

Botswana Market Watch



| GMT | Country | Data event or release | Period | Market Exp | Previous |
|-------|---------|----------------------------|--------|------------|----------|
| - | BW | Empty data card | | | |
| 0/N | JN | Industrial production y/y | Sep P | 9,80% A | 5,80% |
| 01:30 | CH | PMI manufacturing | Oct | 49.2 A | 50.1 |
| 07:00 | GE | Retail sales y/y | Sep | -3,40% | -1,70% |
| 09:30 | GB | M4 money supply y/y | Sep | | 3,80% |
| 09:30 | UK | ECB's Visco speaks in Rome | | | |
| 10:00 | EZ | CPI estimate y/y | Oct | 9,70% | 10,00% |
| 10:00 | EZ | GDP sa y/y | 3Q A | 1,90% | 4,10% |
| 13:45 | US | Chicago PMI | Oct | 47.2 | 45.7 |
| 15:00 | EC | ECB's Lane Speaks | | | |

| Factors Overnight | What happened? | Relevance | Importance | Analysis |
|--------------------------------|--|--|---------------------------------|---|
| China Covid curbs | Fears have increased that widening Covid curbs will further curtail demand. China persists with its zero-Covid policy as outbreaks widen | This will hold implications for global growth once again and could impact supply chains | 4/5 (monetary policy) | China will constantly drift into and out of Covid restrictions and always threaten supply chains and regional growth. It is something politically motivated and so could have market-moving potential |
| Japan factory output | Factory output in Japan has fallen for the first time in four months, as Sep output fell 1.6% m/m, well below expectations. Auto production was down 12.4% m/m | A global slowdown and the rising raw material costs have weighed heavily on production | 4/5 (economy) | Although domestic consumptive demand will continue to add some resilience, production is set to stall on the back of deteriorating demand conditions that will impact exports |
| Russia exits grain deal | The EU called on Russia to reverse its decision to participate in the grain deal brokered by the UN that helped ease the global food crisis | Russia's decision to suspend the deal puts at risk the export route for both grain and fertilizers | 5/5 (economy, market) | Russia clearly sees this as leverage and wants to inflict maximum pain to build leverage should any peace negotiations take place at some point, although as yet, Russia continues to fight for the win |

| Factors on the Radar | What happened? | Relevance | Importance | Analysis |
|--------------------------|--|--|--|---|
| ECB rate decision | ECB's next rate moves are likely to be between 50-75bp, according to ECB council member Klaas Knot | This follows on from the 75bp rate hike last week, implying ongoing tightening | 4/5 (economy, monetary policy) | His comments that "We are not even half-time yet" suggests that the ECB may have a lot more tightening to announce |
| Central banks | Some major central banks will decide their policy decisions this week, including the RBA on Tue, followed by the Fed on Wed and the BoE on Thu | Rate hikes will be the order of the day as all three central banks look to regain control of inflation | 5/5 (monetary policy, market, economy) | Further monetary tightening worldwide will continue to apply the brakes to global GDP growth. Add to that China's Covid curbs and the risks of recessionary conditions are rising |
| US labour data | This week will see the usual end-of-month labour data out of the US, and given the importance of this data in deciding policy, it is market moving | Labour markets respond with a lag, which are not a good leading indicator but still important | 4/5 (economy, monetary policy) | Policy decision-making will continue based on how tight or loose the labour market is. There are, however, signs that the US economy is facing strong headwinds and it is just a matter of time |

Highlights news vendors

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FT - [Western countries slam Russia's decision to exit Black Sea grain deal](#)

REUTERS - [Congo expels Rwanda ambassador as M23 rebels capture strategic town](#)

SOUTH CHINA POST - [China's zero-Covid policy leaves experts at a loss with no definite end in sight](#)

Local and regional talking points

| Corporate Foreign Exchange | | | | |
|----------------------------|--------------|---------------|--------------|---------------|
| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
| | CASH | CASH | TT | TT |
| BWPZAR | 1.300896 | 1.312416 | 1.3259654 | 1.408113 |
| BWPUSD | 0.07152 | 0.093496 | 0.0728983 | 0.077353 |
| GBP/BWP | 16.062488 | 16.194672 | 15.714982 | 15.260364 |
| BWPEUR | 0.077792 | 0.078416 | 0.073491 | 0.076908 |
| JPY/BWP | 11.4504 | 11.544 | 10.817325 | 11.29425 |
| USDZAR | 17.461056 | 18.93164 | 17.8703 | 18.52206125 |
| EURUSD | 0.955584 | 1.035632 | 0.9779805 | 1.0132265 |
| GBPUSD | 1.113504 | 1.206504 | 1.1396018 | 1.18040175 |

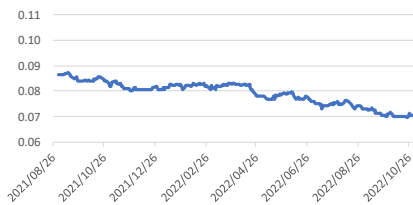
| Interbank Spot Foreign Exchange | | Forward Foreign Exchange | | |
|---------------------------------|--------|--------------------------|---------|-----------|
| | Close | Change | BWP/USD | BWP/ZAR |
| BWP/USD | 0.0745 | 0.0000 | 1m | -2.36925 |
| BWP/GBP | 0.0642 | 0.0001 | 3m | -6.63 |
| BWPEUR | 0.0748 | 0.00 | 6m | -12.66525 |
| BWP/ZAR | 1.355 | 0.0026 | 12m | -26.58825 |

| Dollar Index | Close | Change |
|--------------|---------|---------|
| EURUSD | 0.9956 | -0.0007 |
| GBPUSD | 1.1598 | -0.0012 |
| USD/JPY | 147.81 | 0.36 |
| USD/NGN | 437.5 | 0 |
| USDZAR | 18.1883 | 0.0821 |

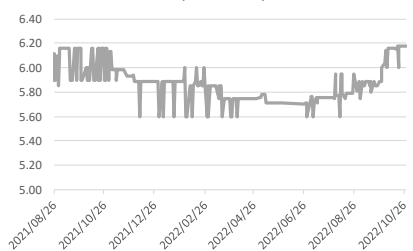
| Local Fixed Income | | | International Fixed Income | | |
|--------------------|-------|--------|------------------------------|-------|--------|
| Yield curve | Close | Change | | Close | Change |
| 6m | 4.405 | -0.003 | SA 10y | 10.74 | 0.07 |
| 3y | 5.2 | 0 | US 10y | 4.01 | 0.071 |
| 5y | 6.18 | 0 | German 10y | 2.086 | 0.108 |
| 20y | 8.75 | 0 | Spread SA 5y vs Bots 5y bpts | | |
| 22y | 8.9 | 0 | | 278 | 4.5 |

| Equities | | | Commodities | | |
|---------------|----------|--------|---------------|-----------|----------|
| | Close | Change | | Close | Change |
| VIX | 23.81 | 0.00 | Gold | 1641.76 | -21.1799 |
| Dow Jones | 32861.8 | 194.17 | Brent Crude | 1662.9399 | -1.19 |
| FTSE | 7047.67 | 17.62 | 3m Copper | 1664.4884 | -214.5 |
| JSE All share | 66385.58 | 20.32 | LME Index | 1652.5239 | -93.5 |
| Bots DCIBT | 7545.37 | 1.53 | 1 carat index | 1648.6 | #VALUE! |
| Nigeria Index | 43912.64 | -234.6 | | | |

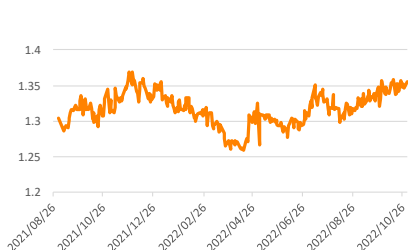
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- De Beers, the world's top diamond producer by value, saw the production of roughs climb 4% to 9.6 million carats in the third quarter of the year, driven by higher output in Botswana, Namibia and South Africa. Production in Botswana rose by 4% to 6.6 million carats, mainly due to the treatment of higher-grade ore at its Orapa mine. The growth was partly offset by the processing of lower-grade ore at the Jwaneng mine, the world's richest diamond mine by value, which contributes significantly to the economy of Botswana.

- De Beers stated that demand for rough diamonds remained steady in the third quarter while sales were lower than in the second quarter. The mining company expects sales to be lower in the year's final quarter due to the normal seasonal closure of cutting and polishing factories. Although consumer demand for natural diamonds continues to be robust, a deterioration of global economic conditions, reduced consumer spending, and continued Chinese Covid-19 lockdowns have the potential to impact demand for diamonds and, by extension, the growth outlook local economy. Strong demand for diamonds, increased copper production and an uptick in international tourist arrivals are expected to support Botswana's economic growth in 2022 and beyond.

Financial Market Commentary

- The USD-BWP rose into the weekend, snapping three days of losses after closing at 13.3419 but with a modest loss of 1.2%. Heading into the final session of the month, the pair is set to end marginally higher, but a slight retreat could see the pair remain relatively unchanged. Although the USD recovered from its lows last week, the recovery looks tentative. With the Fed talking about easing the pace of tightening and pivoting, other central banks are not there yet, with the ECB indicating that it still has much more tightening to implement. It will prove more difficult for the USD to regain momentum unless bond yields in the US start to surge higher again, which looks doubtful, given just how much has been priced in. The USD itself is expensive, and it is becoming increasingly difficult to argue for a long USD position from current levels.

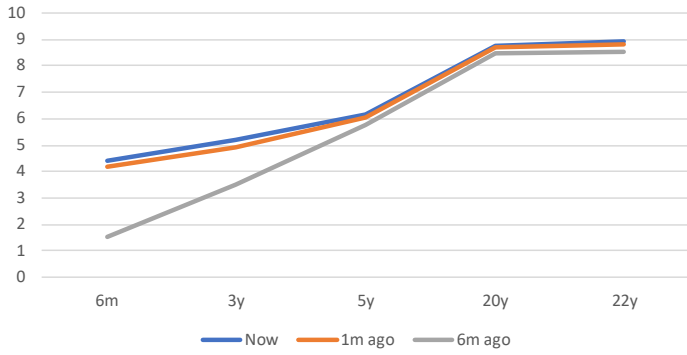
- The stage is set for another volatile week of trade for bond markets. There will be several economic releases for markets to digest. That said, the week's most important event is the FOMC rate announcement on Wednesday evening. The forward guidance from the policy statement will set the tone for rates markets going forward. Investors will be watching closely for signs of caution and gradualism.

- Rates markets are a sea of red this morning, extending the losses seen on Friday's session following the hotter-than-expected Eurozone CPI print. With inflation showing few signs of slowing, hawkish bets have resurfaced, which will likely keep bonds on the back foot ahead of the FOMC decision on Wednesday.

- Brent crude is trading around \$95 per barrel on Monday and is headed for the first monthly gain since May, as investors braced for large OPEC+ production cuts that threaten to tighten the market further heading into winter. The oil cartel is set to reduce output by 2 million barrels per day from November in a move largely seen as aimed at keeping prices high, though the group cited economic headwinds and the need to protect the oil industry. The European Union ban on Russian oil is also set to take effect on Dec. 5 as part of broader sanctions for the invasion of Ukraine.

- Meanwhile, looming risks of a global recession and a weakening demand outlook continued to weigh on oil markets. Persistent Covid-induced curbs in top crude importer China also clouded the outlook, as the country clings to the Covid Zero policy that has been a bane for its economy. Elsewhere, Iran and Russia are set to discuss a \$40 billion plan on Monday to develop oil and gas fields in Iran, Bloomberg reported.

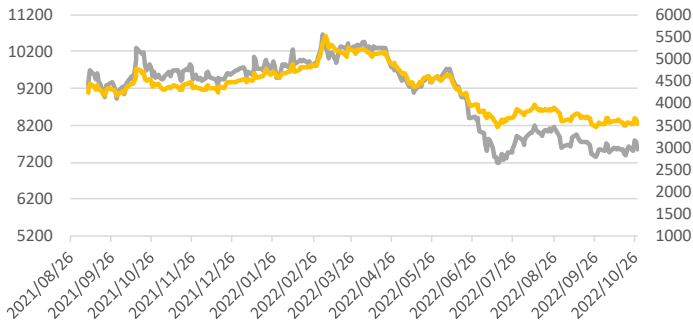
Botswana Yield Curve



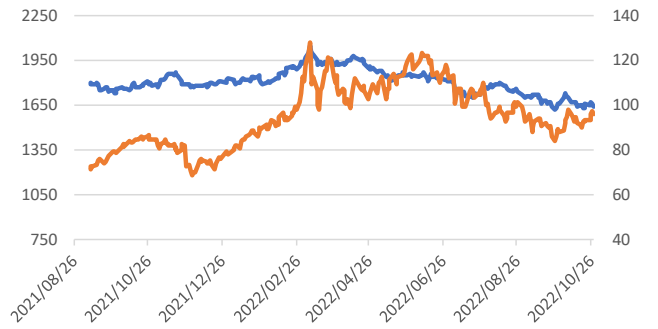
USD Index



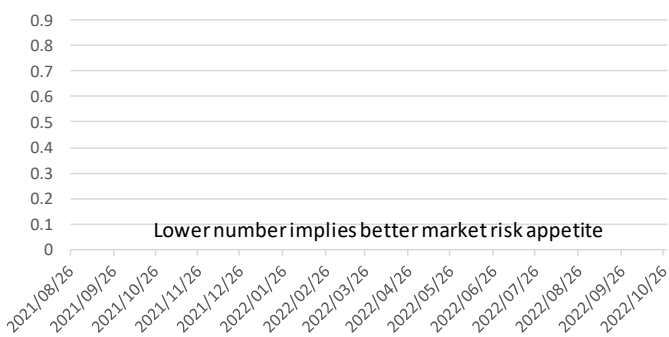
Base metals - Copper L_Hand axis LME Index R_Hand axis



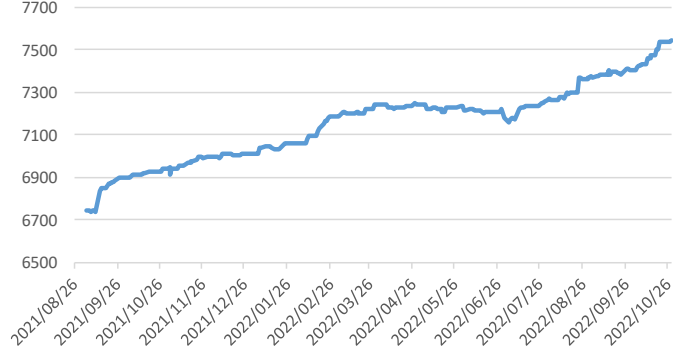
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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