

# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
00:30	JN	S&P Global composite PMI	Oct P	51,7 A	51
00:30	JN	Nikkei Japan PMI Mfg	Oct P	50,7 A	50,8
00:30	JN	Nikkei PMI services	Oct P	53,0 A	52,2
08:00	EZ	S&P Global services PMI	Oct P	48,4	48,8
12:30	US	Chicago Fed activity index	Sep		0,0
13:45	US	S&P Global PMI manufacturing	Oct P	51	52
13:45	US	S&P Global composite PMI	Oct P		49,5

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>UK Politics</b>	On Sunday, ex-PM Johnson pulled out of the running to lead the Conservative party for the remainder of the 2yr timeframe	Johnson still has an impending investigation to get through	<b>5/5</b> (politics, economic policy)	If Johnson had been selected and the investigation found him guilty, there would be a need for him to step down and yet another leader chosen
<b>Chinese Politics</b>	China's Xi Jinping has secured a third term as he introduced a top governing body filled with loyalists that have pledged their support	This now renders Xi Jinping the most powerful ruler since Mao Zedong	<b>4/5</b> (economic policy)	Xi Jinping effectively ousted all of his rivals from the Politburo Standing Committee, cementing his dominance over the party and policies
<b>BoE on emergency QE</b>	BoE policymaker Mann confirmed on Sun that the bond purchases announced after the mini-budget were targeted and temporary, aimed at restoring stability	Mann indicated that the BoE did not feel bound to continue purchasing gilts to stabilise markets	<b>3/5</b> (monetary policy)	Mann framed the actions as being focused on ensuring financial stability and that its actions spoke to its independence as a central bank in taking the steps needed

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>UK politics</b>	Today, investors will find out whether front-runner Rishi Sunak will have other challengers for the role of PM in the form of Penny Mordaunt	Mordaunt will try and ensure she has the requisite minimum of 100 votes to stand for election to PM	<b>5/5</b> (politics, economy)	At the moment, Rishi Sunak is seen as a safe pair of hands. However, as an individual, he may prove divisive for the party. Mordaunt may be more unifying but has far less experience
<b>Fedspeak</b>	St Louis Fed President indicated that although the Fed will move aggressively again in Nov, the debate is shifting towards how and when hikes should slow	That shift will likely happen after the next meeting, where the Fed could well hike by another 75bp	<b>5/5</b> (monetary policy, economy, markets)	The Fed remains in tightening mode, with inflation remaining stubbornly high. Increasingly, FOMC board members are concerned about the damage being done to the US economy
<b>Earnings</b>	Earnings releases from the four biggest companies by market cap this week will drive broader market sentiment as stocks claw back losses	If these companies continue to produce solid earnings, overall risk aversion could well dissipate	<b>4/5</b> (economy, markets)	These earnings releases will be key to the overall market direction over the next two weeks. Thus far, earnings have held up well, but investors are rightly questioning their sustainability

## Highlights news vendors

**BUSINESS LIVE** - [Real progress is being made to avoid greylisting](#)

**FT** - [Japan made intervention of at least \\$30bn to prop up yen](#)

**REUTERS** - [China Q3 GDP growth exceeds expectations but risks loom](#)

**SOUTH CHINA POST** - [China's Hu Chunhua loses Politburo seat, raising doubts about political future](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.292544	1.304064	1.3174524	1.399152
BWPUSD	0.071136	0.093496	0.0725069	0.076735
GBP/BWP	15.793544	15.926976	15.451857	15.008112
BWPEUR	0.078312	0.078936	0.0739823	0.077418
JPY/BWP	11.4712	11.5752	10.836975	11.324775
USDZAR	17.442912	18.912088	17.85173	18.50293225
EURUSD	0.944832	1.023984	0.9669765	1.0018305
GBPUSD	1.089024	1.180192	1.114548	1.154659

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0741	0.0001	1m	-2.34975	0
BWP/GBP	0.0655	-0.0003	3m	-6.60075	0
BWPEUR	0.0751	0.00	6m	-12.64575	0
BWP/ZAR	1.3419	0.0024	12m	-25.90575	0

	Close	Change
Dollar Index	112.068	0.056
EURUSD	0.9844	-0.0016
GBPUSD	1.1341	0.0039
USD/JPY	148.87	1.23
USD/NGN	436.1	-0.01
USDZAR	18.1732	0.064

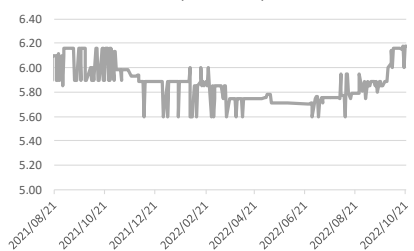
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.407	0.001	SA 10y	11.025	0.08
3y	5.199	0	US 10y	4.212	-0.014
5y	6.18	0	German 10y	2.437	0.043
20y	8.75	0	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		319.5	4.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.10	-0.10	Gold	1656.66	28.9963
Dow Jones	31082.56	-90.22	Brent Crude	1627.6637	1.12
FTSE	6969.73	18.92	3m Copper	1628.4883	63.5
JSE All share	65539.24	141.78	LME Index	1651.8273	-4.7
Bots DCIBT	7537.52	34.06	1 carat index	1649.9447	#VALUE!
Nigeria Index	44396.73	14.06			

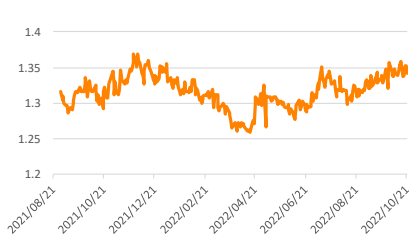
Spot BWP



BWP 5y local bond yield



BWP-ZAR

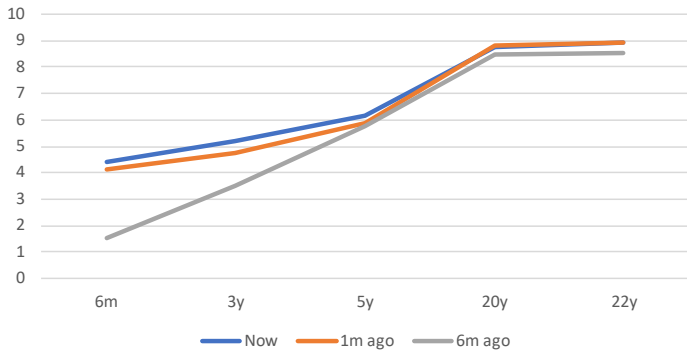


- A combination of high-interest rates, a dollar that continues to surge to multi-decadal highs, and elevated commodity prices are impacting countries that rely on food imports. Data released by Statistics Botswana showed Botswana's value of total food imports in July were valued at P938mn, approximately 12% of all imports received during the month, highlighting the country's long-running over-reliance on imports. The food imports were dominated by cereals such as wheat, maize and rice, beverages, spirits and vinegar, preparations of vegetables, as well as fruits and nuts.
- Though the government is funding various agricultural initiatives under the Economic Recovery and Transformation Plan, focusing on commercialising the agricultural sector towards food self-sufficiency, persistent currency weakness in the short term will continue to keep the value of imports high. On a year-to-date basis, the pula has depreciated by 12% against the USD but still fairing considerably better than the Ghanaian Cedi, which has plunged more than 47% to lead African FX markets lower and severely driving up consumer prices.

## Financial Market Commentary

- The USD-BWP rose into the weekend, testing the 13.600 resistance level before closing at 13.5049 with a weekly gain of more than 1%. The move was underpinned by increasing angst amongst investors over the impact of tightening financial conditions on economic growth. The biggest mover of the forex market right now is the Federal Reserve. A surging greenback quickly reversed course after a Wall Street Journal article said some officials are "more eager to calibrate their rate setting to reduce the risk of overtightening." This move would've caught many investors offside. Against this backdrop, riskier currencies from South Africa and Mexico outperformed most peers as USD strength eased.
- With so much priced into the USD, it will only be a matter of time before people start to question whether the Fed was too aggressive and start pricing in a moderation in Fed monetary policy at a time when other central banks are gradually tightening.
- US Treasury yields are sliding this morning, keeping the momentum Friday afternoon going following a report released last week from the Wall Street Journal that suggested that some Fed officials are concerned about over-tightening. This was followed by comments from Fed member Daly, who said that it'll be necessary for the Fed to slow the pace of its rate hikes, although she did not specify when exactly. As a result of the reversal in the market outlook towards rate hikes, the 10yr is now trading back around%, while the 2yr yield has dropped back below 4.500%. The reversal was accompanied by a slashing of what is priced into money markets in terms of rate hikes, with the market now seeing the peak at back under 5.000% for next year. The market has still priced in a terminal rate higher than what the Fed has signalled, however, which suggests that there is scope for some notable volatility within the market depending on what the Fed signals over the coming weeks.
- Meanwhile, gilts had their best week on record last week following the turnaround in economic policies and the resignation of PM Truss. However, Moody's cut the UK's credit rating outlook to negative on Friday, while the rating was held at Aa3. This was likely expected by most and we may not see much of a reaction in the market when it opens today as a result.
- Oil has kicked off the new week on the back foot, pressured by mixed Chinese economic data and generally sour sentiment towards the country following the end of the ruling party's congress. A strong US dollar is also providing a headwind to the commodity complex in general. As a result, Brent has slipped back down to \$93 per barrel in early Asian trade and is trading back below its 50DMA, which has provided a bit of a ceiling for prices in recent sessions.
- Looking forward, we expect oil prices to remain quite choppy over the coming weeks. Recession risks will continue to be weighed against tight supply, with OPEC+ output cuts and looming sanctions on Russia the main focus points from the former's perspective. Traders will be looking at OPEC+ member compliance levels this month, while Russian shipments will also be key. With these factors in mind, the market remains fairly bullish on oil over the near term if time spreads are anything to go by. Brent's timespread has widened out to back over \$2.00 per barrel in backwardation, up from around \$1.40 per barrel seen at the start of the month.

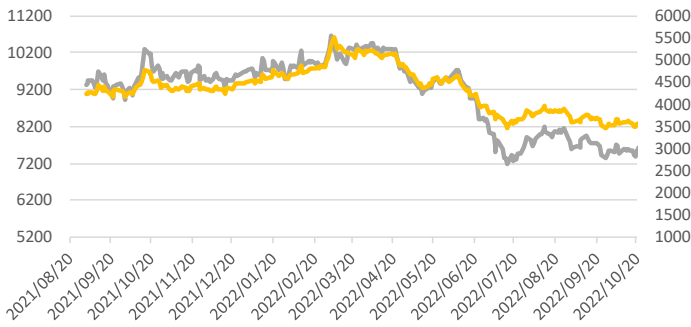
### Botswana Yield Curve



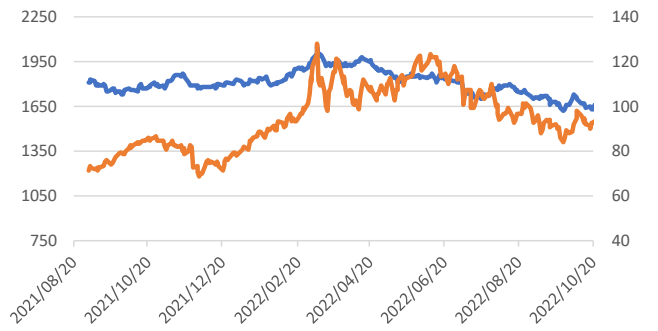
### USD Index



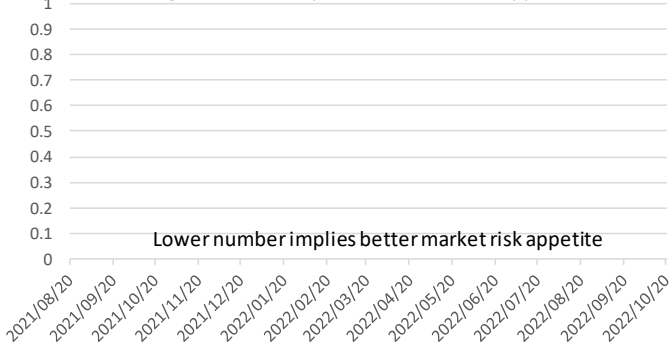
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



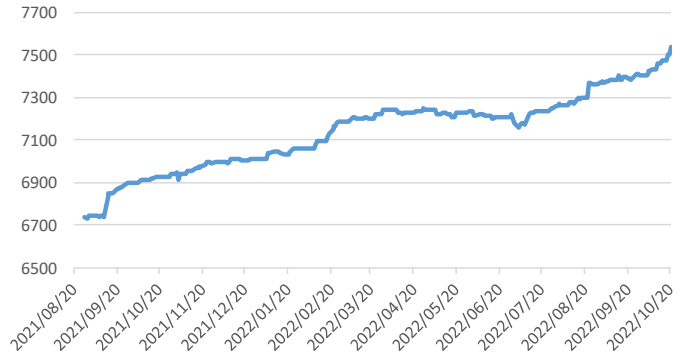
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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