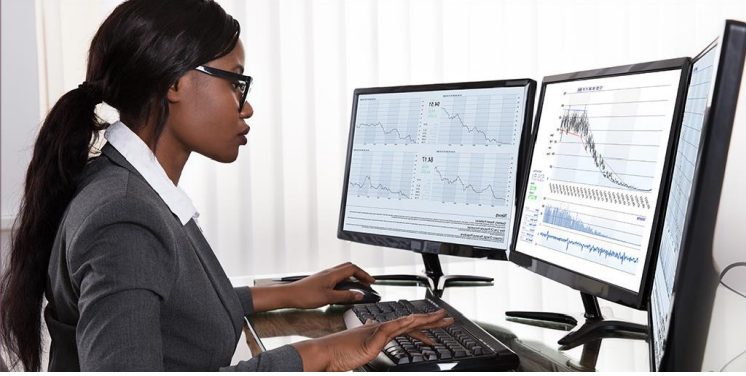


Botswana Market Watch



| GMT | Country | Data event or release | Period | Market Exp | Previous |
|-------|---------|---|--------|------------|----------|
| - | BW | Empty data card | | | |
| 08:00 | GE | IFO business climate | Oct | 84 | 84,3 |
| 08:00 | EC | ECB Publishes Bank Lending Survey | | | |
| 08:55 | UK | BOE's Huw Pill speaks | | | |
| 13:00 | US | House price index m/m | Aug | -0,7% | -0,6% |
| 13:00 | US | S&P CoreLogic Case-Shiller house price composite-20 y/y | Aug | 14,00% | |
| 14:00 | US | Consumer confidence | Oct | 105,5 | 108 |
| 17:55 | US | Fed's Waller Discusses FedNow | | | |

| Factors Overnight | What happened? | Relevance | Importance | Analysis |
|-----------------------------|--|---|---|---|
| UK Politics | The Conservative party yesterday announced that the new leader of the Conservative party was Rishi Sunak, who would be the UK's next Prime Minister | The announcement released yesterday generated some positive response from the markets | 5/5 (politics, economic policy) | Sunak is financially and economically astute, has been Chancellor and understands the importance of prudent fiscal policy that renders the UK sustainable over the long-term |
| US business activity | According to the S&P Global US composite flash PMI, business activity slowed for the 4 th consecutive month in Oct, falling to 47.3 vs 49.5 in Sep | The downturn is gathering momentum while confidence in the outlook is also deteriorating | 4/5 (economy, monetary policy) | With business dynamics deteriorating this rapidly, it follows that investors will start debating the timing of the Fed pivot towards less hawkish tightening or even a pause in hikes early in 2023 |
| EZ business activity | The S&P Global EZ flash composite PMI fell to 47.1 in Oct from 48.1 in Sep and is below the breakeven 50.0 index level for the 4 th consecutive month | The chances of a recession are rising rapidly, with the ECB still set to hike rates more | 4/5 (economy, monetary policy) | The country placing the biggest drag on the overall EZ economy is Germany, whose PMI fell to just 44.1 vs France, whose PMI has dropped back to 50.0. A recession now looks inevitable. |
| Factors on the Radar | What happened? | Relevance | Importance | Analysis |
| Russia - Ukraine war | Russia has approached the UN to claim that Ukraine is preparing to use a dirty bomb and is preparing its forces to work in radioactive conditions | The West has dismissed such claims as a ruse aimed at justifying further escalation | 5/5 (politics, economy) | Ukraine has dismissed such reports as patently false and aimed at creating a justification for the Russian army to start to use dirty or nuclear warfare in its fight with Ukraine |
| UK Gilts | As UK gilts stage a recovery, they reflect the way in which the UK government is regaining the confidence of investors as a more prudent fiscal plan is likely | Financial markets are rewarding prudent and conservative policy-making with financial support | 4/5 (fiscal policy, economy, markets) | An unfunded expansive fiscal policy given the debt amassed during Covid and a cost-o- living crisis, was always going to trouble markets. The UK has reverted to a more orthodox approach |
| Aussie budget | Today will see the Aussie labour government unveil its first budget as economic growth slows domestically and abroad and will likely focus on spending | The increased spending will likely frame the approach as a prudent counter-cyclical measure | 3/5 (economy, Fiscal policy) | This budget is unlikely to trouble markets much, with the budget deficit likely to be much smaller than first feared due to robust commodity prices. A deficit of 1.0-1.5% is quite acceptable |

Highlights news vendors

BUSINESS LIVE - [A risky basic income grant could come with nasty surprises](#)

FT - [US charges Chinese officers with trying to interfere in Huawei probe](#)

REUTERS - [South African civil servants set to strike after rejecting wage offer](#)

SOUTH CHINA POST - [3 British prime ministers in 7 weeks - how did that happen?](#)

Local and regional talking points

| Corporate Foreign Exchange | | | | |
|----------------------------|--------------|---------------|--------------|---------------|
| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
| | CASH | CASH | TT | TT |
| BWPZAR | 1.29216 | 1.31664 | 1.317061 | 1.412645 |
| BWPUSD | 0.07008 | 0.093496 | 0.0714305 | 0.076529 |
| GBPWP | 15.79032 | 16.077256 | 15.448703 | 15.149722 |
| BWPEUR | 0.076856 | 0.078312 | 0.0726068 | 0.076806 |
| JPYBWP | 11.3048 | 11.5024 | 10.679775 | 11.25355 |
| USDZAR | 17.70144 | 19.197464 | 18.116318 | 18.78213425 |
| EURUSD | 0.947712 | 1.027104 | 0.969924 | 1.004883 |
| GBPUSD | 1.082976 | 1.17364 | 1.1083583 | 1.14824875 |

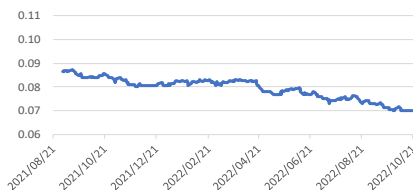
| Interbank Spot Foreign Exchange | | Forward Foreign Exchange | | |
|---------------------------------|--------|--------------------------|--------|----------|
| | Close | Change | BWPUSD | BWPZAR |
| BWPUSD | 0.073 | -0.0008 | 1m | -2.496 |
| BWPGBP | 0.0647 | -0.0007 | 3m | -6.591 |
| BWPEUR | 0.0739 | 0.00 | 6m | -12.753 |
| BWPZAR | 1.3459 | -0.0069 | 12m | -26.3055 |

| Dollar Index | Close | Change |
|--------------|---------|---------|
| EURUSD | 0.9872 | -0.0002 |
| GBPUSD | 1.1281 | 0.0006 |
| USDJPY | 148.89 | -0.07 |
| USDNGN | 436.5 | 0 |
| USDZAR | 18.4399 | 0.0498 |

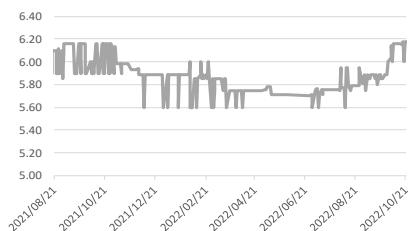
| Local Fixed Income | | | International Fixed Income | | |
|--------------------|-------|--------|------------------------------|-------|--------|
| Yield curve | Close | Change | | Close | Change |
| 6m | 4.406 | -0.001 | SA 10y | 11.05 | 0.025 |
| 3y | 5.2 | 0.001 | US 10y | 4.232 | 0.02 |
| 5y | 6.18 | 0 | German 10y | 2.344 | -0.093 |
| 20y | 8.75 | 0 | Spread SA 5y vs Bots 5y bpts | | |
| 22y | 8.9 | 0 | | 322.5 | 3 |

| Equities | | | Commodities | | |
|---------------|----------|---------|---------------|-----------|---------|
| | Close | Change | | Close | Change |
| VIX | 18.25 | -0.25 | Gold | 1648.6 | -8.06 |
| Dow Jones | 31499.62 | 748.97 | Brent Crude | 1656.66 | -0.24 |
| FTSE | 7013.99 | 25.82 | 3m Copper | 1627.6637 | -68 |
| JSE All share | 64975.95 | -255.04 | LME Index | 1628.4883 | -16.2 |
| Bots DCIBT | 7539.5 | 0 | 1 carat index | 1651.8273 | #VALUE! |
| Nigeria Index | 44461.63 | 64.52 | | | |

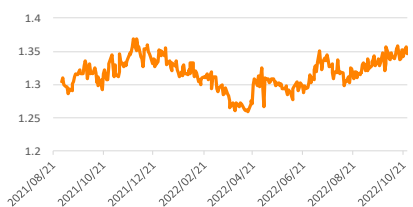
Spot BWP



BWP 5y local bond yield



BWP-ZAR

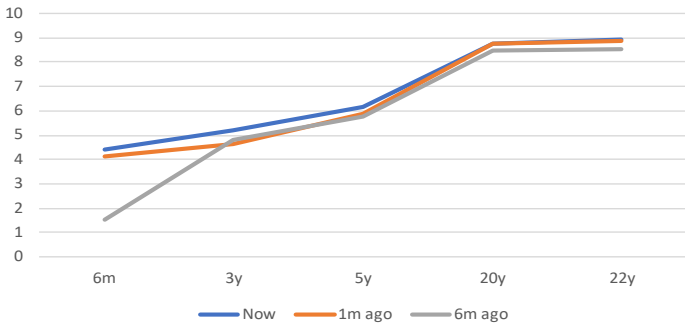


- In a continuation of India's deepening engagement with Africa, External Affairs Minister Subrahmanyam Jaishankar met with his counterpart Lemogang Kwape, Minister of International Affairs and Cooperation of Botswana and discussed trade, and investment, including defence and training. India and Botswana enjoy cordial bilateral relations underpinned by strong people-to-people ties.
- Botswana seeks to diversify its economy from the diamond mining industry, which is responsible for almost 40% of the nation's GDP and 70% of its export earnings. To this end, further efforts toward fostering small-scale industries in Botswana will be explored. India's large investments are concentrated on the downstream processes within the diamond industry, such as polishing and cutting, suggesting that this diversification may take longer than Gaborone would be hoping for.

Financial Market Commentary

- Increasingly, investors are questioning the sustainability of the USD, given how the Fed is actively looking through the cycle to a time when it can pause hiking or even consider rate cuts. The retreat in the USD that was evident on Friday has not been recovered. Furthermore, with the ECB talking of hiking at a time when the Fed is considering the pivot, even the EUR is on a firmer footing, trading just short of the 0.9900 mark. Through the remainder of the week, the focus will now turn to the US earnings reports for further guidance.
- As for the USD-BWP, it retreated from its recent highs to challenge the 13.400 support yesterday but lacked the impetus for a break below to settle at 13.4911. Whether the USD-BWP slides further hinges on the USD, with the stochastics offering little signs of a sustained move lower at this point. Moreover, the long trendline 50DMA support at 13.104 will be the line in the sand to the downside in the short term.
- It was a turbulent start to the week for fixed-income markets. Gilts rallied on Monday, with yields across the curve falling by as much as 30bps on the session after news broke that Rishi Sunak would become the UK's next Prime Minister. The sharp rally in Gilts yesterday was a sign of approval from markets. That said, Rishi Sunak will still have to work hard to restore stability across financial markets by showing concrete evidence of fiscal prudence.
- US Treasury yields meanwhile climbed on Monday as hawkish Fed bets outweighed the weaker-than-expected PMI data. The Fed is widely expected to hike rates by 75bps next week as policymakers continue their fight against soaring consumer prices. Fed funds futures traders are pricing in an almost 100% probability of a 75bps at the November FOMC meeting and around a 50% probability of another 75bps hike in December.
- Oil prices have taken on a consolidative tone amid a range of conflicting factors, with short-term supply-side tightness offset against evidence of a slowing global economy. Yet, compared to US oil, there has been a significant divergence. Rate hikes at the Fed and rising concern regarding the pace of tightening appears to be driving an underperformance in the West Texas contract, which has fallen to the \$84/85 per barrel region. President Biden's intimations of oil reserve sales could also be at play, leading the contract price to soften relative to the more tightly supplied Brent contract. The market is now pricing in a WTI discount of around \$8.6/barrel.
- Meanwhile, in Brent markets, a critical bullish indicator is developing with the market in backwardation, reflecting a tight current supply environment. In this context, note that OPEC has agreed to a supply reduction in November, while EU sanctions on Russian oil will kick in from November too. Note that with growth pressures becoming more of a concern in recent Fed communication, there is the risk that we start to see the USD coming under more concerted pressure. This would support USD-denominated oil prices, which could rally where Brent supplies are constrained and limited by OPEC+.

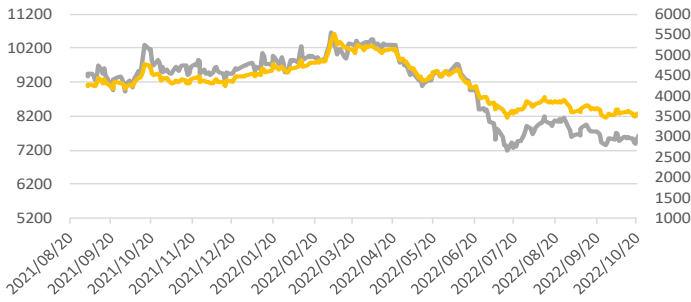
Botswana Yield Curve



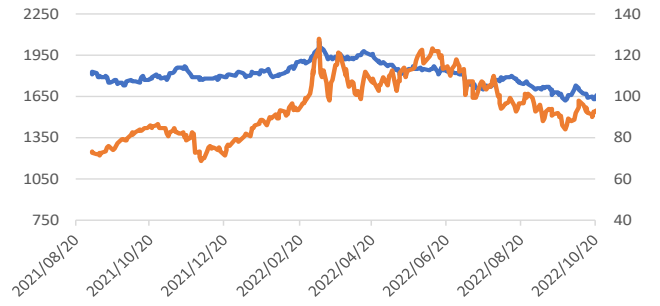
USD Index



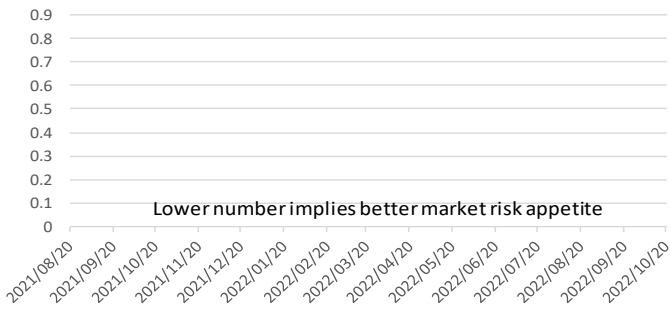
Base metals - Copper L_Hand axis LME Index R_Hand axis



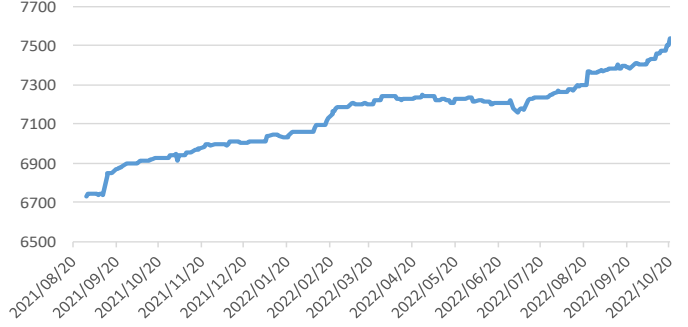
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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