

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
08:00	EC	ECB's Guindos Speaks			
12:30	US	Empire manufacturing	Oct	-1	-1,5
15:00	EC	ECB's Lane Speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
UK Politics	On Friday, the Conservatives forced a further rollback on PM Truss' original tax cuts as Chancellor Kwarteng was ousted as Chancellor in a dramatic day	The party is trying to turn its policies more moderate. The conservatives have lost credibility	5/5 (politics, economy)	The U-turn that has been forced on the Truss administration has been extraordinary. Conservatives have lost a lot of ground in the polls and need to recover as calls for an election grow
G7 and the USD	The G7 failed to reach consensus on how to intervene against the USD collectively but indicated that it was closely monitoring recent volatility in the markets	The statement was a veiled threat of more intervention, although the group stopped short of an accord	4/5 (market)	Unless there is widescale intervention along the lines of the Plaza accord, any efforts at intervening in the USD market will do very little other than impacting the behaviour in the very short-term
China monetary policy	China's PBoC rolled over medium-term policy loans while keeping the interest rate unchanged for a second consecutive month this morning	China will continue to pursue loose monetary policy as it supports the economy	4/5 (market, economy)	The liquidity injection this morning was reportedly aimed at keeping "the banking system liquidity reasonably ample" and fully meeting institutional financial demand

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK fiscal policy	New Chancellor Hunt has promised to win back the trust lost under his predecessor, starting by fully accounting for the tax and spending plans	The budget will still be on track for the end of the month, but with fewer tax cut announcements	5/5 (fiscal policy)	Markets had initially reacted badly to the announcement, fearing that it left a huge, unfunded fiscal hole. That has been walked back to some degree, and a more stable policy could follow
ECB tightening	Two ECB members made a case for the ECB to cut its oversized balance sheet, with the next debate to revolve around just how quickly this will happen	Limiting or stopping re-investing in bonds could generate higher bond yields and raise fiscal pressure on EZ	4/5 (fiscal and monetary policy)	Eurozone countries have much to do to control their spending and right-size their budgets. Without adopting fiscal conservatism, the ECB's actions could prove very damaging
Fedspeak	St Louis Fed President Bullard acknowledged the pressure that the Fed's stance had exerted on the USD and the effects this has had on other currencies	This would ease once the Fed believes it has placed enough downward pressure on inflation	4/5 (monetary policy, market)	The impact of the Fed's actions on financial markets has been a major theme, and the Fed is coming under pressure on several fronts to soften its stance and head for the pivot

Highlights news vendors

BUSINESS LIVE - [Godongwana promises Eskom debt relief details in the medium-term budget](#)

FT - [Brussels to propose temporary gas price ceiling to curb extreme price](#)

REUTERS - [Georgieva to meet with Egypt, Tunisia, confident of IMF 'backing them up'](#)

SOUTH CHINA POST - [Asean nations back UN vote over Russia's Ukraine annexation, given 'diminishing cost' of going against Moscow](#)

Local and regional talking points

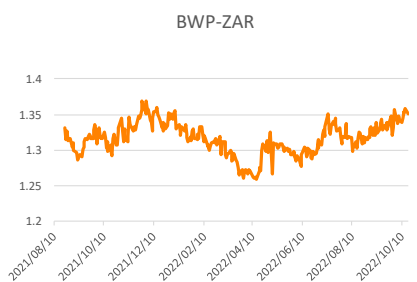
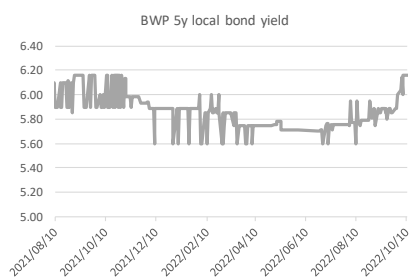
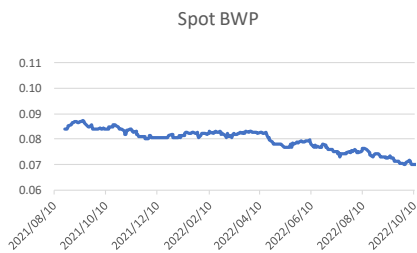
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.29744	1.306944	1.3224428	1.402242
BWPUSD	0.07104	0.093496	0.072409	0.076735
GBP/BWP	15.717312	15.827656	15.377274	14.914522
BWPEUR	0.078936	0.079456	0.0745718	0.077928
JPY/BWP	11.4504	11.5232	10.817325	11.2739
USDZAR	17.533344	19.004336	17.944282	18.5931845
EURUSD	0.93552	1.013688	0.9574463	0.99175725
GBPUSD	1.080864	1.171248	1.1061968	1.1459085

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.074	0.0000	1m	-2.44725	-1466.576
BWPGBP	0.0657	-0.0005	3m	-6.9225	-10521.83
BWPEUR	0.0759	0.00	6m	-13.07475	-38821.88
BWPZAR	1.3511	-0.0025	12m	-26.58825	-151286.5

	Close	Change
Dollar Index	112.981	-0.33
EURUSD	0.9745	0.0026
GBPUSD	1.1265	0.0095
USDJPY	148.72	-0.02
USDNGN	434.68	0
USDZAR	18.2581	-0.0961

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.22	-0.001	SA 10y	10.82	-0.025
3y	5.21	0	US 10y	4.006	0.052
5y	6.16	0	German 10y	2.361	0.061
20y	8.75	0	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		303	-1

Equities			Commodities		
	Close	Change		Close	Change
VIX	29.634.83	827.87	Gold	1641.7584	-24.0388
Dow Jones	6858.79	24.12	Brent Crude	1665.7972	-2.94
FTSE	64271.36	-135.8	3m Copper	1672.5052	-34.5
JSE All share	7473.82	0	LME Index	1665.3075	-32.8
Bots DCIBT	47569.04	-7.46	1 carat index	1667.9564	#VALUE!
Nigeria Index					



- While fiscal risks in Botswana remain modest in comparison to its African peers, Botswanan bonds have not been spared from the broad-based sell-off this year. Although still moderate compared to its African peers, fiscal pressures in Botswana have intensified since the start of the Covid-era.

- Yields across the Botswanan bond curve have traded higher this year, primarily driven by the tightening in monetary policy domestically and abroad due to surging inflation. While data released on Friday showed that inflation slowed in September, inflation remains robust. For context, headline inflation decelerated to 13.8% y/y in September from a multi-year high of 14.6% y/y in August.

- Food prices remained elevated in September, increasing from 13.3% y/y in August to 14.8% y/y. The primary factor that contributed to the lower inflation reading was transport, as global oil prices eased in September. While the Bank of Botswana (BoB) expects inflation to fall back within its target range of 3% - 6% by the end of the year, risks to the inflation outlook remain acute against the background of prolonged supply chain disruptions and high energy prices and other input costs. These risks, the central bank maintains, are moderated by the possibility of weak domestic and global economic activity and restrained commodity prices.

- With the Bank of Botswana and major central banks such as the Federal Reserve expected to remain hawkish in the months ahead, we expect the broader bearish bias in Botswanan bonds to persist in the final weeks of 2022.

Financial Market Commentary

- After initially showing signs of selling off on Friday, the USD recovered to remain well within its recent trading range. Meanwhile, the BWP regained its footing after breaking through the 13.3830/USD mark to close out the week on a firmer footing. Still, the local currency continues to trade at record lows, and the moderation in inflation figures would have only marginally supported the BWP. The new week could see the BWP continue Friday's momentum and target the 13.1200/USD region, a high reported earlier this month. Technically, the USD-BWP stochastics are on the verge of a crossover sell signal.

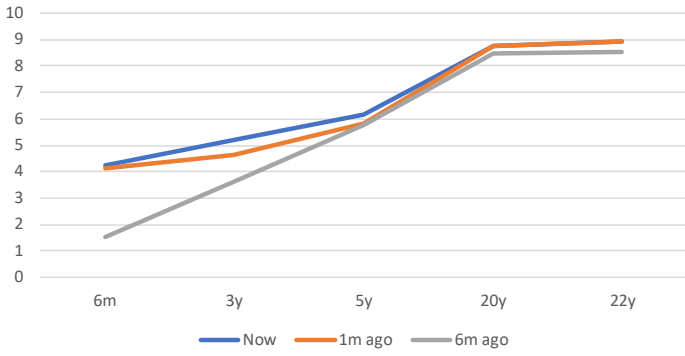
- UST futures are marginally bid this morning as the Gilt market stabilises as traders see the potential that more of UK PM Truss's tax cut pledges will be reversed. However, US yields are still elevated, with the 2yr trading just shy of 4.500% following more hawkish commentary from Fed officials that rates are still to be hiked quite aggressively. Over the weekend, key Fed speaker Bullard suggested that the Fed could hike by 75bp at the next two meetings, while keeping the door open for an even larger cut at the next FOMC meeting.

- With the front end of the UST curve trading near the terminal rate of 4.500%, it seems as if the market may be at its peak in terms of hawkishness. There may still be some room for minor upside for yields over the next few weeks, but at such attractive levels, traders will be looking to lock in rates now ahead of what could be a sharp rally for fixed income through next year. For the week ahead, there is very little in terms of market moving data out of the States, leaving focus on Fed speak and what is happening in the UK markets.

- Oil prices are edging higher this morning in thin Asian trade following a weekly loss, with the USD ticking lower to provide some support to the market. The front-month Brent contract has risen to just over \$92 while WTI trades near \$86.15 per barrel. There is not much driving the bid tone this morning other than a slightly weaker USD, suggesting that we may not see much in the way of bullish momentum for now. The risks of a global economic slowdown are still building and weighing over the oil market, with China over the weekend signalling that there will be no let-up to their COVID-zero policies. US Fed officials, meanwhile, have continued to talk up more rate hikes, keeping the USD generally strong and weighing on the world's commodity markets.

- Therefore, volatility within the market is expected to persist over the coming weeks. OPEC+ members this weekend also signalled that the decision to cut output at the last meeting was unanimous, and Saudi Arabia coerced no one into agreeing, despite what was said by US officials. The rift between the US and Saudi Arabia, therefore, is likely to deepen

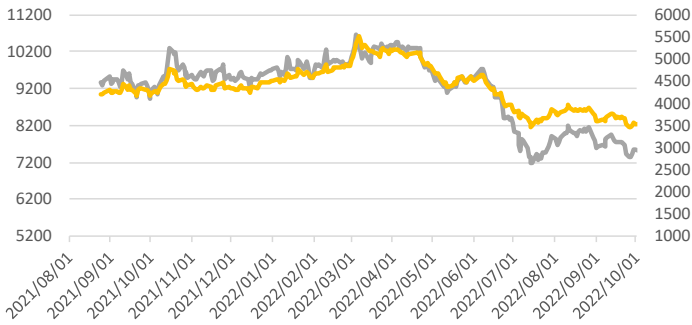
Botswana Yield Curve



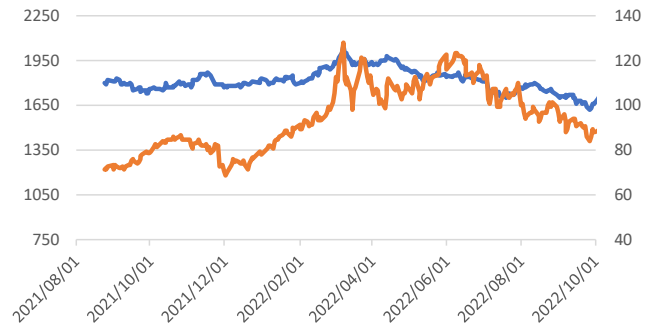
USD Index



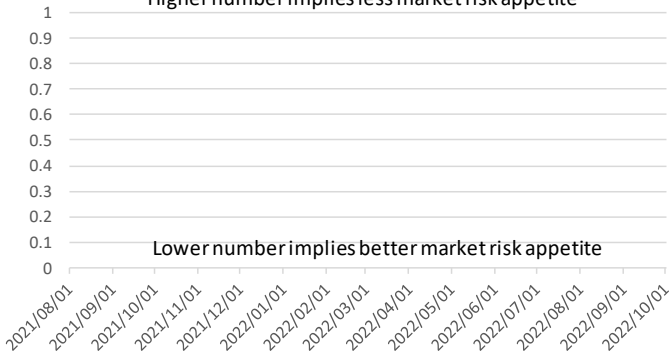
Base metals - Copper L_Hand axis LME Index R_Hand axis



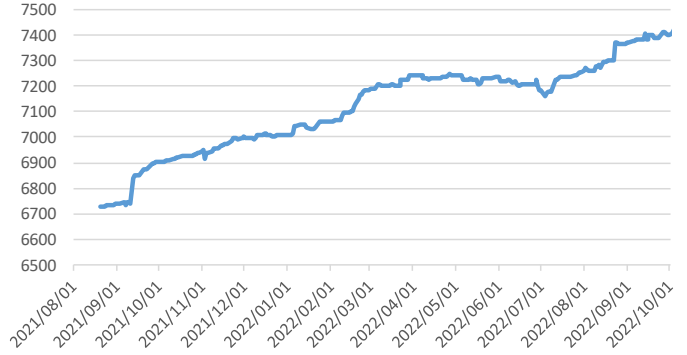
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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