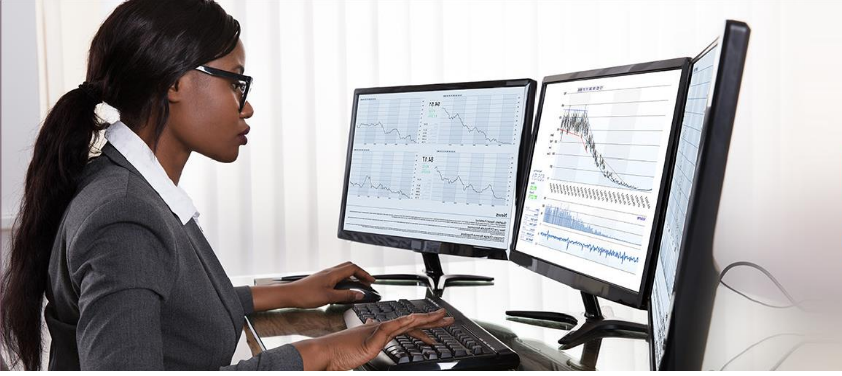

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Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
06:00	GB	ILO unemployment rate (3mths)	Aug	3,6%	3,6%
12:45	EC	ECB's Lane Speaks			
16:00	US	Fed's Mester Speaks to Economics Club of New York			
18:00	UK	BOE's Jon Cunliffe speaks			
18:35	UK	BOE Governor Andrew Bailey speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Fedspeak	Fed Vice Chair Brainard said on Mon that monetary policy would remain restrictive to fight inflation but the path and the pace of hikes will be data dependent	Nothing new in these comments, but it does reinforce the Fed's commitment to tighten further	**4/5** (geopolitics)	The impact will be recessionary as the full effects of monetary tightening manifest with a lag. The danger is that the Fed is doing too much, too soon and induces a significant downturn
British retail	Data from the BRC showed that retail sales grew 2.2% y/y in Sep vs the 1.0% y/y in Aug, well behind inflation which was well above 9.0% y/y	Negative real growth implies that the cost of living crisis and rate hikes are now biting hard	**4/5** (economy)	The data simply confirms that the risk of a recession has increased considerably and that the headwinds will continue to grow for as long as inflation remains high and the BoE responds with hikes
German debt	German bond yields jumped yesterday on reports that Germany would support joint-debt issuance to tackle energy prices	This is a big change for Germany, and means fiscal stimulus and more debt	**4/5** (fiscal policy)	The effects would run counter to the ECB's efforts to reign in inflation and will only render the EZ even more vulnerable to an economic shock as debt levels rise

Factors on the Radar	What happened?	Relevance	Importance	Analysis
G7 on Ukraine	G7 leaders will hold an emergency meeting on Ukraine today following yesterday's missile strikes by Russia	It is unclear what will come from this other than more support for Ukraine's war effort	**4/5** (geopolitics)	A unified strategy is needed, and the risk of nuclear warfare will likely feature as the allies look to strategically position themselves to pressure Russia
IMF meetings	This week will see the US Treasury push for a price cap on Russian oil to reduce the funding for Russia's war effort	It is unclear how this will work and whether it will provoke Russia to cut supplies	**4/5** (geopolitics)	It seems unlikely that a desperate buyer will be able to dictate to the seller of a product what price to pay in order to stifle the seller's behaviour
UK budget	Chancellor Kwarteng has brought forward the timing of his budget to the 31st Oct as he tries desperately to calm markets	To calm markets, he will need to slash expenditures by £60bn	**5/5** (economy, fiscal policy)	The need to slash government spending is enormous if fiscal sustainability is to be fostered. The UK's credit rating will depend on it

Highlights news vendors

BUSINESS LIVE - Central banks might have gone too far
FT - Poland takes steps towards unlocking EU recovery funds
REUTERS – S.Africa's Kumba Iron Ore says Transnet strike will hit exports
SOUTH CHINA POST - As Japan cheers reopening, weak yen is both good and bad news for travel sector

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.291104	1.305408	1.3159847	1.400594
BWPUSD	0.07104	0.093496	0.072409	0.077044
GBPBWP	15.330224	15.497456	14.998561	14.603372
BWPEUR	0.079456	0.080392	0.075063	0.078846
JPYBWP	11.2112	11.336	10.59135	11.09075
USDZAR	17.447904	18.906888	17.856839	18.49784475
EURUSD	0.929184	1.006928	0.9509618	0.9851435
GBPUSD	1.058304	1.146912	1.083108	1.122099

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.074	0.0000
BWPGBP	0.0671	0.0002
BWPEUR	0.0764	0.00
BWPZAR	1.3447	-0.0038
Dollar Index	113.457	0.313
EURUSD	0.9681	-0.0019
GBPUSD	1.1027	-0.0028
USDJPY	145.74	0.06
USDNGN	433.78	0
USDZAR	18.1716	0.0842

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.851875	-517.5834
3m	-7.47825	-2934.744
6m	-13.455	-10307.43
12m	-27.0855	-39028.85

Local Fixed income

Yield curve	Close	Change
6m	4.221	0.001
3y	5.21	0.001
5y	6.16	0
20y	8.75	0
22y	8.9	0

International Fixed Income

	Close	Change
SA 10y	10.635	-0.01
US 10y	3.885	0.061
German 10y	2.197	0.111
Spread SA 5y vs Bots 5y bpts		
	307	4

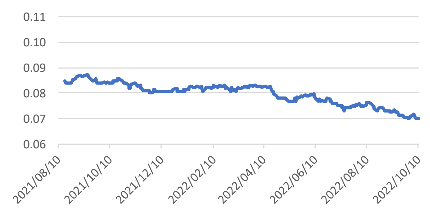
Equities

	Close	Change
VIX	e permission	#VALUE!
Dow Jones	29202.88	-630.15
FTSE	6959.31	-6.18
JSE All share	64769.2	-157.19
Bots DCIBT	7431.43	2.86
Nigeria Index	47351.43	90.54

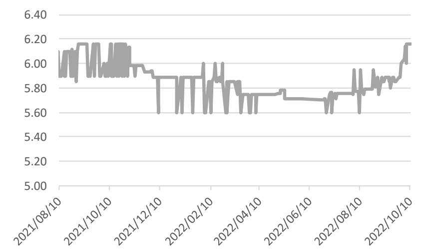
Commodities

	Close	Change
Gold	1667.9564	-26.5636
Brent Crude	1694.52	-1.73
3m Copper	1710.85	121
LME Index	1715.8105	12.8
1 carat index	1726.2408	#VALUE!

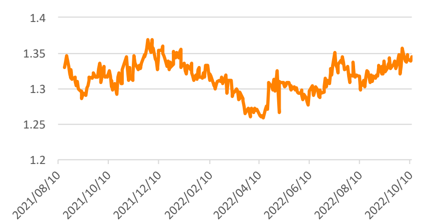
Spot BWP



BWP 5y local bond yield



BWP-ZAR

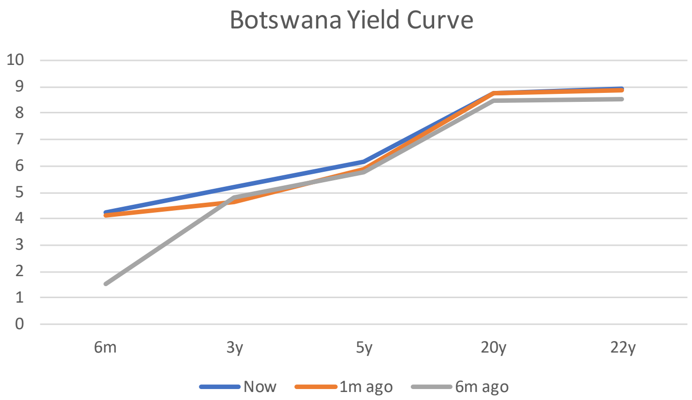


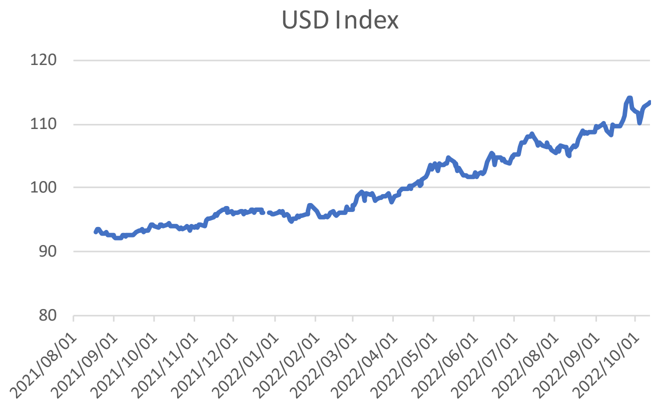
Local and regional talking points

- Notwithstanding the topside surprise in the US jobs print, which bolstered bets for additional bold rate hikes from the FOMC, exchange-traded funds that buy emerging market stocks and bonds recorded net inflows last week. Specifically, inflows to US-listed EM ETFs amounted to $286.5mn last week, ending a two-week run of outflows that totalled $2.53bn. While emerging market assets have taken a bruising in recent months, inflows into EM ETFs have totalled $18.5bn on a year-to-date basis.
- A breakdown of the data showed that stock ETFs expanded by $193.4mn, while bond funds rose by a lesser $93.1bn. The inflows were accompanied by a 2.5% rise in the MSCI Emerging Market Index on the week. ETFs focussed on Egypt, Nigeria, Kenya and Ghana all recorded inflows last week. South Africa focussed ETFs listed in the US meanwhile suffered a $7.28mn outflow last week, the largest outflow out of all the countries tracked by Bloomberg.
- While EM ETFs attracted inflows last week, the broader bearish bias seen in the previous two weeks returned yesterday, with most emerging market bonds and equities kicking off the week on the back foot following the stronger-than-expected US jobs data on Friday and escalation in geopolitical tensions in Europe. Market directionality throughout the rest of the week will likely be dictated by the FOMC minutes on Wednesday and US CPI on Thursday. More hawkish rhetoric and signs that inflation in the US remains robust will likely come as a stern headwind for bond markets. That said, although unlikely, any dovish signals or a weaker-than-expected US CPI print could have the opposite effect on bonds.

Financial Market Commentary

- It was a less than favourable start to the new week for the USD-BWP as its opening gains that saw it challenge its record highs were unwound, with the pair finishing the session at 13.37399. Technically, the bias remains tilted in favour of the topside, but the 13.500 mark appears to be holding a firm line in preventing the BWP from further losses at this point. But with the USD maintaining its bid tone on sustained safe haven demand, it may only be a matter of time until this level is breached. The only major catalyst for the local currency this week is the September CPI readings, due on Friday. Until then, the BWP will trade at the mercy of the USD and external developments.
- There has been no let up in the selling of core market government bonds, with UK gilts driving the direction yesterday. Investors continued to ditch UK bonds despite the BoE extending its emergency measures to support the market. Investors are clearly still concerned over the policy direction that the UK is taking, and thus we will likely see the market remain under pressure at least until the end of the month when the latest fiscal statement and government forecasts are released.
- USTs, meanwhile, are catching up to yesterday's moves this morning, with the 10yr benchmark yield nearing the 4.000% handle for the first time since just before the last FOMC meeting. Those expecting a Fed pivot have been sorely disappointed and it is looking unlikely that a shift in policy from the US central bank is coming anytime soon. With the Fed effectively taking itself out of the market, the private sector has to step in a fill the demand gap. This is a massive task, and given current market conditions, such as high inflation and uncertainty over the growth outlook, those willing to step in are demanding a massive yield premium. Another factor to consider is that the other major buyers of sovereign bonds, but especially USTs, were Japanese pension funds. Now, they have been forced out of the market due to excessively high hedging costs, eliminating another major source of demand that cannot easily be filled.
- Oil continues to give up some of the gains made lt week, with global demand concerns balancing out the supply cuts that were announced last week by OPEC+. Brent has dipped back to $96 per barrel after reaching session highs of $98.75 per barrel yesterday, as major institutions such as the World Bank and the IMF flagged risks of a pronounced global economic slowdown. China also added to concerns over global demand yesterday, with authorities suggesting that there will be no let up to the country's zero COVID policies, potentially limiting a demand recovery in the world's largest oil importer. These demand concerns show that even with OPEC+'s announced cuts, the upside for crude is becoming more limited.


Botswana Yield Curve
10
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
120
110
100
90
80
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
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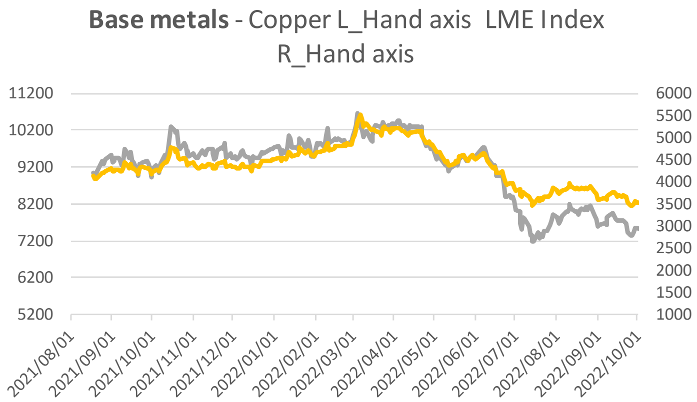
2022/09/01
2022/10/01


Base metals - Copper L_Hand axis LME Index R_Hand axis
11200
10200
9200
8200
7200
6200
5200
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
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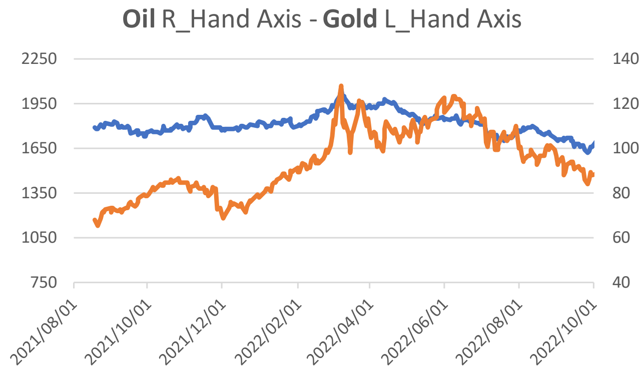
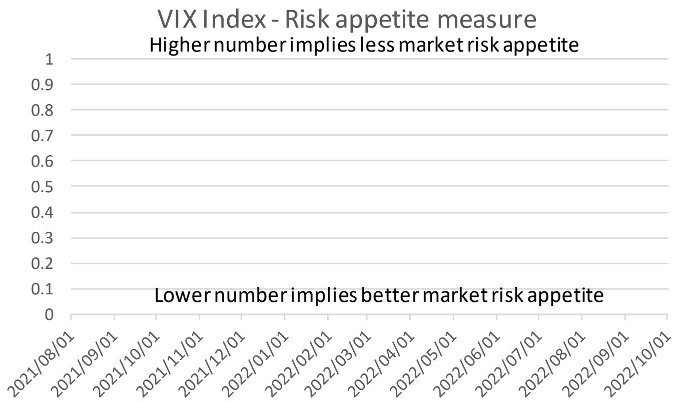
2022/09/01
2022/10/01


Oil R_Hand Axis - **Gold** L_Hand Axis
2250
1950
1650
1350
1050
750
140
120
100
80
60
40
2021/08/01
2021/10/01
2021/12/01
2022/02/01
2022/04/01
2022/06/01
2022/08/01
2022/10/01


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
Lower number implies better market risk appetite
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
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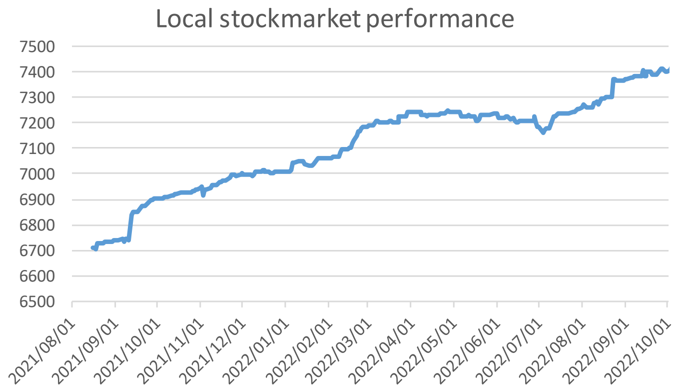
2022/09/01
2022/10/01


Local stockmarket performance
7500
7400
7300
7200
7100
7000
6900
6800
6700
6600
6500
2021/08/01
2021/09/01
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
2022/05/01
2022/06/01
2022/07/01
2022/08/01
2022/09/01
2022/10/01

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