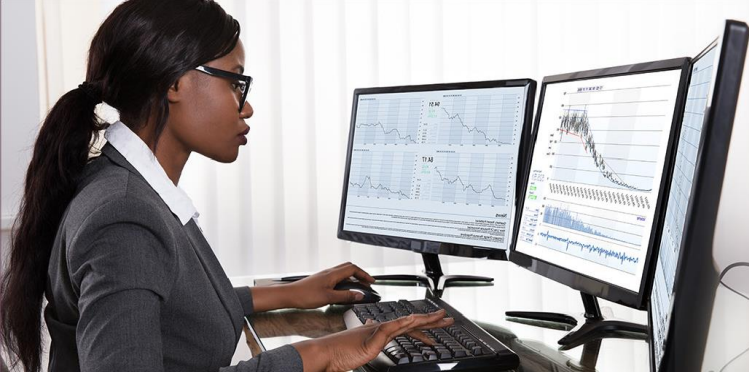


Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
02:30	CH	PPI	Oct	-1.3% A	0.9%
02:30	CH	CPI	Oct	2.1% A	2.8%
08:00	US	Fed's Williams Discuss Risk and Uncertainty			
10:00	EC	ECB's Elderson Speaks			
12:00	US	MBA Mortgage Applications	04-Nov		-0.5%
13:00	UK	BOE's Haskel speaks			
15:00	US	Wholesale Inventories	Sep F	0.8%	0.8%
16:00	US	Fed's Barkin Discusses the Economic Outlook			

Factors Overnight	What happened?	Relevance	Importance	Analysis
US Mid-Term elections	US mid-term elections kicked off yesterday and as the results come in, it appears that the Republicans have gained a lot of ground in the House	Government looking like it will be gridlocked, and the Dems have lost the clean sweep	4/5 (politics, economy)	This poses problems for the Biden Administration, which will no longer be able to push through the spending plans it had targeted due to the inability to control Congress
China PPI	China's PPI has fallen for the first time since Dec 2020. Producer prices fell 1.3% y/y in Oct, reversing a gain of 0.9% y/y as high base factors weigh	Covid curbs have also negatively impacted the economy and detracted from overall demand	4/5 (economy)	China's GDP growth has come under considerable pressure and will not be assisted by the Covid lockdowns that continue to be announced. It may also signal a broader shift in inflation
US business sentiment	US small business confidence fell in Oct as more small business owners reported deteriorating conditions amid stifling inflation and rising interest rates	These are early signs that the tide in the US economy has turned and will come under greater pressure	3/5 (economy)	The forward-looking sub-component reflecting expectations over the next six months dropped 2 points to a negative 46%. However, the data also showed that the jobs market was still strong
Factors on the Radar	What happened?	Relevance	Importance	Analysis
EU Debt	The EC will today propose changes to the EU's debt rules to allow each of the member countries greater flexibility in negotiating their debt path	Adds to the austerity bias that is likely to become a global theme through 2023 and impact GDP	4/5 (economy)	Each country will adopt its own debt-reduction reforms, and the one-size-fits-all approach will no longer be followed. This may hold consequences for fiscal sustainability
UK fiscal policy	UK Chancellor Hunt might well scrap plans proposed under Liz Truss for low-tax investment zones as he constantly looks for all avenues to raise tax revenue	This would complete the austerity approach under the Sunak government	4/5 (fiscal policy, economy)	Until the fiscal holes are plugged, and government finances are rendered more sustainable, it is clear the Sunak government will not follow an expansionary fiscal policy
US Mid-Term elections	As we await the exit polls that currently show Republicans making gains, investors are questioning the implications for foreign policy and the Fed	A Republican win could mean less support for Ukraine and tighter fiscal policy to help the Fed	5/5 (economy, fiscal policy, politics)	A more conservative government that does not rely on spending to generate growth could ease the pressure on the Fed to act, impact the USD negatively and affect the war in Ukraine

Highlights news vendors

BUSINESS LIVE - [Godongwana: temporary procurement rules no threat to BEE](#)

FT - [ECB must raise rates beyond point of restricting growth, say officials](#)

REUTERS - [China's factory gate prices suffer first drop since Dec 2020 as COVID curbs take toll](#)

SOUTH CHINA POST - [Chinese freight carriers fear further price declines when new container ships take to the seas next year](#)

Local and regional talking points

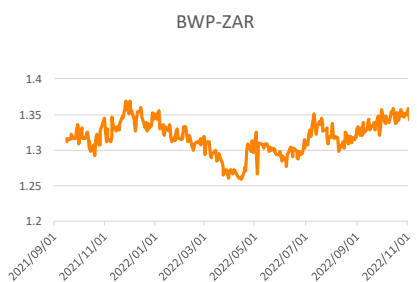
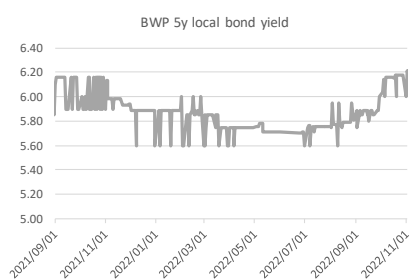
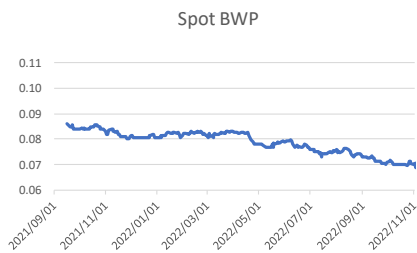
Corporate Foreign Exchange				
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.284096	1.290336	1.3088416	1.384423
BWPUSD	0.072384	0.093496	0.0737789	0.078177
GBP/BWP	15.843152	15.9172	15.500392	14.9989
BWPEUR	0.077896	0.078208	0.0735893	0.076704
JPY/BWP	11.4296	11.4712	10.797675	11.223025
USDZAR	17.0304	18.466136	17.42955	18.06662825
EURUSD	0.966144	1.046968	0.988788	1.02431725
GBPUSD	1.107072	1.20016	1.133019	1.174195

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0754	0.0000	1m	-2.301	0
BWPGBP	0.0654	0.0001	3m	-6.357	0
BWPEUR	0.0749	0.00	6m	-12.2655	0
BWPZAR	1.3377	-0.0023	12m	-25.02825	0

	Close	Change
Dollar Index	109.656	0.02
EURUSD	1.0062	-0.001
GBPUSD	1.1533	-0.0003
USDJPY	145.7	0.04
USDNGN	0	-439.53
USDZAR	17.7409	0.0395

Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.407	-0.001	SA 10y	10.53	-0.02
3y	5.15	0	US 10y	4.128	-0.086
5y	6	-0.2	German 10y	2.272	-0.053
20y	8.8	0.01	Spread SA 5y vs Bots 5y bpts		
22y	9	0.05		289.5	-0.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.88	-0.12	Gold	1712.52	37.84
Dow Jones	33160.83	423.78	Brent Crude	1674.68	-2.56
FTSE	7306.14	-34.85	3m Copper	1680.27	201
JSE All share	69011.45	134.13	LME Index	1629.15	82.1
Bots DCIBT	7573.39	5.09	1 carat index	1634.887	#VALUE!
Nigeria Index	43461.6	0.25			



- While the ratings of African sovereigns by major credit rating agencies such as Fitch, Moody's and S&P have enabled African countries to raise over \$300bn over the past couple of decades, African issuers face a number of structural headwinds. Factors such as liquidity constraints mean that investors demand an increased "liquidity premia" for holding African bonds, which significantly raises the cost of raising funding for African countries. Therefore, improving the liquidity within the African bond market would go a long way in lower debt servicing costs across the continent.

- In a bid to lower debt servicing costs for African nations, the UN Economic Commission for Africa has proposed a Liquidity Support Facility to reduce risk. Meanwhile, the African Union has proposed an African rating agency to provide alternative ratings. As it stands, several African sovereigns have effectively lost access to the international debt markets due to their low credit ratings from the major agencies. We have recently seen the establishment of the Sovereign Africa Ratings, assigning South Africa a BBB rating above that of the ratings the big three agencies gave.

- While an agency like Sovereign Africa Ratings will have to establish credibility amongst the international community, there is a need for an Africa-focused rating agency for investors who concentrate on Africa and seek only relative risk assessment across African markets. Should agencies like this gain more credibility against the backdrop of improved liquidity conditions across the continent would help lower debt costs and potentially restore access to capital markets for those countries that have lost access during the pandemic era.

Financial Market Commentary

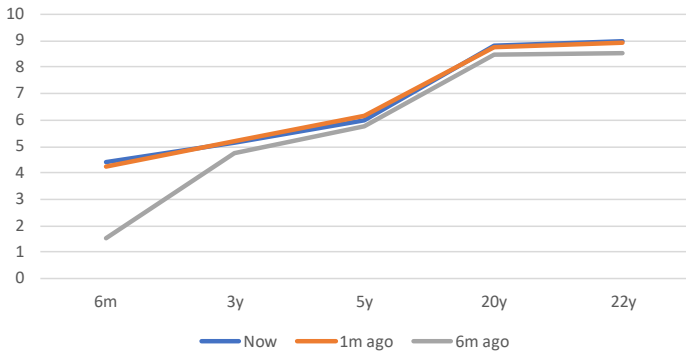
- FX markets were relatively calm yesterday amid a lack of global economic data releases and anticipation of the outcome of the mid-term US elections. As for the USD-BWP, the pair extended its slide lower for the third consecutive session, finishing below the 50DMA support at 13.2364. Notably, the pair has now dipped below the 23.6% Fibon retracement level, which could now see it target the 38.2% Fibon level at 13.060, a level last touched in mid-September. However, early indications from the US mid-term elections show that the Republicans have made back lost ground and could still take both the Senate and the House, which will hold implications for the USD that has benefited from monetary policy disparities.

- US Treasury futures are little changed in early trade this morning, holding onto yesterday's gains as the market awaits the first of the results from the US mid-term elections. A strong auction yesterday for 3yr and 7yr notes provided some additional support as expectations are that the Republicans will gain ground and hamper the Biden Administration's spending plans. Tighter fiscal policy means less borrowing and less stimulus-driven inflation, taking some pressure off the Fed to keep hiking rates which will ultimately support the bond market. Meanwhile, core market bond curves across Europe flattened yesterday as front-end rates were paid higher while longer-dated tenors saw yields compress. This flattening speaks to growing economic growth risks spurred on by central bank tightening and the looming energy crisis.

- Oil market volatility continued yesterday, with the Brent front-month contract sliding by more than 4% on the session as Chinese demand concerns were further entrenched, while the API report out of the US showed a build in inventories last week. The contract is trading just above \$95 per barrel as a result, nursing yesterday's losses this morning. The API data showed a build of more than 5mn barrels of crude last week, while gasoline and distillate stockpiles also increased. If confirmed by today's official government data, pressure on futures contracts could build as we head into the latter half of the week.

- Longer-term, the market outlook remains relatively bullish. The US has cut its oil production estimates for next year to 12.31mn barrels per day, according to the EIA. This suggests that a ramp-up of US shale production cannot be relied on through the coming months to ease any supply concerns and bring down prices. With supply expected to remain quite tight going forward, we will need to see some significant demand destruction in order for prices to move back towards levels considered fair value.

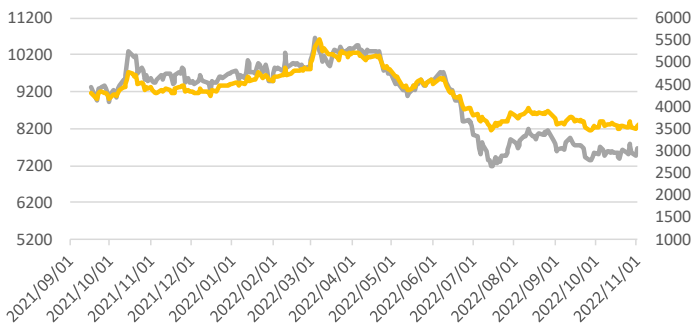
Botswana Yield Curve



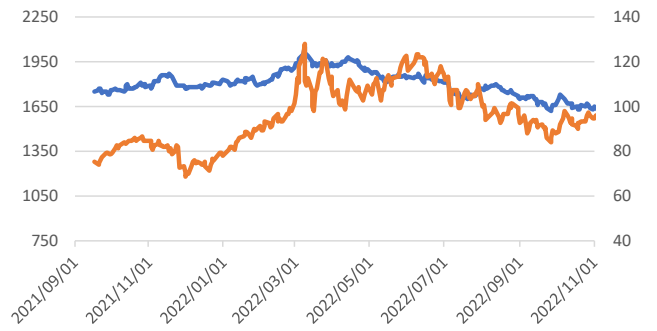
USD Index



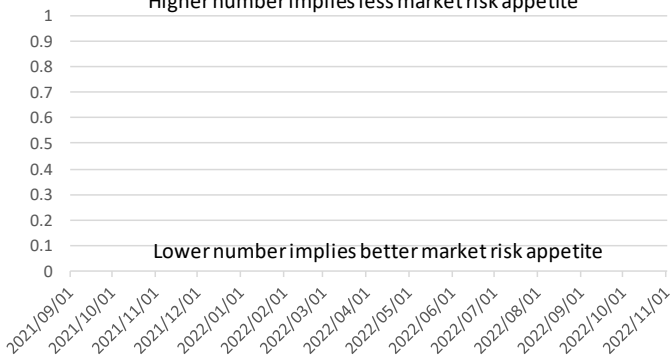
Base metals - Copper L_Hand axis LME Index R_Hand axis



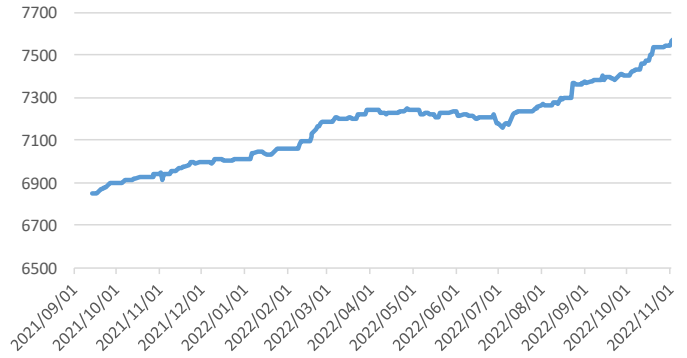
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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