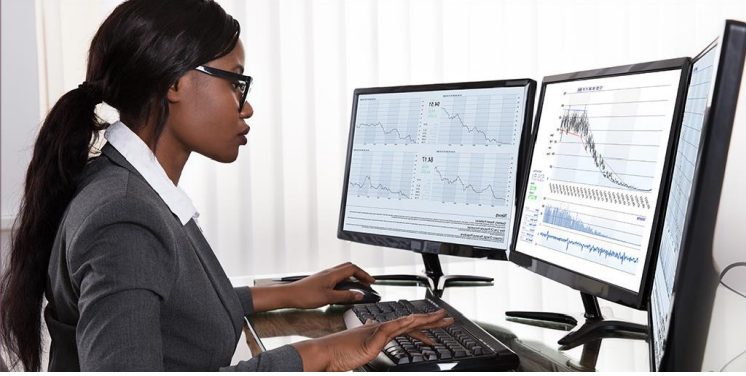


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
-	JN	BOJ Policy Rate	Oct 28	-0,1% A	-0,1%
08:00	EC	ECB Survey of Professional Forecasters			
12:00	GE	CPI y/y	Oct P	10,1%	10,0%
12:30	US	BLS Employment cost index q/q SA	3Q	1,2%	
12:30	US	PCE core y/y	Sep	5,2%	4,9%
14:00	US	Michigan consumer confidence	Oct F	59,6	59,8
14:00	US	Pending home sales y/y	Sep		-22,5%

Factors Overnight	What happened?	Relevance	Importance	Analysis
BoJ decision	The BoJ has bucked the global tightening trend and maintained both short and long-term rate targets, with no change to policy guidance despite higher inflation	Risks to the economic outlook are skewed to the downside, and rates will remain low	4/5 (monetary policy)	By keeping rates as low as they are, the BoJ has ensured that the JPY remains the world's best funding currency, and the JPY will struggle to stage any significant appreciation.
US GDP	Q3 GDP accelerated to 2.6% due in large part to the smaller trade deficit, but domestic demand conditions are weaker, and the data overstates activity	Domestic demand is the weakest in two years, and residential investment fell for the sixth quarter	4/5 (economy)	There is no escaping the higher interest rates or the buoyant inflation that continues to restrict consumption spending. Add to that quantitative tightening, and growth will decelerate
ECB decision	The ECB raised rates by 75bp to 1.5%, the highest level since 2009 and is actively looking at ways of reducing its balance sheet as it battles inflation	The ECB maintains that the risk of doing nothing is greater as it prevents inflation becoming entrenched	5/5 (economy, monetary policy)	This is a tough decision but the lesser of two evils. Not hiking would have seen the EUR plunge and price pressures increase. The ECB aims to keep inflation from becoming entrenched

Factors on the Radar	What happened?	Relevance	Importance	Analysis
IMF lowers forecast	The IMF has downgraded Asia's growth forecast to 4.0% this year and 4.3% in 2023, cutting China's forecast to 4.4% for 2023	Inflation, a global slowdown and difficulties in China were blamed	3/5 (economy)	The revision is to be expected as central banks worldwide continue tightening in a bid to contain inflation. The risk is that more downward revisions are needed.
UK fiscal policy	UK public finances are concerning, and new PM Sunak's government is exploring tax hikes and spending cuts to plug the fiscal hole created during Covid	The full statement will be released on the 17 th Nov, but an austerity approach is looking likely	5/5 (fiscal policy, market, economy)	The decision to head this route will be unpopular, which is difficult for an unelected PM, but it will likely be rewarded by the markets and stand the UK in good stead over the long term.
US rates outlook	US bond yields and shorter-dated rates are retreating quickly as recent data and comments from the Fed give the impression that the central bank will pivot in Dec	It appears as though the bulk of the monetary tightening is now behind us, and rate hikes will ease	4/5 (economy, monetary policy)	The Fed has already tightened aggressively, and the full extent of the quantitative tightening has not yet had an impact. It will in time, and the risk of a recession remains high

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Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.296672	1.302816	1.32166	1.397813
BWPUSD	0.072192	0.093496	0.0735832	0.077868
GBP/BWP	15.925104	15.99416	15.580571	15.07142
BWPEUR	0.078312	0.078624	0.0739823	0.077112
JPY/BWP	11.44	11.4816	10.8075	11.2332
USDZAR	17.243328	18.693896	17.647469	18.28946075
EURUSD	0.958272	1.038544	0.9807315	1.0160755
GBPUSD	1.109856	1.20276	1.1358683	1.17673875

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0752	-0.0002	1m	-2.2815	0
BWP/GBP	0.065	0.0002	3m	-6.67875	0
BWPEUR	0.0755	0.00	6m	-12.74325	0
BWP/ZAR	1.3514	-0.0058	12m	-26.76375	0

	Close	Change
Dollar Index	110.428	-0.159
EURUSD	0.9985	0.0023
GBPUSD	1.1563	-1E-04
USD/JPY	146.25	-0.02
USD/NGN	437.16	0
USDZAR	17.9553	-0.0203

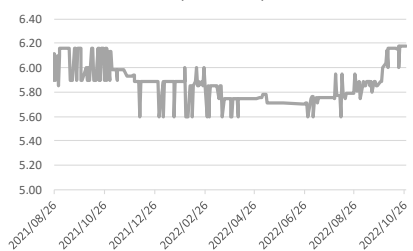
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.408	0.003	SA 10y	10.67	-0.06
3y	5.2	0	US 10y	3.939	-0.076
5y	6.18	0	German 10y	1.978	-0.137
20y	8.75	0	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		273.5	-9

Equities		Commodities			
	Close	Change	Close	Change	
VIX	23.03328	2.37	Gold	1662.9399	-1.5485
Dow Jones	32033.28	42.59	Brent Crude	1664.4884	1.27
FTSE	7073.69	1252.25	3m Copper	1652.5239	-27.5
JSE All share	67123.41	-1.51	LME Index	1648.6	-32.2
Bots DCIBT	7539.52	71.64	1 carat index	1656.66	#VALUE!
Nigeria Index	44625.18				

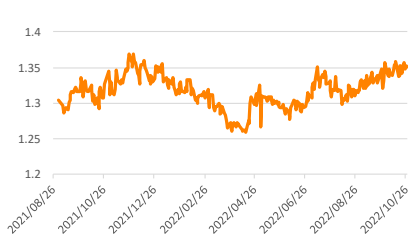
Spot BWP



BWP 5y local bond yield



BWP-ZAR



• Yesterday, the Finance Ministry released its final budget figures for the 2021–2022 fiscal year, revealing a surplus of P104 million —the first in six years — following a large P16.4 billion deficit reported during the pandemic-hit 2020–2021 fiscal year. A breakdown of the details showed that a rebound in mining activity, particularly around diamonds, helped the budget recover. In addition, a pickup in income from the Bank of Botswana and underspending in the development budget helped the fiscal situation.

• While this is a positive sign, the government must ensure consolidation efforts are maintained to avert the budget from swinging back to large deficits when the positive tailwind from commodities abate. Particularly as a result of higher spending on public servants' salaries and pensions, as well as a relief package to cushion the impact of inflation.

• Initially, the fiscal authorities estimated the 2021–22 financial year to produce a P10.2 billion deficit, representing 5.09% of Gross Domestic Product (GDP). And when looking at the non-resource primary balance, which serves as a measure of long-term fiscal sustainability, it reported a deficit of P22.2 billion, suggesting that Botswana is not yet out of the woods and will need to broaden its revenue base away from traditional sources. Botswana's government now estimates the current financial year to produce a P7.7 billion deficit, followed by a narrower P163 million shortfall in 2023–24.

Financial Market Commentary

• The Botswana Pula gained some ground on Thursday, finishing the session at 13.2672/USD after the bulls were unable to pierce through the technical resistance level, the 23.6% Fibon retracement level at 13.2563/USD, which extends from the August low to the October high. This remains a key level to breach should the BWP look to revisit the 13.200/USD mark and challenge the 50DMA at 13.1485/USD. Meanwhile, the USD stood close to a more than one-month low against a basket of major currencies on Thursday, amid growing hopes that the US Federal Reserve will shift to less aggressive interest rate hikes to temper recession risks. Though the trade-weighted DXY has steadied around 110.4 this morning, it is still set to decline for the second straight week.

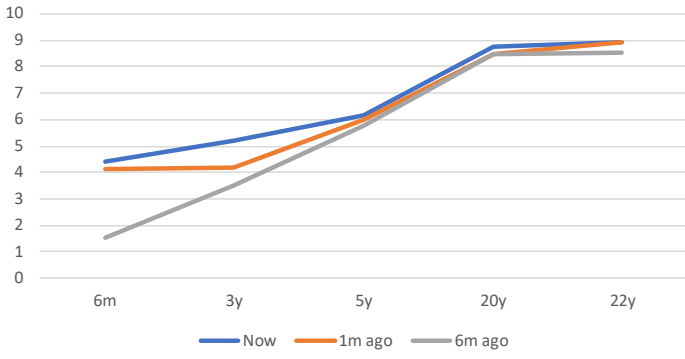
• In the wake of the US data yesterday, the focus will turn to the consumer confidence data and the latest PCE figures today for more direction. Should any of the data speak to a moderation in economic activity and the likelihood that the Fed will moderate its approach in Dec and beyond, the USD will extend its correction. Looking ahead to next week's FOMC meeting, markets are still expecting another 75 basis point rate hike, although sentiment is building that the Fed will opt for a smaller increase in December.

• In the fixed-income markets, global bonds are roaring back as a slew of dovish signals from central bankers revive investor hopes that this year's frantic pace of policy tightening has reached a plateau. The yield on 10-year US Treasuries has tumbled 30 basis points this week to 3.91%, on track for the biggest decline since March 2020. Despite worse-than-expected inflation data on Wednesday, Australian bonds have tumbled for five straight sessions, and the German benchmark bond yield is back below 2%. A dovish takeaway from the European Central Bank meeting on Thursday and the Bank of Canada hiking less-than-feared on Wednesday has reignited a debate that peak global interest rates are on the horizon.

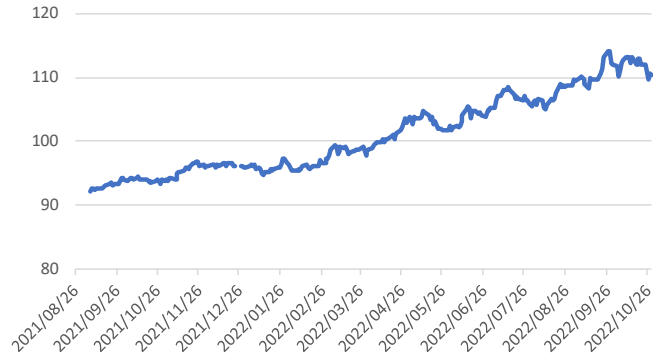
• On the commodity front, Brent crude has eased below \$89 per barrel on Friday but was still on track to end the week higher, underpinned by a tightening supply outlook, record US exports and a sharp retreat in the dollar. Note that the 1-year ahead forward rate has been lagging the rally to suggest that topside momentum could wane in the near term, barring perhaps a supply shock. WTI is also far from rallying alongside Brent to suggest that US supply dynamics continue to stabilize. In this context, keep an eye on Baker Hughes data due for release today as the data continue to paint a picture of rising US oil production capacity.

• Note that next week there will also be some key events and releases for the oil market with OPEC set to publish its 2022 World Oil Outlook, some key meetings taking place in Abu Dhabi, and earnings from the likes of BP, Aramco, Nippon Gas. The G7 will be meeting in Germany to discuss geopolitics in context of Russian sanctions, which could also have ramifications for European energy prices.

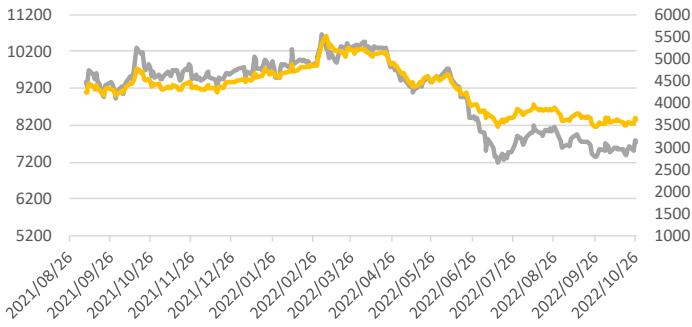
Botswana Yield Curve



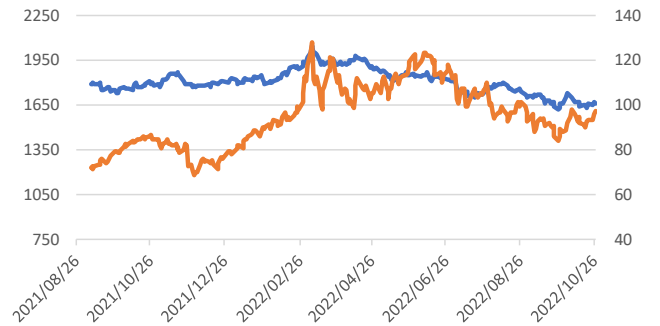
USD Index



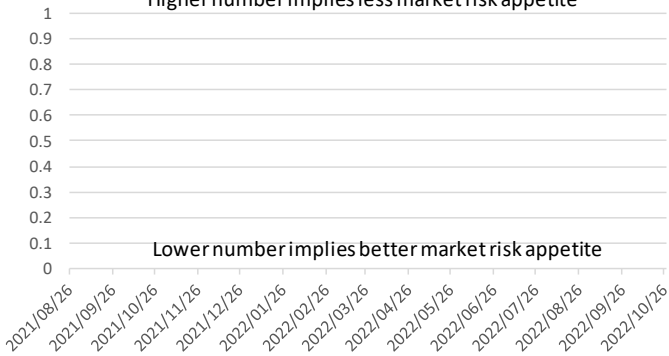
Base metals - Copper L_Hand axis LME Index R_Hand axis



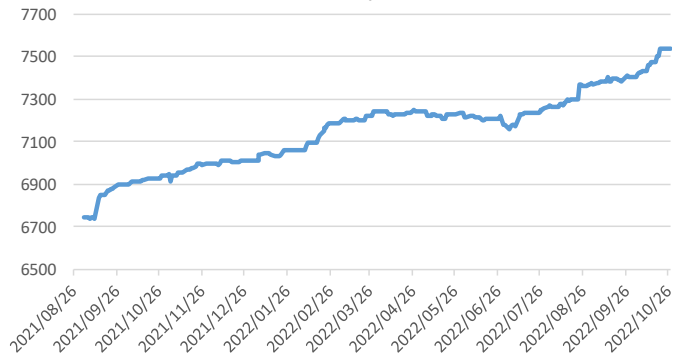
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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