

# Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
07:00	GE	Factory orders y/y	Sep		-4,10%
08:45	EC	ECB's Guindos Speaks			
08:55	GE	S&P Global services PMI	Oct F	44.9	44.9
09:00	EZ	S&P Global composite PMI	Oct F	47.1	47.1
09:00	EZ	S&P Global services PMI	Oct F	48.2	48.2
09:30	GB	PMI construction	Oct		52.3
09:30	EC	ECB's Lagarde Speaks			
10:00	EZ	PPI y/y	Sep		43,30%
12:15	UK	BOE's Huw Pill speaks			
12:30	US	Change in non-farm payrolls	Oct	200k	263k
12:30	US	Unemployment rate	Oct	3,60%	3,50%

Factors Overnight	What happened?	Relevance	Importance	Analysis
<b>BoE decision</b>	It was a bold move by the BoE to move in lock-step with the Fed and lift rates by 75bp, the biggest rate hike in 33 years	The tone from the BoE was a little more hawkish than anticipated	<b>5/5</b> (economy, monetary policy)	The BoE also predicted that the UK economy would suffer a long recession, although they did try to temper expectations of more aggressive hiking
<b>Russian retreat</b>	Russia signalled on TV that it might retreat and pull troops from the west bank of the Dnipro River and urged civilians to leave. Ukraine sees this with suspicion	Ukraine believes it might be a trap aimed at drawing them in before heavy bombardment	<b>4/5</b> (geopolitics)	Previously Russia had denied it had plans to withdraw from the area. There are simply no convincing indications that the war will end any time soon. Russian information is treated with scepticism
<b>Oil price cap</b>	The G7 and Australia have agreed to set a price when they finalise a price cap on Russian oil later this month and will not adopt a floating one	The move is aimed at limiting Russia's ability to continue funding the war in Ukraine	<b>5/5</b> (market)	While the coalition may agree on a cap, it is unclear how Russia will respond and whether this will cause another artificial scarcity in the oil market to drive the free-floating price of oil higher

Factors on the Radar	What happened?	Relevance	Importance	Analysis
<b>UK Austerity</b>	Bloomberg reported that the UK is looking into scrapping the tax-free allowance for dividend income and raising CGT	The Sunak govt is clearly turning to austerity to tackle the budget deficit	<b>4/5</b> (fiscal policy)	The costs of all the government support through Covid have now fallen due. The economy is now likely to plunge into a recession that could drag on
<b>Aussie growth outlook</b>	The RBA released its quarterly statement on monetary policy and affirmed that rates will need to rise further to cool inflation despite downgrading GDP growth	GDP growth will print 2.9% for 2022, 1.4% in 2023 and 1.6% in 2024. These could change	<b>4/5</b> (monetary policy, economy)	The RBA will respond to the data as it changes. It is prepared to raise rates in higher increments if the inflation episode warrants it. The unemployment rate forecasts have been revised higher
<b>US Yield curve</b>	The US yield curve has inverted further in response to the Fed's hawkish stance. A strong US non-farm payroll number today will only exacerbate the move	With the 10yr vs 2yr dipping to -56bp, the chances of a US recession have increased	<b>4/5</b> (economy, fiscal policy)	The danger is that the unprecedented coordination of monetary tightening around the globe, which will affect the economy with a lag, runs too far and that the global economy suffers

## Highlights news vendors

**BUSINESS LIVE** - [Joburg scrambles for funding amid a cash flow crisis](#)

**FT** - [ECB raises concerns over Spain's proposed windfall bank tax](#)

**REUTERS** - [US job growth seen smallest in nearly two years in October, unemployment rate up](#)

**SOUTH CHINA POST** - [Japan mulls US push to restrict chip exports without harming ties with China](#)

## Local and regional talking points

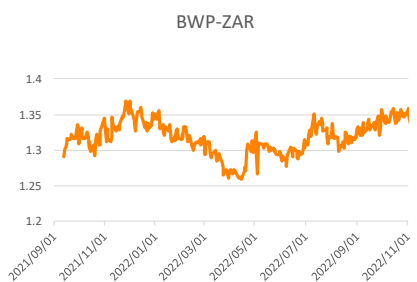
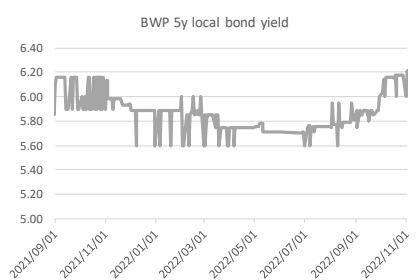
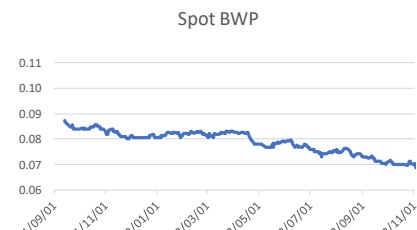
Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.283328	1.300128	1.3080588	1.394929
BWPUSD	0.07008	0.093496	0.0714305	0.076117
GBPWP	15.79136	15.991768	15.44972	15.069166
BWPEUR	0.077584	0.078624	0.0732945	0.077112
JPYBWP	11.232	11.3672	10.611	11.121275
USDZAR	17.580384	19.05956	17.992424	18.64721375
EURUSD	0.93888	1.017536	0.960885	0.995522
GBPUSD	1.077408	1.167296	1.1026598	1.142042

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.073	0.0000	1m	-2.4375	0
BWPGBP	0.065	-0.0004	3m	-7.04925	0
BWPEUR	0.0746	0.00	6m	-12.62625	0
BWPZAR	1.3366	-0.0132	12m	-26.52	0

	Close	Change
Dollar Index	112.507	-0.423
EURUSD	0.9782	0.0031
GBPUSD	1.1223	0.0058
USDJPY	147.9	-0.37
USDNGN	438.67	0
USDZAR	18.3094	-0.0963

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.406	-0.001	SA 10y	10.795	0.075
3y	5.15	0	US 10y	4.124	0.063
5y	6.21	0.01	German 10y	2.251	0.116
20y	8.79	-0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		290	-2

Equities			Commodities		
	Close	Change		Close	Change
VIX	32001.25	-505.44	Gold	1629.15	-5.737
Dow Jones	7188.63	-42.02	Brent Crude	1634.887	-1.49
FTSE	66046.65	-291.17	3m Copper	1647.5033	-65.5
JSE All share	7573.29	7.23	LME Index	1633.1224	-37.4
Bots DCIBT	44236.7	537.29	1 carat index	1641.76	#VALUE!
Nigeria Index					

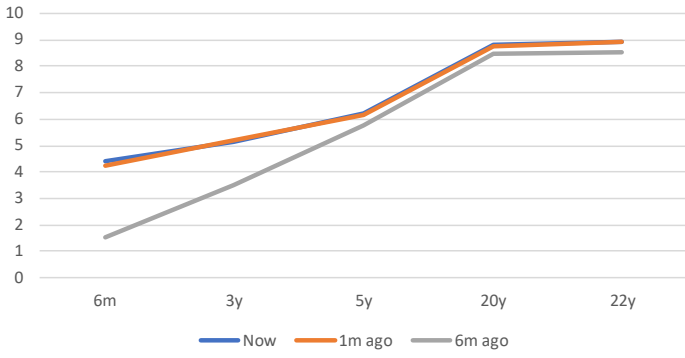


- Afreximbank President Benedict Oramah said that African Export-Import Bank is in talks with Botswana for a \$1.5bn economic support package. The president added that the funding would be targeted at rail infrastructure, agriculture, and light manufacturing. Discussions are at an early stage, and the details of the support will be provided in due course, according to Botswana's Finance Minister. While Afreximbank has previously funded private-sector projects in Botswana, the proposal would be the first direct arrangement with the government.
- On the macroeconomic front, ocean freight rates have peaked and have started to normalise as demand subsides and supply chain congestion eases. This will be a relief for policymakers and inflation doves, given the impact shipping costs have had on inflation over the past year. The cost of a 40-foot container has decreased by 70% in the last year from the highs seen during the Covid-19 pandemic. According to Maersk, the world's largest container shipping firm, global container demand is expected to contract between -2% and -4% in 2022, down from the previous projection of +1% to -1%. That said, relative to pre-pandemic levels, global freight rates remain elevated.
- In addition to the substantial pullback in global shipping costs, global supply chain pressures have eased. Despite trending lower in 2022, global supply chain pressure indices remain buoyed well above pre-pandemic levels, suggesting that supply chains are still clogged and are some way away from returning to normality. Although shipping costs and supply chain pressures remain elevated, it is encouraging to note that there has been a substantial improvement in both. The moderation in shipping costs and easing of supply chain issues against the backdrop of a deteriorating global growth outlook adds to the notion that global inflation is likely to slow in the months ahead. It is worth adding that we should see base effects begin to contribute to softer inflation from the end of Q1 2023.

## Financial Market Commentary

- The inversion of the US yield curve is reaching new extremes, with the 2v10 spread now at its widest in negative territory since the early 1980s. Another key sector of the curve, the difference between the three-month rate and where it is expected in 18 months, has now neared inversion and could dip below zero in the coming sessions. This measure is viewed as a more accurate precursor to when the Fed could start to dial back its hawkishness and cut rates. However, the market continues to price in a more aggressive Fed, with rates now expected to peak at over 5.00%, according to Fed Funds Futures. Therefore, we expect to see the yield curve invert further over the near term, with rising front-end yields to keep equity markets under pressure.
- The USD has had a good week and appreciated against most currencies, with one eye on the US non-farm payroll data to round off a week of robust US labour data. Another strong reading today will only strengthen the Fed's resolve to do more and trigger an even deeper inversion of the US yield curve to raise the probability of a recession. This will have longer-term implications for the US economy and the USD, but the rise in risk aversion and rotation to safety has helped the USD retain some support. As for the BWP, it is likely to close the week on the back foot. Yesterday, the BWP weakened to 13.5368/USD, the lowest it's been in almost two weeks, and risks plunging further should it dip below the 13.600/USD level. The underlying bias points to further weakness.
- The tug-of-war between tight supply conditions and expectations of slowing demand continues to drive the oil markets while keeping price action quite volatile. After dropping nearly 2% yesterday, Brent prices are rebounding this morning, keeping the front-month contract trading around the \$95 per barrel level. The tightening outlook for energy supply comes as OPEC+ will be making sizable cuts, at least on paper, to their oil production this month, while traders also brace for the start of EU sanctions on Russian crude from December.
- Offsetting this are concerns over weakening demand. Major central banks this week have highlighted recessionary risks for some of the world's largest economies, with the UK expected to enter a prolonged downturn while Europe faces a period of economic contraction given the ongoing energy crisis. China's economy is also spluttering, which has seen Saudi Arabia trim its prices for oil sales to the region for December. With these concerns expected to persist, for now, oil prices will be capped even with the tight supply conditions currently facing the market.

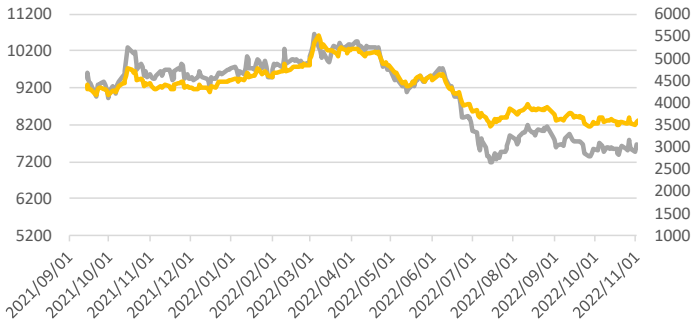
### Botswana Yield Curve



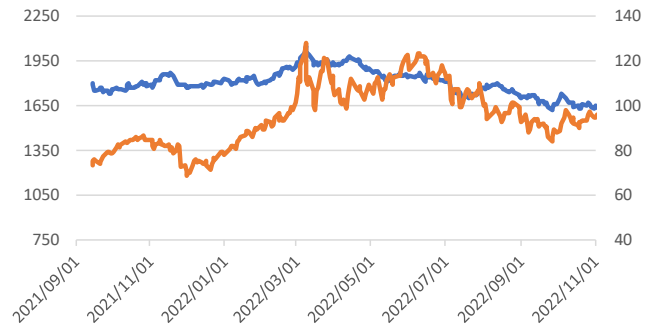
### USD Index



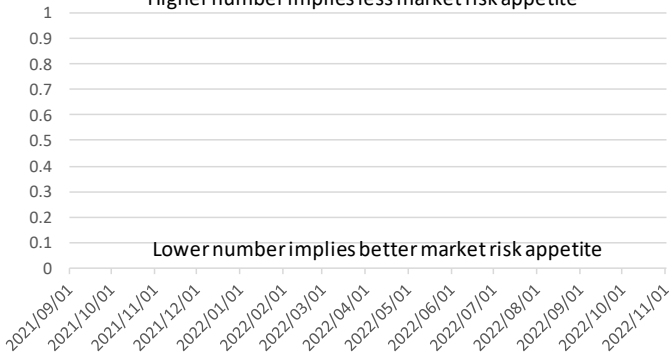
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



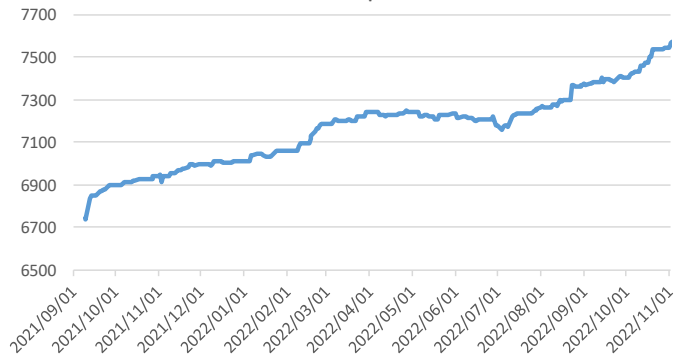
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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