to restore stability

## Highlights news vendors

**BUSINESS LIVE** - [Unresolved default still handicaps Land Bank despite turnaround](#)

**FT** - [West must remind Xi of the economic consequences of threatening Taiwan](#)

**REUTERS** – [Asia's factory activity weakens on global slowdown, cost pressures](#)

**SOUTH CHINA POST** - [China's Communist Party congress to zero in on national direction for next 5 years – and beyond](#)

## Local and regional talking points

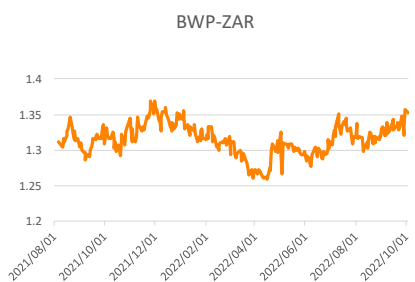
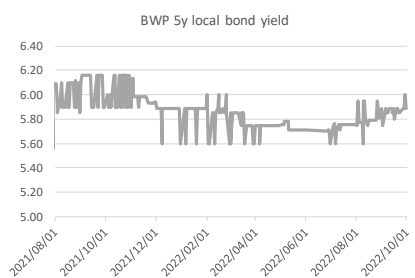
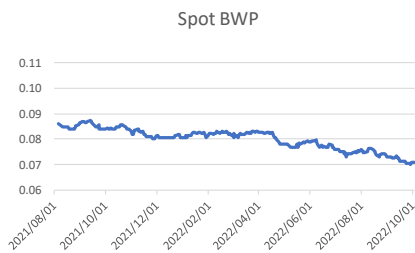
	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.298016	1.304064	1.3230299	1.399152
BWPUSD	0.071904	0.093496	0.0732897	0.077662
GBP/BWP	15.389816	15.455544	15.056863	14.563878
BWPEUR	0.07956	0.079872	0.0751613	0.078336
JPY/BWP	11.284	11.336	10.660125	11.09075
USDZAR	17.32944	18.786768	17.735599	18.3803235
EURUSD	0.940128	1.018888	0.9621623	0.99684475
GBPUSD	1.068288	1.157624	1.093326	1.13257925

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0749	0.0001	1m	-2.48625	-218.118
BWP/GBP	0.0673	0.0003	3m	-7.5855	-1202.565
BWPEUR	0.0765	0.00	6m	-13.65	-3999.613
BWP/ZAR	1.3526	0.032	12m	-27.62175	-14629.85

	Close	Change
Dollar Index	112.3	0.183
EURUSD	0.9793	-0.0006
GBPUSD	1.1129	-0.0031
USDJPY	144.89	0.14
USDNGN	431.87	0
USDZAR	18.0588	-0.0874

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.119	0	SA 10y	10.89	-0.1
3y	4.661	0.461	US 10y	3.804	0.057
5y	5.89	-0.11	German 10y	2.109	-0.099
20y	8.73	0.23	Spread SA 5y vs Bots 5y bpts		
22y	8.86	-0.04		356.5	1.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	28725.51	-458.13	Gold	1659.67	-0.6217
Dow Jones	6893.81	-123.8	Brent Crude	1660.2917	-0.53
FTSE	63726.37	-544.38	3m Copper	1659.4449	18
JSE All share	7401.77	-6.01	LME Index	1628.8024	-15.4
Bots DCIBT	49024.16	-206.87	1 carat index	1621.5675	#VALUE!
Nigeria Index					

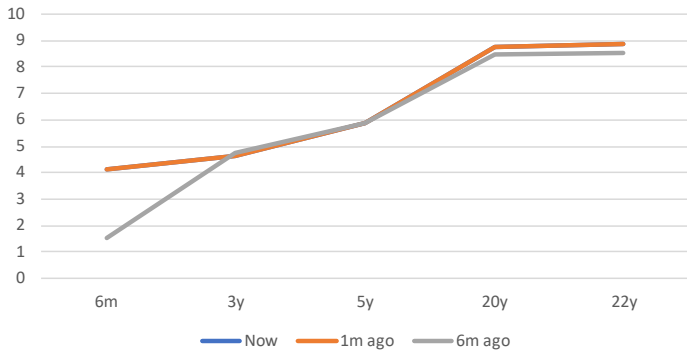


- Ahead of the public holiday, Statistics Botswana published the second quarter economic growth figures. Despite coming in softer than the Q1 reading, Botswana's economy recorded another solid performance in the second quarter. Specifically, economic activity in real terms expanded by 5.6% y/y in Q2, which compares to an expansion of 7.1% y/y in Q1. It was the sixth consecutive quarter of expansion, attributed to the real value added by diamond traders and water & electricity. The statistics agency noted that all other industries recorded positive growths of more than 0.7%, except for mining & quarrying, which declined by -3.4%.
- While activity in the mining sector contracted by 3.4% in real terms, mining and quarrying was still the largest contributor to the nominal GDP figure in Q2, followed by public administration, retail and construction. Although the mining sector suffered a contraction in Q2, the outlook for the sector is upbeat, with the country's coal production expected to rise sharply in the years ahead, with President Mokgweetsi Masisi looking to put the country on the map of key coal producers.
- President Masisi couldn't have asked for better timing with Europe's energy crisis bolstering fossil fuel demand. Note that since the start of the year, international coal prices have risen more than 170%. Soaring international coal prices will significantly boost the economy's performance in the coming quarters. While the deteriorating global growth outlook is weighing on the domestic economic outlook, Botswana's economy is expected to be fairly resilient in the years ahead.

## Financial Market Commentary

- Friday was a quieter end to a week fraught with volatility, uncertainty, central bank intervention, geopolitics and political considerations. While the Fed remains committed to hiking further, other central banks are intervening to prevent another crisis from unfolding, ironically supporting the USD more. There may, therefore, be more left in the USD appreciation move.
- African currencies have broadly come under sustained selling pressure this year, with many trading in the red against the USD. In the case of the BWP, it closed out September at 13.3161/USD, a loss of more than 3%, placing it as one of the four worst African currencies, albeit fairing better than the Rand, which plunged close to 4.3%. Through Q3, the BWP lost 6.4%, extending its year-to-date losses to 11.8%, matching the Rand so far this year.
- Global bond yields continue to edge lower this morning, with the market correcting after the massive sell-off seen early last week. UST yields are down despite some further hawkish talk from Fed officials, with the aggressive monetary policy tightening path seemingly mostly priced in now. Front-end tenors are, however, underperforming due to a rally in oil prices this morning, keeping near-term inflationary concerns embedded. The drop in yields has kept volatility levels in the market elevated, with a gauge of price swings for USTs still at its highest since the 2009 financial crisis. This volatility may persist through the week ahead, given that liquidity levels have seen a plunge and key US labour market data is set for release.
- News over the weekend is that OPEC+ delegates are considering a 1mn barrel per day cut to production, which could be announced this week. This has given the oil market a bit of a boost this morning, although we still find Brent trading just over \$87 per barrel, with an expected cut in output this week mostly priced in already. An output cut of such a magnitude would likely put a floor in oil prices for now, but OPEC+ will need to be careful to avoid sending the wrong message. A large output cut would draw criticism from the US and other major consuming nations, while it will also signal weak expectations for demand going forward that could prevent prices from rallying as much as the cartel and its allies expect.
- The other concern is that a cut in output may keep energy-driven consumer inflation levels high within most economies, keeping central banks decidedly hawkish in their policy stance. This will keep pressure on the global economy through higher interest rates and will be a longer-term drag on the oil market, undoing the intended consequences of the output cut. This view is evident when looking at the futures curve for Brent, which has steepened out in backwardation as longer-dated contracts have remained relatively unchanged on the news.

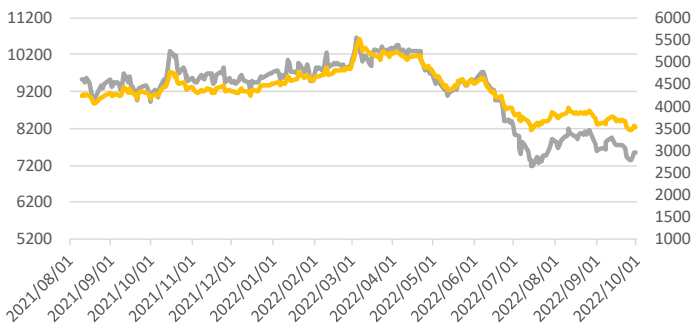
### Botswana Yield Curve



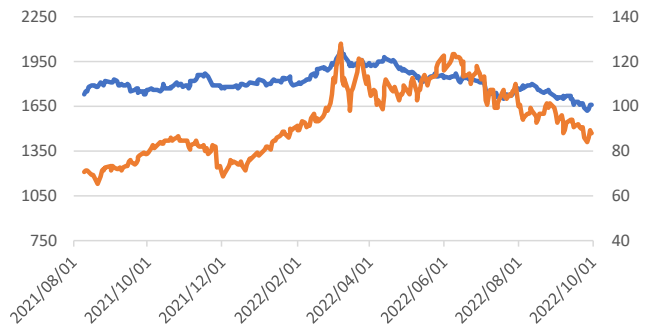
### USD Index



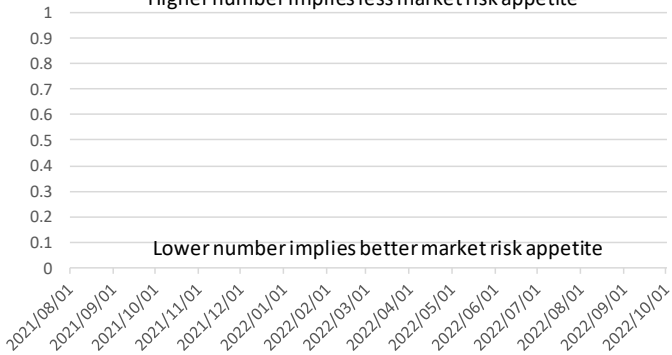
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



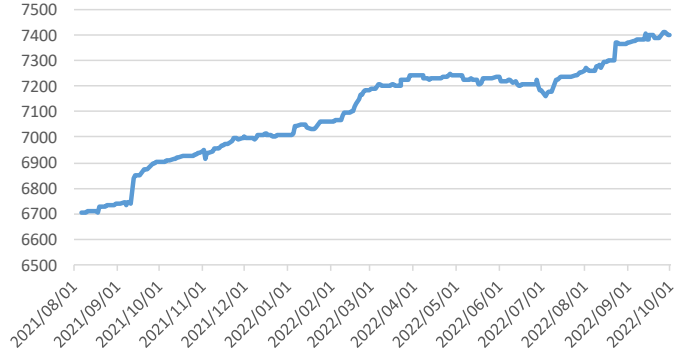
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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