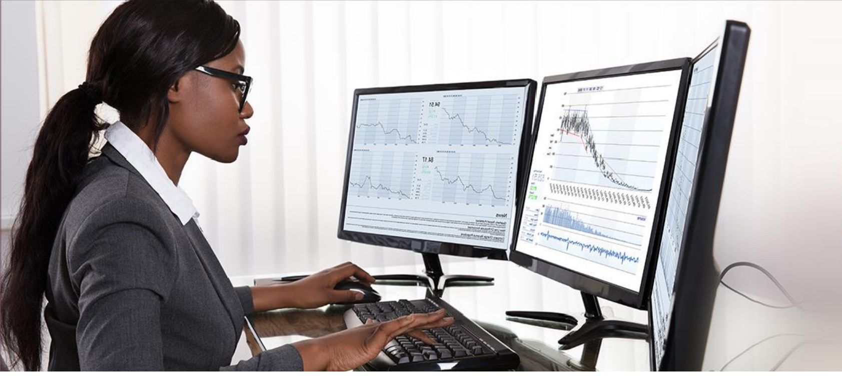

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Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	No data			
06:00	**GE**	CPI y/y	Sep F	10,0%	10,0%
11:00	**UK**	BOE's Catherine Mann speaks at Peterson Institute			
12:00	**EC**	ECB's Nagel Speaks			
12:30	**US**	CPI y/y	Sep	8,1%	8,3%
12:30	**US**	Initial jobless claims	Oct 8	225k	219k
12:30	**US**	Real ave weekly earnings y/y	Sep		-3,4%

Factors Overnight	What happened?	Relevance	Importance	Analysis
Fed Minutes	According to the latest Fed minutes of the last meeting, Fed members have been surprised by inflation and will keep rates elevated until it comes down	Rate hikes will not easily reverse supply-side price shocks. The risk is that rates rise too far	**4/5** (economy)	The Fed reiterated that bold rate hikes are likely to continue, elevating the chance that another 75bp rate hike will follow in Nov in the hope that slowing the economy will soften price pressures
BoE bond market deadline	UK 20 and 30yr yields rose to a 20yr high as bond market sell-off continues, and the BoE Governor Bailey indicates that it will not extend bond market support	The BoE rejected a report in the FT that it would consider extending the extension	**5/5** (market, economy, politics)	The stress in the bond market arose immediately after Chancellor Kwarteng announced his budget without offering insight into how tax cuts will be funded. Investors have assumed the worst
Ukraine War	The UN voted yesterday to denounce the annexation of the four regions in the east of the country. Countries pledged more military aid as Russian missiles now target Mykolaiv	The war rolls on, the world will not recognise Russia's annexation and the cost of supporting Ukraine mounts	**5/5** (geopolitics)	The disruptive dynamics of the global economy will continue for as long as the war extends. Energy prices will remain elevated, and so too will food prices, while European growth will be severely hampered

Factors on the Radar	What happened?	Relevance	Importance	Analysis
Credit Suisse	The Swiss bank was back in the spotlight yesterday for all the wrong reasons, as talk of a tax probe spooked investors. CDS spreads rose, while its bonds and share price fell further	Investors are continuing to price the bank for higher risk of financial turmoil and painful restructuring	**4/5** (monetary policy)	Credit Suisse remains a major concern within markets, and while central banks will act to ensure there is no systemic spill-over into other markets, the risk of a major financial market event cannot be dismissed
ECB Outlook	ECB President Lagarde said on Wed that the central bank's best tool to fight inflation remained interest rate hikes despite excess liquidity in the market	Expectations are that the ECB may need to lift interest rates by at least another two hikes of 75bp each	**4/5** (monetary policy)	Rate hikes across major economies remain in full swing and will continue to constrain the growth in those economies. Central banks remain committed to reducing inflation.
US Inflation	Following the Fed minutes and last week's labour data, all eyes will turn to the US inflation data later today for guidance on US monetary policy	Investors will be on the lookout for any signs that the inflationary pressures are abating	**5/5** (economy, monetary policy)	Any moderation in inflation will be welcome news. A stronger USD and tighter credit conditions will help at the margin even if the labour market has not softened just yet

Highlights news vendors

BUSINESS LIVE - Economic activity shrinks for fourth month as power crisis bites deeper
FT - Fed fearful of doing 'too little' to stamp out soaring inflation
REUTERS – Egypt seeking to push forward critical IMF deal in Washington
SOUTH CHINA POST - China is working on 'invisible' missile launchers for 'future combat'

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.301664	1.3128	1.3267482	1.408525
BWPUSD	0.07104	0.093496	0.072409	0.076838
GBPBWP	15.443896	15.57608	15.109773	14.67746
BWPEUR	0.079352	0.079976	0.0749648	0.078438
JPYBWP	11.3048	11.3984	10.679775	11.1518
USDZAR	17.590752	19.066736	18.003035	18.6542345
EURUSD	0.930816	1.0088	0.952632	0.986975
GBPUSD	1.063488	1.152632	1.0884135	1.12769525

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.074	0.0000
BWPGBP	0.0668	0.0001
BWPEUR	0.0763	0.00
BWPZAR	1.3558	0.0173
Dollar Index	113.269	-0.051
EURUSD	0.9698	-0.0006
GBPUSD	1.1079	-0.0024
USDJPY	146.86	-0.05
USDNGN	434.27	0
USDZAR	18.3214	0.0298

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.58375	-626.3973
3m	-7.371	-4325.808
6m	-13.884	-14553.76
12m	-28.158	-56217.34

Local Fixed income

Yield curve	Close	Change
6m	4.22	0.001
3y	5.21	-0.001
5y	6.16	0
20y	8.75	0
22y	8.9	0

International Fixed Income

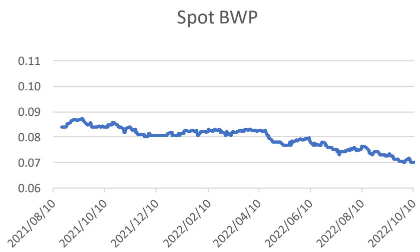
	Close	Change
SA 10y	10.83	0.09
US 10y	3.902	-0.037
German 10y	2.346	0.038
Spread SA 5y vs Bots 5y bpts		
	306	0.5

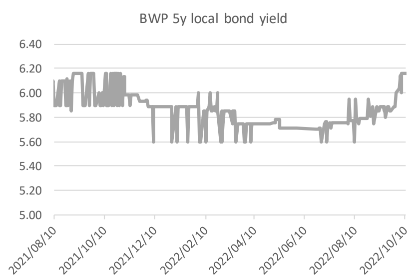
Equities

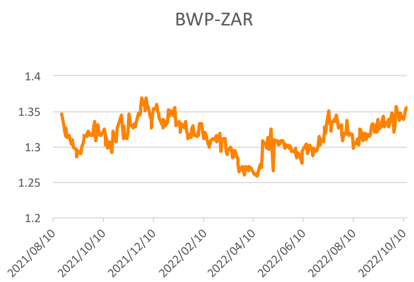
	Close	Change
VIX	e permission	#VALUE!
Dow Jones	29210.85	36.31
FTSE	6826.15	-74.08
JSE All share	64528.23	-181.11
Bots DCIBT	7459.32	27.89
Nigeria Index	47531.84	214.49

Commodities

	Close	Change
Gold	1672.5052	7.1977
Brent Crude	1665.3075	-1.84
3m Copper	1667.9564	-51
LME Index	1694.52	16.5
1 carat index	1710.85	#VALUE!





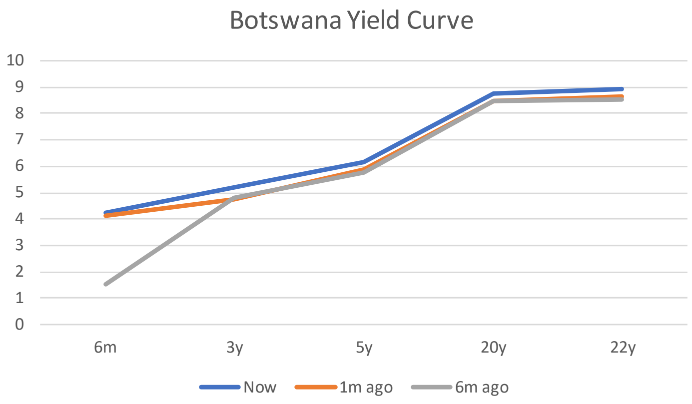


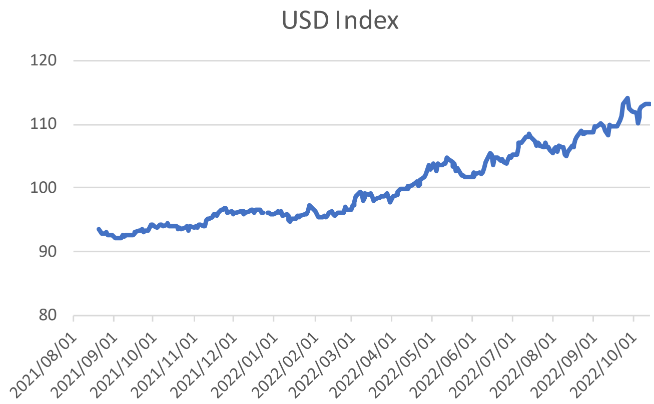
Local and regional talking points

- It is clear that the global economy is slowing, with Europe facing its own economic troubles due to an energy crisis and the war in Ukraine. Over in the US, the effects of aggressive Fed tightening are set to dampen the recovery momentum. In the case of Botswana, economic growth, although robust, is also losing some momentum. The nation's budget is largely dependent on mining, particularly diamonds, as well as tourism, both of which rely on the performance of the US and Europe.
- Botswana has run budget deficits for the past six years and has seen reserves further ruined by COVID-19, so the global economic uncertainties could not come at a worse time. The country's ageing diamond mines and fluctuating revenue from the Southern African Customs Union (SACU) is a concern. All of these point to a gradual decline in revenue over the years, while expenditures, including inflation, public service wage increases, the pandemic and other priorities, have been rising. If global conditions worsen, Botswana will not be able to draw down on its reserves and will need to seek alternative ways to finance the deficits.
- Between the 2013 and 2019 financial years, public debt as a percentage of GDP averaged 21.50%, but this is estimated to rise to 21.255% this year, according to Bloomberg forecasts, before easing to 19.627% in 2023.

Financial Market Commentary

- African currencies have broadly weakened against the USD this year. When looking at Bloomberg's basket of 23 African currencies, 17 are in the red on a year-to-date basis. The Botswana Pula is among them, down more than 12.5%. While idiosyncratic challenges have contributed to this weakness, the dollar's strength has been a major driver. The USD, as measured by the DXY index, has advanced by almost 17% YTD. The driving force behind the strength has been the Federal Reserve's persistent and aggressive monetary policy stance, resulting in a divergence in monetary policy with other major economies.
- On the commodity front, oil prices declined for a third straight session yesterday, with recession concerns exacerbated by hawkish Federal Reserve meeting minutes driving the commodity lower. Brent has dropped below $92.50 per barrel as a result, sliding back below some key technical levels that include the 50DMA at $93.8184. This keeps the door open for prices to weaken further, with the $90 handle now looking to be the next major support level to watch. Another factor pressuring prices at the moment is the build-up of inventories in the US. API data out yesterday showed a massive 7mn barrel increase in stockpiles nationwide. If confirmed by the official government data today, we could see oil back under pressure into the final sessions of the week.
- In the fixed-income market, US Treasury futures are holding relatively steady this morning after posting their largest one-day gain in more than a week yesterday, as yesterday's FOMC meeting minutes yielded no major surprises. Gilts, meanwhile, had another volatile session with tenors at the front-end of the curve rallying hard, sending 2yr yields down by more than 23bp on the session. Longer-dated tenors, however, continued to weaken as traders priced in the end of the BoE support. The yield on the 20yr and 30yr tenors surged back above 5.00% as a result, reaching this level for the first time since the BoE announced its bond-buying program. Bunds, on the other hand, had a relatively more stable session yesterday, erasing some earlier losses following comments from ECB member Holzmann that a 100bp hike at the next meeting is not necessary.
- For the day ahead, focus will be squarely on the US CPI figures. As we have noted before, the reading carries some notable two-way risk. However, given all that is currently priced in, the market reaction to a softer print could be more intense than that for one matching or even beating expectations. Nevertheless, no matter which side the reading comes out, the reaction will likely lead to some volatility within the markets.
- Bond traders have been hesitant to buy at current levels after being burnt from previous spikes in yields. However, a soft CPI reading may be the catalyst needed to reverse course and lock in some very attractive yields.


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
2022/05/01
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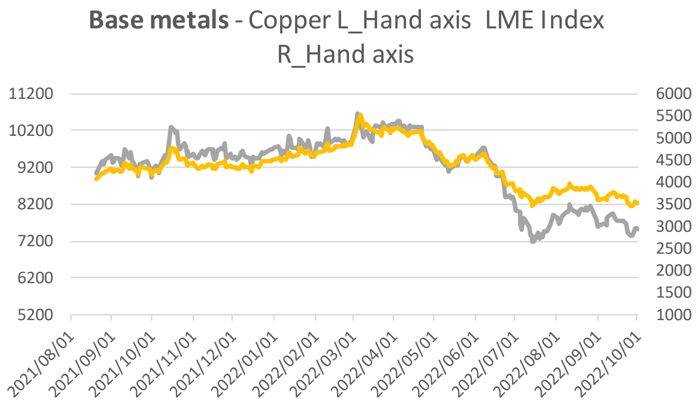
2022/09/01
2022/10/01


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
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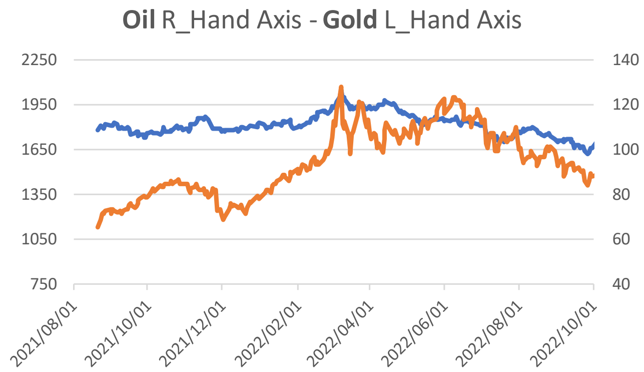
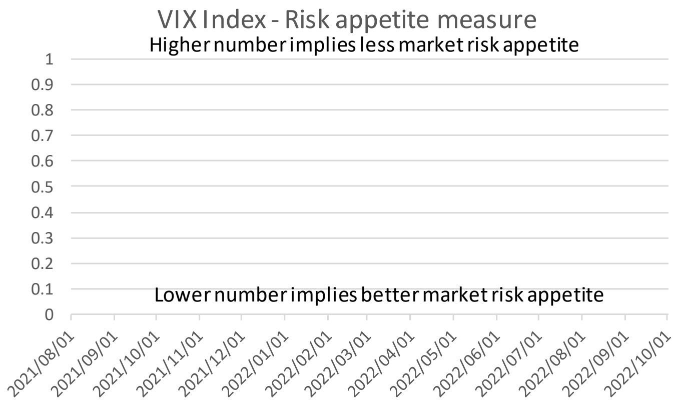
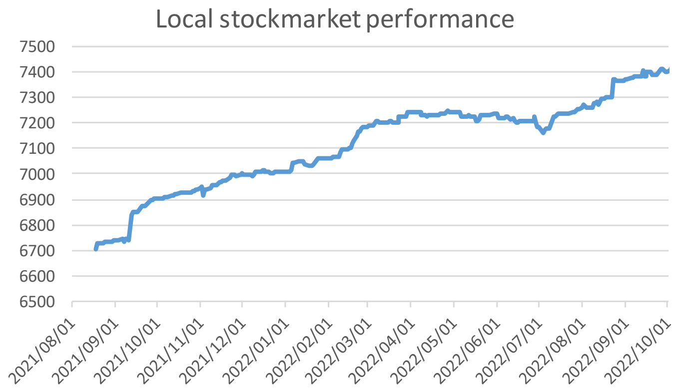
2022/09/01
2022/10/01


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
2022/04/01
2022/05/01
2022/06/01
2022/07/01
2022/08/01
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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