

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
08:30	EZ	Sentix investor confidence index	Oct	-34,7	-31,8
10:30	EC	ECB's de Cos speaks at Malaga University			
13:00	US	Fed's Evans Speaks at NABE Conference in Chicago			
13:00	EC	ECB's Lane Speaks			
17:00	US	Fed's Brainard Speaks at NABE Conference in Chicago			

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Labour market	Last week's US labour market remained relatively strong, with the non-farm payrolls rising and the unemployment rate dipping to 3.5%. Average wages up 5.0% y/y	The data triggered weakness in stock markets and raised the risk of another 75bp hike in Nov	4/5 (market, monetary policy)	The USD has rallied in response, and overall risk appetite levels have slid. A rotation to safety is back on, and the USD may enjoy another leg higher as more hikes are priced in
Italian debt	Italy's Target2 debt to other EZ countries rose to a fresh record high in Sep, while data from the Bank of Italy shows that foreign investor holdings of debt fell for a 4 th consecutive month	Italy's debt position has become increasingly concerning and is precarious enough to cause a crisis	4/5 (economy, market)	Were it not for the ECB's bond-buying programme and its ability to backstop EZ countries, Italy would've already experienced a debt crisis and possible restructuring. This is becoming a worrying theme for the EZ economy
Credit Suisse	Credit Suisse has been the subject of speculation recently, and to calm nerves, the bank will buy back \$3bn worth of debt	The move is clearly aimed at reassuring investors that the bank is still safe	4/5 (market)	Questions around its restructuring persist and whether it will need fresh capital in order to fund it. For now, this should calm some nerves
Factors on the Radar	What happened?	Relevance	Importance	Analysis
US Holiday	The US is enjoying a long weekend as today market Columbus Day and is a Federal holiday	Trading volumes will be thin, but any market impact will be negligible and fleeting	3/5 (economy, market)	Thinner liquidity conditions could increase overall levels of volatility in financial markets, given Friday's relatively strong payroll numbers
Rotation to safety	According to Lipper data, outflows from bonds and equities persisted for the 7 th consecutive week, triggering a heavier rotation into money markets	As investors position for more rate hikes, the rotation to safety is gathering momentum	4/5 (market)	That is unlikely to dissipate anytime soon, given the latest round of US data and rising speculation that the Fed will hike rates by another 75bp at the next meeting in Nov
Central banks	Payroll data will keep the Fed's hawkishness intact. BoE members are saying they will stay the course, and the ECB has indicated it will need to trim its bond holdings	Central banks remain firmly in tightening mode for now. Their actions will keep pressure on the economy elevated	5/5 (economy, monetary policy)	So long as inflation remains a concern and labour markets have not capitulated to bring demand for labour back in line with supply to ease the pressure on wage inflation, the central banks will remain inclined to hike

Highlights news vendors

BUSINESS LIVE - [SA to strengthen ties at Washington meetings with eye on greylisting](#)

FT - [Backlog of ships strains Ukraine-Russia Black Sea export deal](#)

REUTERS - [Lesotho's new party set for election win, early results show](#)

SOUTH CHINA POST - [Japan's needy: will there be enough food? Concerns grow food banks will not get enough donations amid rising prices](#)

Local and regional talking points

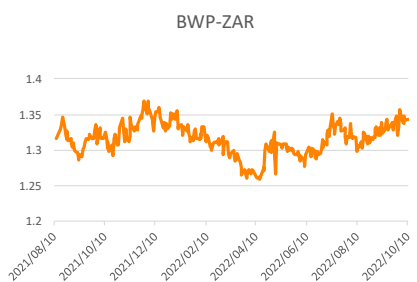
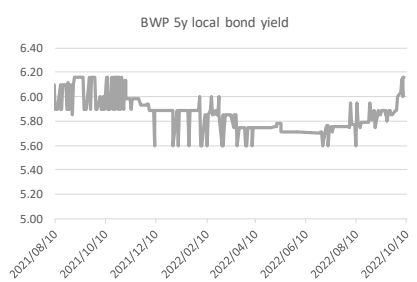
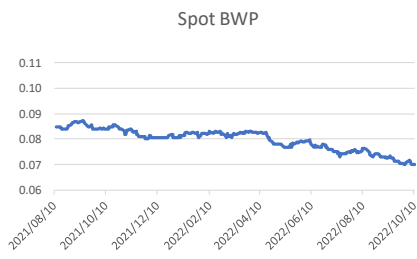
	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.288896	1.309344	1.3137341	1.404817
BWPUSD	0.07104	0.093496	0.072409	0.077353
GBP/BWP	15.343848	15.581696	15.01189	14.682752
BWPEUR	0.07904	0.080184	0.07467	0.078642
JPY/BWP	11.1904	11.3568	10.5717	11.1111
USDZAR	17.418048	18.887336	17.826284	18.47871575
EURUSD	0.934848	1.013168	0.9567585	0.9912485
GBPUSD	1.06368	1.153048	1.08861	1.12810225

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.074	0.0000	1m	-2.613	-478.3136
BWPGBP	0.0668	0.0001	3m	-7.47825	-2543.823
BWPEUR	0.076	0.00	6m	-13.455	-8868.145
BWPZAR	1.3432	0.006	12m	-27.0855	-33426.79

	Close	Change
Dollar Index	112.772	-0.023
EURUSD	0.9741	0
GBPUSD	1.1079	-0.0005
USDJPY	145.42	0.09
USDNGN	433.22	0
USDZAR	18.1514	0.0282

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.22	-0.001	SA 10y	10.635	-0.01
3y	5.209	0	US 10y	3.885	0.061
5y	6.16	0	German 10y	2.197	0.111
20y	8.75	0	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		303	3

Equities			Commodities		
	Close	Change		Close	Change
VIX	29.296.79	-346.93	Gold	1694.52	-16.33
Dow Jones	6991.09	-55.35	Brent Crude	1710.85	3.5
FTSE	65675.48	219.91	3m Copper	1715.8105	-150
JSE All share	7431.43	0	LME Index	1726.2408	-75
Bots DCIBT	47351.43	-1575.81	1 carat index	1699.2225	#VALUE!
Nigeria Index					

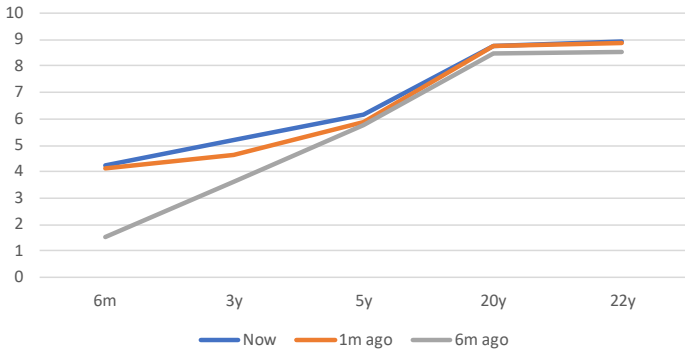


- The new week gets off to a slow start but picks up later, with September's inflation figures due on Friday. In other news, the FAO food price index has fallen for the sixth month in a row, retreating from all-time highs earlier this year after the war between Russia and Ukraine broke out. The latest drop was driven by a 6.6% month-on-month fall in vegetable oil prices, with increased supplies and lower crude oil prices contributing to the decline. However, the risks to crude prices are tilted to the upside following the OPEC+ latest production cut, which has resulted in crude oil gaining the most since March. Higher crude prices suggest that the easing of food inflation could slow, given how fuel is a key input in the agriculture sector.
- By contrast, FAO's cereal price index rose 1.5% month-on-month in September, with wheat prices climbing 2.2% because of concerns over dry crop conditions in Argentina and the United States, strong EU exports and heightened uncertainty over access to Ukrainian Black Sea ports beyond November.
- The majority of the globe has been facing soaring inflation for the last few months, driven by food and fuel prices. Food and fuel prices have been easing, providing much-needed relief from inflation. However, the main risk to food prices in the coming weeks is if the UN grain agreement between Russia and Ukraine is dissolved. The agreement was reached in July and is only valid for 120 days, and there are risks that Putin is going to make changes to the agreement, which could result in supply constraints and high food prices returning.

Financial Market Commentary

- Friday was again not the heyday of the Botswana Pula after closing the week at 13.3565/USD. The pula has been weakening for days and reached a new historic low against the USD last week. The underlying bias for the local currency remains to the downside, which would see the currency move further into uncharted territory. Most currencies will find themselves on the defensive and will likely remain that way at the start of the week, especially given the long weekend in the US. This follows last week's US labour data showing that the labour market remains resilient, resulting in the market immediately set about pricing more rate hikes and a rotation into safe haven assets.
- UST futures and JGBs are flat this morning, with trading in Japan closed on account of a public holiday in the Asian nation, while the US markets will also be shut today. The market has, however, sharply increased its expectations for rate hikes from the Fed following last week's jobs numbers. The UST 2yr yield has risen above 4.300% and is nearing the peak reached in late September once again, while the 10yr benchmark remains near 3.885%. It seems that bond traders are once again following the mantra of don't fight the Fed, as those bullish on bonds earlier last week were hurt by the resilience of the US labour market, which should keep the Fed on track for another 75bp rate hike at the next FOMC meeting.
- Looking to what is trading this morning and we have Aussie bonds under pressure following the weakness in USTs and other core bond markets from Friday. This bearish bias for bonds may persist through the week ahead, with focus on the US CPI numbers out on Thursday. The number to watch will be the core inflation figures, which is expected to have continued to accelerate. If the numbers match expectations, a 75bp hike is all but certain, and traders may begin to increase their expectations for more hikes through the early stages of 2023. This will, of course, be very negative for stock markets and other risk asset classes and will keep volatility levels within the markets high.
- Oil posted its best rally since March last week, with futures surging by over 11% as the output cut from OPEC+ from November was priced in. Brent rallied from near \$87 per barrel to over \$98 per barrel within the week, climbing back to levels last seen in August. However, we are seeing this rally come to a halt this morning, with oil easing as focus appears to be returning to the risks to energy demand posed by global central bank tightening. Some strong US economic data was released over the course of last week, indicating that the Fed will remain very hawkish in the months to come. Traders have thus once again fully priced in another 75bp rate hike from the next MPC meeting.
- Therefore, the downside risks from slowing global economic growth are growing, but remain less visible than factors on the supply side of the equation, meaning that prices may have topped out for now.

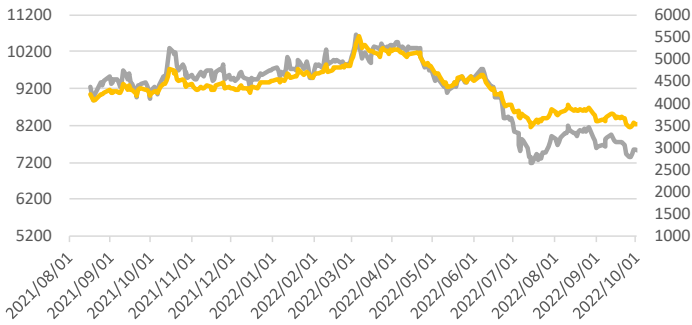
Botswana Yield Curve



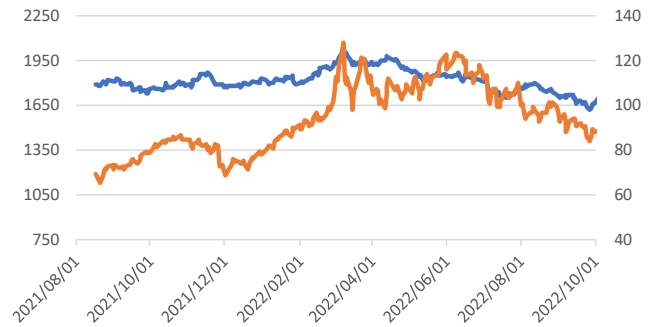
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

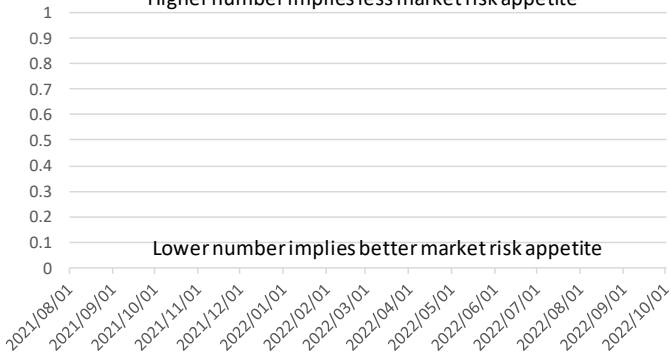


Oil R_Hand Axis - Gold L_Hand Axis

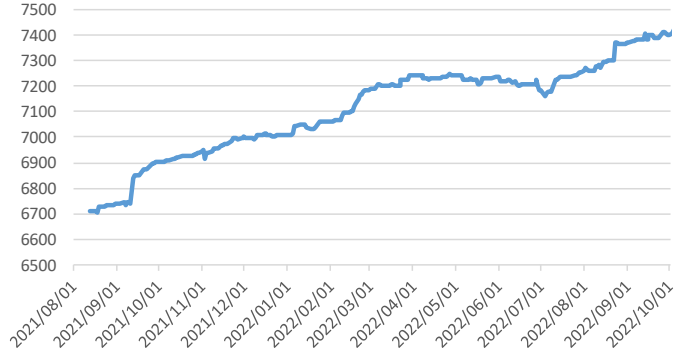


VIX Index - Risk appetite measure

Higher number implies less market risk appetite



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

Disclaimer

The information provided herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.