

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
-	CH	Foreign Reserves	Oct		\$3.018trln
-	CH	Trade Balance	Oct	\$85.15bn A	\$84.74bn
08:40	EC	ECB's Lagarde Speaks			
09:30	EC	ECB's Panetta Speaks			
09:30	EC	Sentix Investor Confidence	Nov	-35.0	-38.3
20:00	US	Consumer Credit	Sep	\$32.500b	\$32.241b
20:40	US	Fed's Collins and Mester Speak at Women in Economics			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Chinese exports	Chinese exports shrank 0.3% in Oct according to data released earlier today, missing expectations for growth of 4.3%	Beyond the Covid restrictions, this is also a barometer for global growth	4/5 (economy)	China's economic data will reflect the reduction in global demand especially from the UK, Europe and the US, and its growth data will reflect that
USD speculators	According to the latest CFTC data, net long USD speculators have shrunk to the smallest position in more than a year	It is another indication that the tide may have turned against the USD	3/5 (market)	With the Fed talking about pivoting and with some US data showing signs of slowing, there are growing expectations that the USD will lose some support
Fed pivot	Four policymakers on Friday reiterated that they would consider smaller rate hikes at their next meeting despite the labour market holding up well	It was always going to be a matter of time before the Fed turned more sensitive to growth	4/5 (market)	Indications that the Fed will slow the pace of tightening suggest that 2023 will see the Fed pause. This could spell the beginning of the end for the USD appreciation trend that has persisted

Factors on the Radar	What happened?	Relevance	Importance	Analysis
UK Austerity	On the 17 th Nov UK Chancellor Hunt will set out plans on a combination of tax hikes and spending cuts in order to plug a €60bn fiscal hole	This is an austerity budget aimed at stabilising the fiscus after all the pandemic support spending	4/5 (fiscal policy)	This has been a long time coming and very necessary. Although it will plunge the UK into a deeper deficit, there is no doubt that the UK needs to cut its cloth to fit
COP 27	This weekend, COP 27 got underway in difficult circumstances. Energy is in short supply and becoming expensive, and countries are suffering downturns	Asking Rich nations to shoulder a huge burden may prove difficult given global growth constraints	4/5 (fiscal policy, Economy, politics)	Without sufficient funding, the push towards green energy will stall. However, it is clear that developed economies are looking to implement austerity-type fiscal policies, making funding difficult
US Mid-term elections	Tuesday will see the US hold its mid-term elections and the outcome could be quite telling for the direction of US political forces in the foreseeable future	Tuesday's elections will decide which party controls Congress and future spending	5/5 (economy, fiscal policy, politics)	A clean sweep of Congress for the Republicans will shake up the Biden administration's spending plans and render him a lame-duck president capable of achieving little

Highlights news vendors

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FT - [Japan to sign military pact with UK as allies eye China threat](#)

REUTERS - [China's exports, imports shrink as COVID curbs, global slowdown jolt demand](#)

SOUTH CHINA POST - [Any US-China detente won by Xi and Biden's G20 talks 'could be brief'](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.289664	1.300704	1.3145169	1.395547
BWPUSD	0.071904	0.093496	0.0732897	0.077559
GBP/BWP	15.626208	15.756936	15.288141	14.847882
BWPEUR	0.078312	0.078936	0.0739823	0.077418
JPY/BWP	11.4608	11.544	10.82715	11.29425
USDZAR	17.218368	18.66332	17.621924	18.25954625
EURUSD	0.955104	1.035112	0.9774893	1.01271775
GBPUSD	1.089024	1.180192	1.114548	1.154659

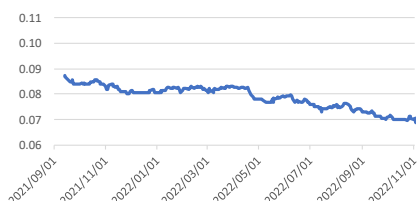
	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWP/USD	BWP/ZAR
BWP/USD	0.0749	0.0019	1m	-2.4375
BWP/GBP	0.0658	0.0004	3m	-7.015125
BWPEUR	0.0752	0.00	6m	-12.62625
BWP/ZAR	1.34	-0.0098	12m	-26.52

Dollar Index	111.055	0.178
EURUSD	0.9945	-0.0015
GBPUSD	1.1339	-0.0036
USD/JPY	147.11	0.52
USD/NGN	438.88	0
USDZAR	17.9569	0.0663

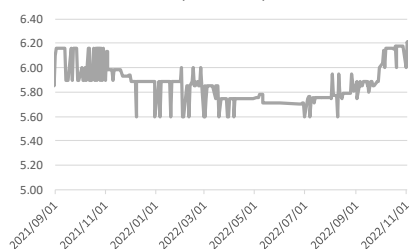
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.404	-0.002	SA 10y	10.625	-0.17
3y	5.15	0	US 10y	4.158	0.034
5y	6	-0.21	German 10y	2.289	0.038
20y	8.8	0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.9	0		301.5	2

Equities		Commodities			
	Close	Change	Close	Change	
VIX	23.08	-0.18	Gold	1680.27	51.12
Dow Jones	32403.22	-146.51	Brent Crude	1629.15	3.9
FTSE	7334.84	44.49	3m Copper	1634.887	538
JSE All share	69305.19	-1076.45	LME Index	1647.5033	204.3
Bots DCIBT	7568.3	4.05	1 carat index	1633.1224	#VALUE!
Nigeria Index	44269.18	-46.32			

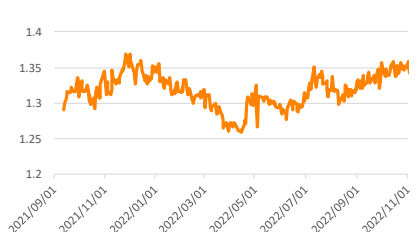
Spot BWP



BWP 5y local bond yield



BWP-ZAR

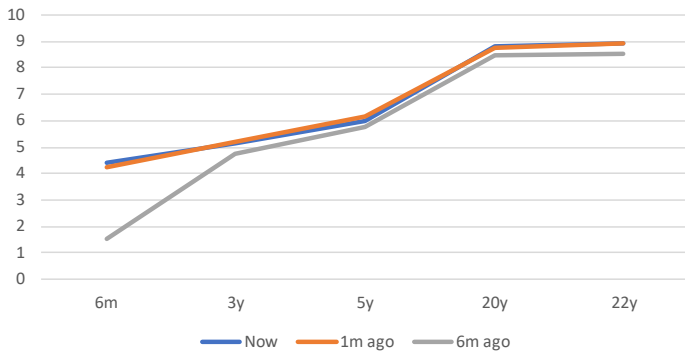


- Loadshedding has returned to Botswana after seven years as the Botswana Power Corporation (BPC) announced that its experiencing power supply constraints. The BPC implemented country-wide supply cuts after its main generation plant malfunctioned on Thursday. The company supplied 440 megawatts of power, less than the demand for 575 megawatts. The situation is exacerbated by a shortage of electricity generation capacity in the Southern African region as a whole. The recovery of local power generation at the Morupule power station is expected this week. Meanwhile, Botswana taps the power from two diesel-fired plants with a combined capacity of 160 megawatts. Another 80 megawatts of electricity was secured from neighbouring Mozambique to help address supply constraints.
- Botswana's commercial banks reported profits of P1.67bn in the first eight months of the year, an increase of more than P440mn from the corresponding period in 2021. The banks' performance this year continues its recovery from the COVID-19 hit, which saw their collective profits decline by 13% in 2020 to P1.6 billion before improving to P1.9 billion in 2021. This year's improved performance comes despite tighter margins, as the Bank of Botswana has increased interest rates by 151bps.

Financial Market Commentary

- On Friday, the USD suffered some heavy losses, despite the payroll data reflecting a high degree of resilience. Within the data, the unemployment rate rose, surprising some in the market. Against the backdrop, some companies in the US are downscaling their workforce, and several Fed officials are confirming that the Fed would slow the pace of its hikes. The combination is not great news for the USD, which also saw its support amongst speculators drop. The most recent CFTC data shows that net long positions have shrunk to the lowest in a year, which some would argue is long overdue. The USD has therefore lost ground on a trade-weighted basis and is likely to lose more if other central banks and governments continue adopting more hawkish and austere economic policies. This week, all eyes will turn to the US mid-term elections and whether the outcome changes the balance of power within Congress.
- In the week's final session, the USD-BWP retreated, falling below the 13.400 mark to settle at 13.3694 with a weekly loss of 0.7% in what has been a favourable start to the new month. The BWP ranked amongst the top five African currencies, with the South African Rand leading the way higher, up more than 2%. Sustained dollar weakness could see the USD-BWP revisit the 50DMA support at 13.2250 in the coming sessions.
- US 2yr yields surged to nearly 4.8000% on Friday following what was another strong US jobs report. This level was not sustained for long, however, with a pullback occurring towards the end of the day as money markets have remained split on whether the December FOMC meeting will result in a 75bp rate hike or a smaller increase. For the week ahead, CPI data will come into focus and could swing bets either way, depending on what the outcome is. The general bias, however, remains to the upside for now with the outlook for USTs still quite bearish. This was corroborated by last week's CFTC data, which showed that hedge funds continued to boost their net short positions on UST futures.
- Meanwhile, hawkish comments from ECB members saw rate hike wagers increase, with traders adding as much as 7bp of additional tightening on the day. There is now more tightening priced in for the ECB over the near term than for the Fed, which could keep bunds and peripheral bonds under some pressure in the weeks ahead.
- Oil has kicked off the new week on the back foot, paring some of Friday's significant gains as China has signalled that it will not be relaxing its COVID-zero policies. Suggestions that some of the stringent regulations would be eased helped oil post a more than 5% gain last week, but we have Brent trading back below \$98 per barrel this morning after nearing \$99 late on Friday. This morning's losses have also seen the front-month contract dip back below the 100DMA at \$98.09, keeping it as a key technical resistance level to watch
- Focus will likely remain on China through the day ahead as the markets digest what its adherence to strict COVID policies means for demand. This is adding to the generally bearish macro backdrop and is offsetting concerns over tightening supply as OPEC+ begins its output cuts and Europe's sanctions on Russian crude loom. Concerns over demand are reflected in Brent's timespreads, with the near-dated prompt spread easing its backwardation this morning to trade near \$1.63, down from over \$2.00 a week ago.

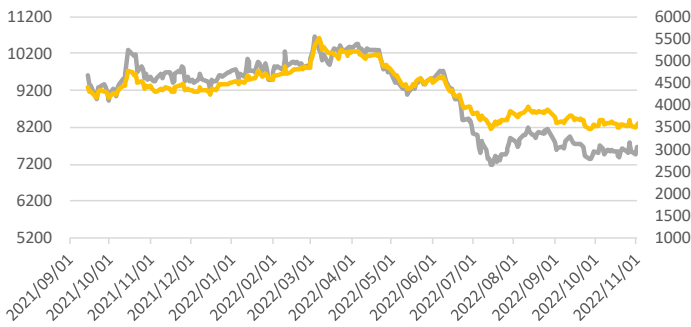
Botswana Yield Curve



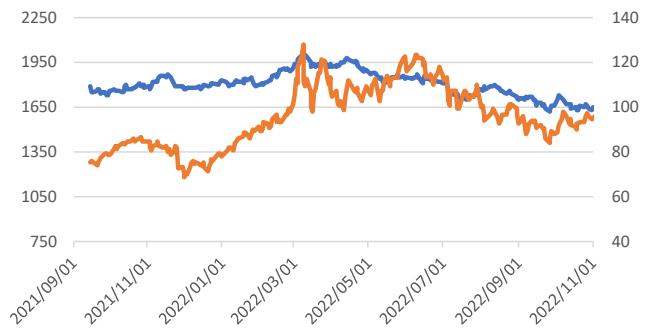
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis



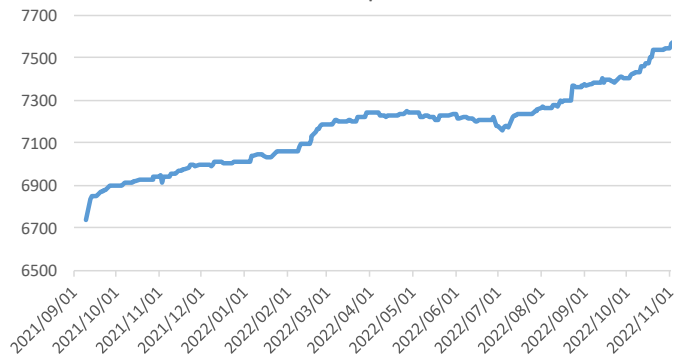
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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