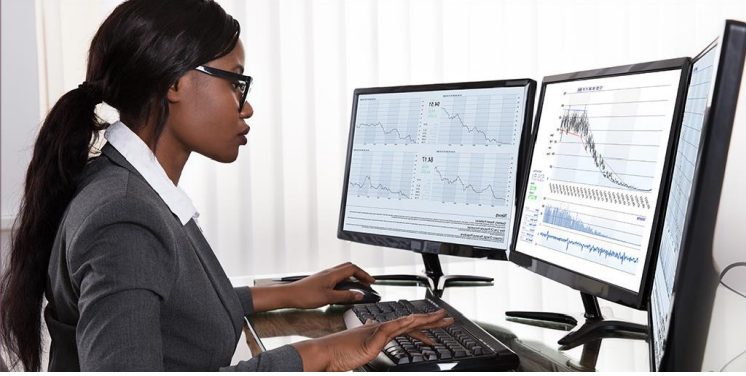


# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	<b>BW</b>	Empty data card			
05:00	JN	Leading index	Aug F	101,3 A	100,9
08:00	EZ	M3 money supply sa y/y	Sep	6,1%	6,1%
14:00	CA	Canada central bank rate decision	Oct 26	3,75%	3,25%
14:00	US	New home sales	Sep	580k	685k

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>US Earnings</b>	Alphabet missed earnings expectations, while revenue at YouTube shrank. Growth in overall revenues slowed to 6%, the weakest since 2013	The company will look to downscale its work force in the first sign of a shift in labour market dynamics	<b>5/5</b> (market, economy)	Investors were waiting to see whether the tough economic conditions would translate into weaker corporate earnings that might give the Fed reason to pause and rethink its aggressive tightening
<b>Aussie inflation</b>	Australian inflation surged to a 32-yr high in Q3 as the cost of home building and gas surged. This brings the y/y inflation rate to 7.3% from 6.1% and is the highest since 1990	This is well above the peak pencilled in by the RBA, which stood closer to 6% and implied more rate hikes to come	<b>5/5</b> (economy, monetary policy)	The RBA has been fairly measured in its approach to tightening, not wanting to deal the economy a heavy blow. However, inflation has finally started to manifest more powerfully than expected and forces the RBA's hand
<b>US data</b>	Consumer confidence in the US fell 5.3 points to 102.5, while house price growth decelerated to 13% y/y with more moderation anticipated	There is now growing evidence that inflation and Fed hiking have raised recession risk	<b>4/5</b> (economy, monetary policy)	The data is turning the corner but off a high base. This is not the kind of data that will scare the Fed, but it is a prelude to what's to come as the overall business cycle slows

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>US Earnings</b>	Although Microsoft beat expectations on the top and bottom line, its forward guidance was much weaker. This comes on top of the Alphabet miss	These large tech companies are now starting to reflect the reality of the difficult global economy	<b>4/5</b> (market, economy)	Earnings going forward will continue to drive broader sentiment as investors prepare for a tougher market. A deeper correction in asset prices looks inevitable
<b>German morale</b>	Ifo data released yesterday shows that the business expectations index remains close to the lows witnessed at the onset of the global pandemic in Apr 2020	As inflation rises and the ECB responds with rate hikes, growth dynamics remain pressured	<b>4/5</b> (economy)	Although the data did not deteriorate significantly further, it still hints at very weak business conditions and a very depressed industrial sector that is struggling to see better times ahead
<b>Pressure on Fed</b>	Increasingly, the Fed is coming under pressure to moderate the pace of its tightening. The pressure is coming from Congress as well as abroad	Data is slowing, inflation appears to have topped out, and financial markets are correcting	<b>4/5</b> (economy, monetary policy)	The Fed has induced other central banks to protect their currencies against the USD. US data is now softening as are earnings. The Fed is being urged to consider its impact on growth

## Highlights news vendors

**BUSINESS LIVE** - [GDP contraction on the cards as economic activity slows](#)

**FT** - [Russia's nuclear rhetoric 'requires full attention'](#)

**REUTERS** - [New PM Rishi Sunak pledges to lead Britain out of economic crisis](#)

**SOUTH CHINA POST** - [All eyes on China's economic 'balancing act' with Beijing urged to lift mood](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.293888	1.298688	1.3188223	1.393384
BWPUSD	0.071136	0.093496	0.0725069	0.076735
GBP/BWP	16.033888	16.087032	15.687001	15.158934
BWPEUR	0.077376	0.077584	0.073098	0.076092
JPY/BWP	11.4192	11.4504	10.78785	11.202675
USDZAR	17.461344	18.936008	17.870594	18.52633475
EURUSD	0.956256	1.03636	0.9786683	1.01393875
GBPUSD	1.09968	1.192048	1.1254538	1.1662585

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0741	0.0003	1m	-2.5155	0
BWPGPB	0.0646	-0.0008	3m	-6.62025	0
BWPEUR	0.0743	0.00	6m	-12.82125	0
BWPZAR	1.3481	-0.0047	12m	-26.45175	0

Dollar Index		
	Close	Change
EURUSD	0.9963	-1E-04
GBPUSD	1.1457	-0.001
USDJPY	148.12	0.21
USDNGN	436.68	0
USDZAR	18.1872	-0.0123

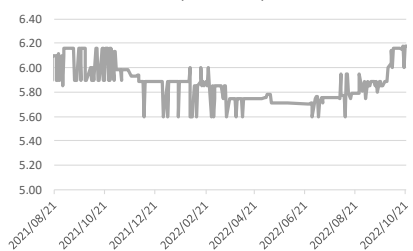
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.405	-0.001	SA 10y	10.87	-0.18
3y	5.201	0.001	US 10y	4.11	-0.122
5y	6.18	0	German 10y	2.17	-0.174
20y	8.75	0	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		301.5	-3.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.81	-0.18	Gold	1652.5239	3.9239
Dow Jones	31836.74	417.06	Brent Crude	1648.6	0.26
FTSE	7013.48	44.26	3m Copper	1656.66	-33
JSE All share	65850.84	-563.29	LME Index	1627.6637	-1.8
Bots DCIBT	7539.5	1.98	1 carat index	1628.4883	#VALUE!
Nigeria Index	44788.14	64.9			

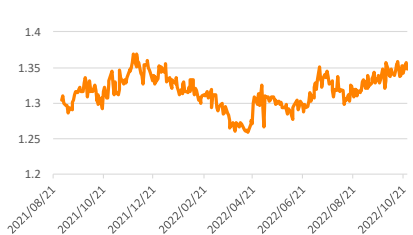
Spot BWP



BWP 5y local bond yield



BWP-ZAR

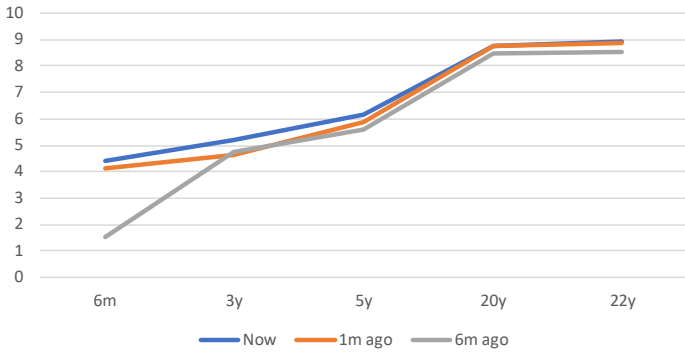


- Botswana's Energy Minister has indicated that the government is seeking to secure funding partners for a \$2.5bn plant to produce synthetic fuels from coal, a plan rekindled by the European energy crisis. Botswana has for almost a decade discussed tapping its extensive coal resources to produce fuels to displace costly imports. This would follow the example of South Africa, which developed coal-to-liquid technology through Sasol Ltd. Government efforts to realise the project has accelerated since Russia invaded Ukraine.
- Turning to the crypto market, Yellow Card Financial Inc. has become the first company on the African continent to secure a license for trading crypto in Botswana. According to the Chief Executive Officer of the pan-African cryptocurrency exchange, the operating license may open up greater channels for expansion and access to payment, partners, banking, and clients across the continent. Yellow Card will target the unbanked population in Botswana. Note that more African countries are working to establish legislation to regulate the use of cryptocurrency and other digital assets in the financial markets. Meanwhile, last week, South Africa introduced rules to tighten oversight of the industry and protect customers.

## Financial Market Commentary

- The USD-BWP hugged the 13.5000 level yesterday, remaining little changed. The pair failed to capitalise on the broad dollar weakness seen across the board after plunging to a level not seen in almost three weeks, as speculation that the Federal Reserve would slow the pace of interest rate hikes later this year boosted appetite for riskier bets while diminishing the US currency's appeal. Note that the USD is extremely overvalued at current levels and is due for a correction. With so much priced into the USD, the risks are asymmetrically building against it.
- Global bonds rallied yesterday amid signs that Federal Reserve rate hikes are taking a toll on the economy. Core market bond yields were broadly lower yesterday, dragging emerging and frontier market bond yields down with them. The US 10yr benchmark closed just above the 4.000% level while the 2yr yield slipped back below 4.5000%. This deepened the inversion of the yield curve while the curves for the UK and German bond markets flattened. JGBs, meanwhile, remain the exception, with pressure building along the back end of the curve to jolt the BoJ back into action as it ramped up purchases of ultra-long tenors this morning.
- While the weaker-than-expected US data dampened US rate hike bets yesterday, the FOMC is still expected to deliver a 75bps rate hike next week. Arguably of more importance than the rate hike itself will be the bank's forward guidance on rates. Investors will be on high alert for signs of slowing economic growth that could allow the Fed to moderate the pace at which it has been raising interest rates.
- Oil prices are back under a bit of pressure this morning, with the market still digesting yesterday's API report, which showed that US crude stockpiles increased by a massive 4.5mn barrels last week. This puts focus on the official government figures, which will be out today, with the breakdown of distillates and other fuel supply inventory levels likely to move the markets this afternoon. Supply remains tight across the globe, but the pressures are less acute in the US, while signs are emerging that demand across the globe is softening. This week has seen some soft PMI figures released, while China's delayed macroeconomic data and party conference did not instil much confidence in the economic recovery going forward.
- This weak macroeconomic outlook suggests that even with relatively tight supplies, oil prices have fairly limited room to rally at the moment. The upcoming OPEC+ production cut and embargo on Russian crude by the European Union, meanwhile, have already been largely priced in. The latter may not even have much of an effect on European supply, given that many have already self-sanctioned Russian crude, forcing the country to sell to the likes of Asian buyers at discounted prices.

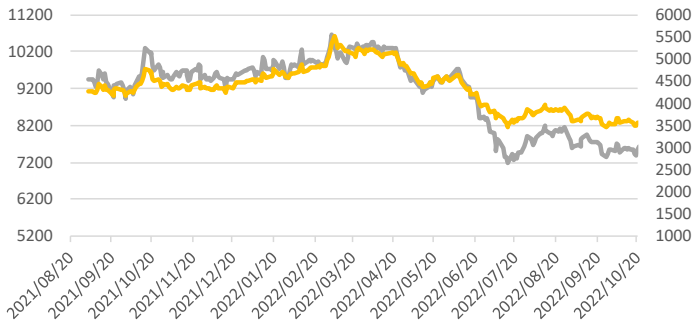
### Botswana Yield Curve



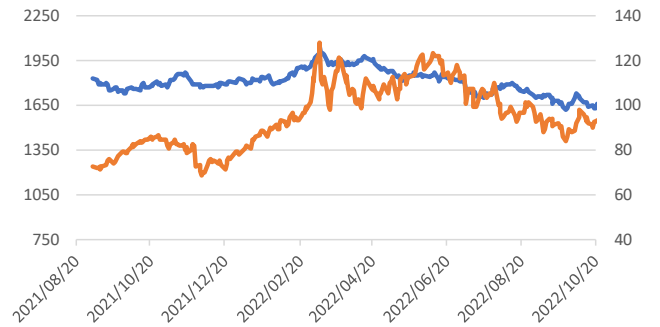
### USD Index



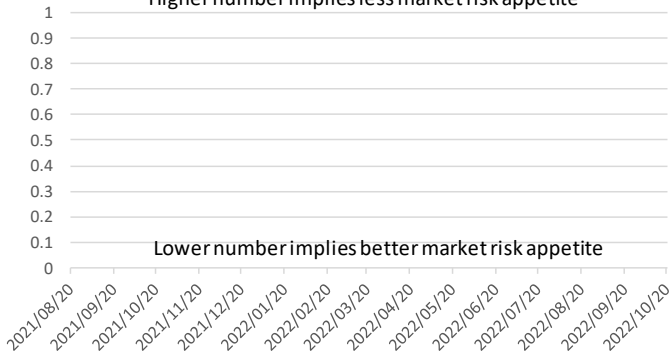
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



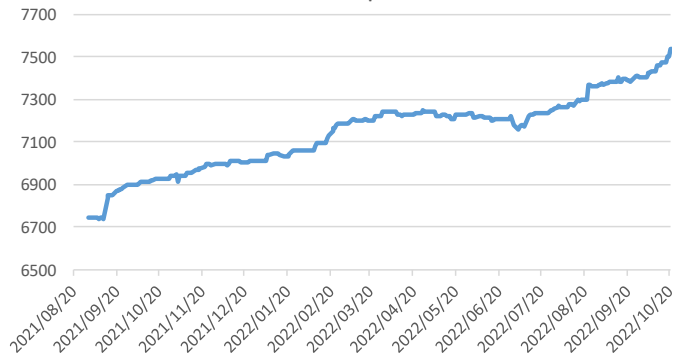
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



## Access Bank Global Markets & Treasury Team

e-mail	First Name	Surname	Direct Line
<a href="mailto:nkatem@accessbankplc.com">nkatem@accessbankplc.com</a>	Mogamisi	Nkate	2673674335
<a href="mailto:masalilap@accessbankplc.com">masalilap@accessbankplc.com</a>	Phillip	Masalila	2673674621
<a href="mailto:kebaetsek@accessbankplc.com">kebaetsek@accessbankplc.com</a>	Kefentse	Kebaetse	2673674336
<a href="mailto:thembaa@accessbankplc.com">thembaa@accessbankplc.com</a>	Amogelang	Themba	2673674370
<a href="mailto:bogalet@accessbankplc.com">bogalet@accessbankplc.com</a>	Tshwanelo	Bogale	2673674622
<a href="mailto:davidbat@accessbankplc.com">davidbat@accessbankplc.com</a>	Batanani Pearl	David	2673644382
<a href="mailto:magashulan@accessbankplc.com">magashulan@accessbankplc.com</a>	Ntebang	Magashula	2673644382
<a href="mailto:segwabek@accessbankplc.com">segwabek@accessbankplc.com</a>	Keategile	Segwabe	2673644382

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