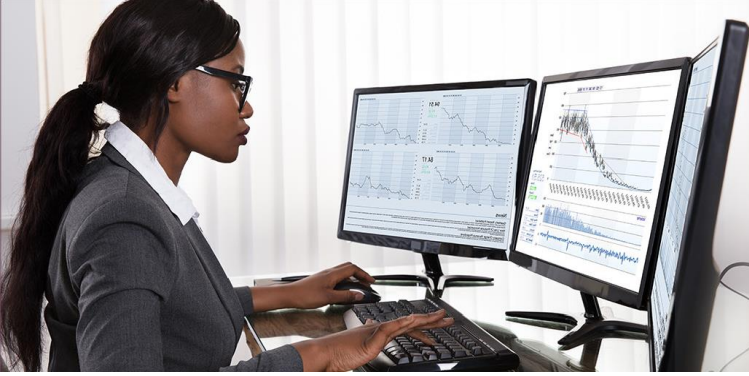


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
01:45	CH	Caixin composite PMI	Oct	48.3 A	48.5
07:50	EC	ECB's Lagarde Speaks			
09:30	GB	Markit composite PMI	Oct F		47.2
10:00	EZ	Unemployment rate	Sep	6,60%	6,60%
12:00	GB	BoE bank rate	Nov 3	3,00%	2,25%
12:30	US	Initial jobless claims	Oct 29		217k
12:30	US	Nonfarm Productivity	3Q P	-0.1%	-4.1%
12:30	US	Trade balance	Sep	\$-70.15bn	\$-67.4bn
14:00	US	ISM non-manufacturing composite PMI	Oct	55.5	56.7
14:00	US	Factory orders	Sep	0,40%	0,00%

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Labour market	Following the JOLTS data on Tuesday, the ADP figures increased by more than expected in the services sector, mainly leisure and hospitality	The rise in employment confirms that the US labour market remains strong	4/5 (economy, monetary policy)	Confirmation will come from the non-farm payroll data on Friday, but for now, it appears as though the labour market remains tight and that wage inflation will remain a consideration for the Fed
FOMC decision	As anticipated, the Fed lifted rates by a further 75bp for the fourth consecutive time to take the Fed Funds rate up to 3.75%-4.00%	The FOMC statement added that although in the final phase, the Fed will peak higher to combat inflation	5/5 (monetary policy, economy)	The guidance offered indicates that the Fed will likely moderate the pace of future rate hikes and will carefully monitor the inflation stats for confirmation that the policy is working
Chinese services PMI	China's services activity PMI fell to 48.4 in Oct, the weakest reading since May, driven by further lockdown restrictions	China persists with its zero Covid policy that continues to disrupt the economy	4/5 (economy)	Such aggressive lockdown strategies once again highlight the cost of the aggressive lockdowns in China that prevented natural immunisation
Factors on the Radar	What happened?	Relevance	Importance	Analysis
ECB policy	ECB MPC member Pablo Hernandez de Cos reiterated on Wed that additional rate hikes are needed to fight off inflation despite the risk of recession	The next meeting will see the ECB hike rates by at least 50bp to try to keep up with the Fed and BoE	4/5 (monetary policy)	Not hiking would leave the EZ in an awkward position, especially if the EUR depreciates further, exacerbating the inflationary episode that continues to surprise to the upside
BoE and central banks	The RBA and the Fed hiked, both in line with expectations. Focus now turns to the BoE that is expected to hike by 75bp in today's decision	A 75bp hike is aggressive for the BoE and the biggest hike since 1989 as inflation soars	5/5 (monetary policy, market, economy)	The danger with such aggressive hiking is a debt-deflation cycle. Add to that more restrictive fiscal policy, and the UK economy will almost certainly experience a significant recession
UK Windfall tax	British PM Sunak and Fin Min Hunt are planning to extend the windfall tax on oil and gas companies to raise £40bn over the next five years	The rate for these companies will rise from 25% to 30% and will extend through 2028	4/5 (economy, fiscal policy)	The Chancellor faces a large fiscal hole in the budget that needs to be plugged. The oil and gas companies have made extraordinary profits over this time due to the rising costs of energy

Highlights news vendors

BUSINESS LIVE - [Growth of 5% is the minimum SA needs to reduce unemployment](#)

FT - [Jay Powell warns US rates will peak at higher level than expected](#)

REUTERS - [Ukraine grain export deal resumes days after Russia suspends involvement](#)

SOUTH CHINA POST - [South Korea 'battery alliance' aims to supercharge rechargeable industry, but can it catch China?](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.301088	1.312608	1.3261611	1.408319
BWPUSD	0.071424	0.093496	0.0728004	0.077044
GBP/BWP	15.825992	15.959216	15.483603	15.038492
BWPEUR	0.078728	0.079352	0.0743753	0.077826
JPY/BWP	11.3984	11.492	10.7682	11.243375
USDZAR	17.48736	18.9592	17.89722	18.549025
EURUSD	0.943488	1.022528	0.965601	1.000406
GBPUSD	1.095648	1.187368	1.1213273	1.16167975

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWP/USD	BWP/ZAR
BWP/USD	0.0744	0.0002	1m	-2.4375	0
BWP/GBP	0.0653	0.0007	3m	-6.6105	0
BWPEUR	0.0758	0.00	6m	-12.62625	0
BWP/ZAR	1.3585	0.0123	12m	-26.52	0

Dollar Index	Close	Change
EURUSD	0.9829	0.0012
GBPUSD	1.1412	0.0023
USDJPY	147.3	-0.6
USDNGN	438.37	0
USDZAR	18.2197	-0.0403

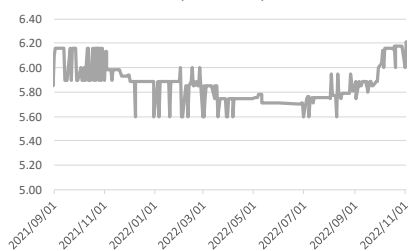
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.407	-0.001	SA 10y	10.72	-0.09
3y	5.15	0.001	US 10y	4.061	0.009
5y	6.2	-0.01	German 10y	2.135	0.011
20y	8.8	0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.9	-0.05		283	-2

Equities		Commodities			
	Close	Change	Close	Change	
VIX	32147.76	-79.75	Gold	1634.887	-12.6163
Dow Jones	7144.14	91.63	Brent Crude	1647.5033	1.51
FTSE	67123.1	742.62	3m Copper	1633.1224	-25.5
JSE All share	7569.24	15.52	LME Index	1641.76	2.4
Bots DCIBT	44283.02	-93.35	1 carat index	1662.9399	#VALUE!
Nigeria Index					

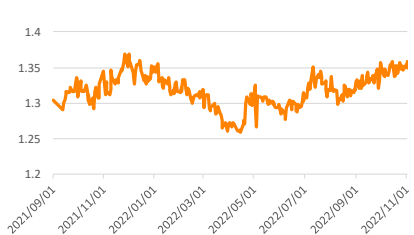
Spot BWP



BWP 5y local bond yield



BWP-ZAR



- It has been a good year for Botswana, with robust diamond performance continuing to remain the backbone of the economy. Data from the Bank of Botswana showed that rough diamond sales by Debswana Diamond Company jumped 37.5% in the first nine months of the year. Specifically, Debswana's January-September sales rose to \$3.578bn from \$2.602bn a year earlier. In local currency terms, Debswana's rough diamond sales rose 52.5% to BWP 43.237bn, reflecting a stronger dollar in the period. Debswana accounts for almost all diamonds produced in Botswana, and the jump in sales is a significant boost for a country that generates around 30% of its revenue and 70% of its foreign exchange earnings from diamonds. There is still the risk of a slowdown in the diamond industry due to a deterioration in global economic conditions, reduced consumer spending and continued Chinese Covid-19 lockdowns.

- In other diamond-related news, a plenary meeting of the Kimberley Process Certification Scheme (KPCS) taking place in Gaborone will decide the fate of Russian diamonds. The Kimberley Process unites administrations, civil societies, and industry in reducing the flow of conflict diamonds globally. There are fears that diamonds, a significant portion of Russia's budget and economy, are financing the war against Ukraine. The ban on Russian gems would be a heavy blow for a country already trading under the radar. Moreover, this would have a knock on effect for countries outside Russia, including; Zimbabwe, Angola, and Botswana, which have mines mined by Alrosa, a Russian group of diamond mining companies.

Financial Market Commentary

- In some cautious trading yesterday, the USD-BWP rose slightly but mainly hugged the 13.400 level as a generally softer USD heading into the FOMC meeting amid hopes of the Fed signalling slower rate hikes down the line. After initially dropping sharply on comments that the Fed was in the final stages of tightening, the USD recovered when Fed Chairman Powell added that rates would likely peak higher than first anticipated, pouring cold water on dovish bets. Another strong payroll report tomorrow will keep the USD well-supported and EM currencies firmly on the back foot.

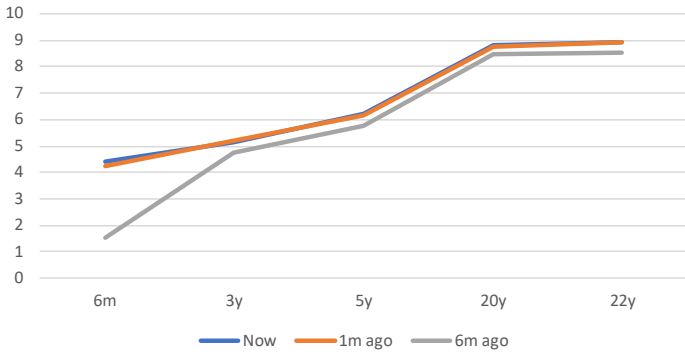
- US Treasuries were pressured yesterday by the announcements from the Fed. While USTs initially rallied on the statement that suggested that the rate hiking cycle was nearing its end, Fed Chair Powell poured cold water on any optimism regarding a pause in rate hikes which saw the gains reversed. Powell's suggestion that rate hikes may slow but that the peak will be higher has sent 10yr UST yields to over 4.100%, while the 2yr yield has risen above 4.600%. As a result, the inversion of the yield curve has deepened, with the 2v10 spread now back below -50bp. This inversion has room to deepen further as there is still room for USTs to weaken further in order to fully price in a terminal rate of 5% or possibly even higher.

- Focus now will shift to the BoE as the central bank from across the pond to the Fed will make its latest rate announcement. Expectations are for an outsized rate hike and downbeat economic forecasts, pointing to risks of further flattening along the yield curve. The conviction of the Fed and the expectation of a hawkish BoE suggest that risk asset classes will remain under pressure over the near term, finding no support from the world's central banks.

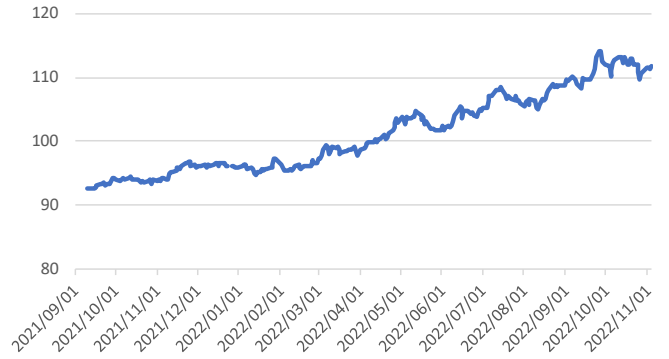
- Oil markets are under a bit of pressure this morning following yesterday's FOMC meeting. Brent is trading near \$95.85 per barrel while WTI has dipped below \$90 as the hawkish announcements from Fed Chair Powell are outweighing a tightening market at the moment. The suggestion that rates are going to go higher than what was previously expected will be a headwind to the commodity markets in general, especially over the near term, despite persistent supply concerns. The Fed is also not the only major central bank that will be hiking rates this week. The BoE is set to announce its rate decision today and we could see another outsized rate hike and suggestions that even more are to come. In their quest to tame inflation, central banks are crimping energy demand.

- The supply concerns for oil were affirmed yesterday by the latest EIA data, which showed a draw of 3.12mn barrels of crude. Meanwhile, gasoline stockpiles in the US fell to their lowest since 2014, while distillate supplies have neared seasonal record lows. The tightness of the market will prevent further significant price declines for now, but once we see demand cooling and inventories rising, pressure on oil will build.

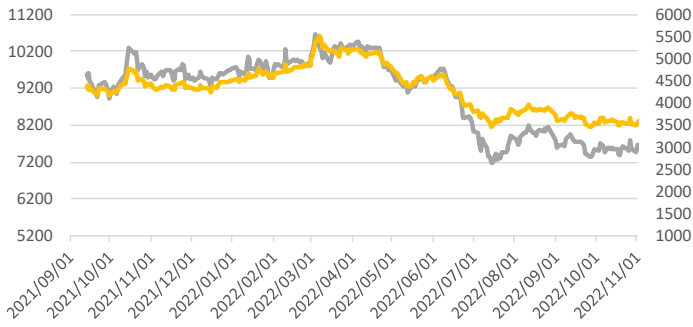
Botswana Yield Curve



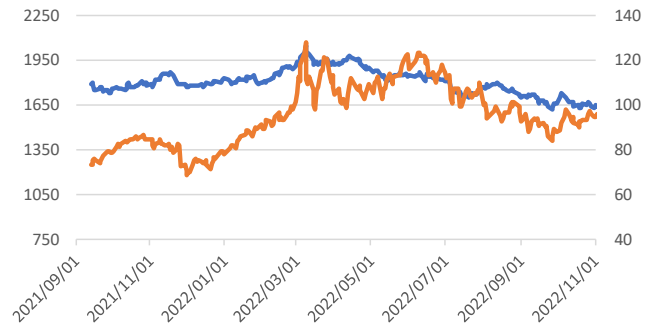
USD Index



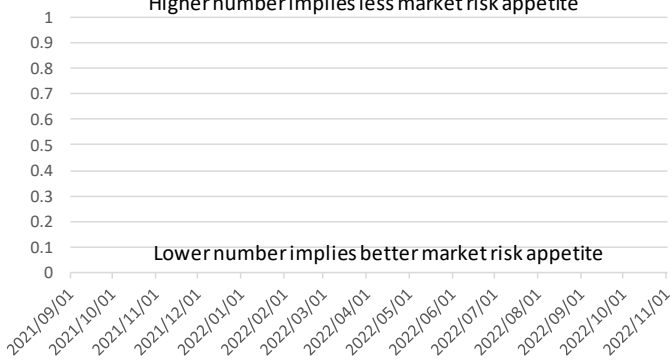
Base metals - Copper L_Hand axis LME Index R_Hand axis



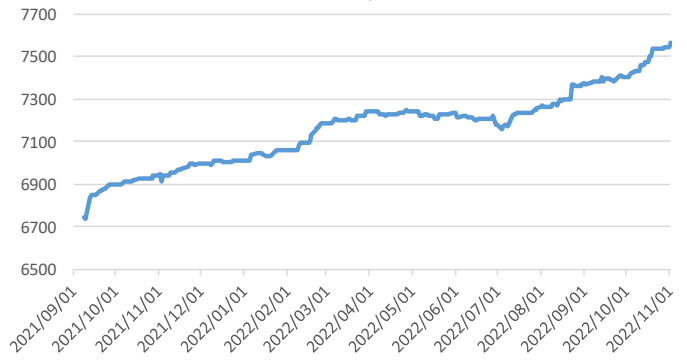
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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