

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
07:00	UK	GDP	3Q P	2.1%	4.4%
07:00	UK	Private Consumption	3Q P	-0.4%	0.1%
09:00	EC	ECB's Holzmann Speaks			
12:00	EC	ECB's Panetta Speaks			
13:10	UK	BOE's Tenreyro speaks			
15:00	US	U. of Mich. Sentiment	Nov P	59.5	59.9
16:00	EC	ECB's Lane Speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Stock markets	In the wake of the weaker-than-expected CPI, stock markets worldwide have surged to the highest levels since mid-Aug	Investors are pricing in the possibility that the Fed will ease its aggressive stance	3/5 (market)	Although the Fed is not done hiking, and the full effects of the hikes will only be seen next year, the market is enjoying a relief rally
US inflation	US inflation fell more rapidly than first anticipated, with headline CPI decelerating to 7.7% y/y vs a market expectation of 7.9% and a prior reading of 8.2%	The Fed is under less pressure to hike as aggressively and will start to prioritise growth in 2023	5/5 (economy, market)	Inflation has peaked and is retreating. M2 money supply growth has collapsed and turned negative, and the USD's appreciation through 2022 means that inflation will drop precipitously in 2023
USD collapse	Following the softer-than-expected CPI and the gains that the Republicans have made in Congress, the USD has found itself at its weakest since Sep	A weaker USD against most currencies will help reduce global inflation a little quicker	5/5 (economy, market)	A weaker USD will assist in moderating parity pricing pressures and the imported component of a country's trade account. Softer US inflation and a stronger USD signal a shift in inflation

Factors on the Radar	What happened?	Relevance	Importance	Analysis
China Covid policy	China's caseload has surged to the highest since this year's Shanghai crackdown, with more than 10,000 daily infections	Further lockdown measures will be implemented as China responds	4/5 (economy, Market, politics)	While China continues to adopt its zero-Covid policy, these lockdowns will become more prevalent and hold the potential to disrupt supply chains
US Mid-Term elections	As the mid-term election counting continues, it is looking more likely that the Republicans will gain a majority in the House, although the Senate remains up for grabs	A runoff election in Georgia could decide the Senate race, which would have vast implications	4/5 (politics, economy)	A divided Congress means that the Biden administration will fail to push through all its spending initiatives. The less expansive approach may ease the pressure on the Fed to act on inflation
BoE QT	From the 29 th Nov, the BoE will start selling the emergency gilt purchases it made in response to the market turmoil following the Truss mini-budget	As fiscal policy has turned more austere, the BoE gains the potential to sell the bonds quickly	3/5 (economy, monetary policy)	The BoE must unwind these bond purchases as quickly as possible as it bids to rein in inflation and normalise market and economic conditions as quickly as possible

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Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.271712	1.284384	1.296219	1.378037
BWPUSD	0.073152	0.093496	0.0745617	0.079207
GBP/BWP	15.82048	15.975336	15.47821	15.053682
BWPEUR	0.077688	0.078416	0.0733928	0.076908
JPY/BWP	11.22216	11.3256	10.601175	11.080575
USDZAR	16.688544	18.094024	17.079682	17.70256675
EURUSD	0.979392	1.061424	1.0023465	1.0384605
GBPUSD	1.123008	1.21732	1.1493285	1.19098375

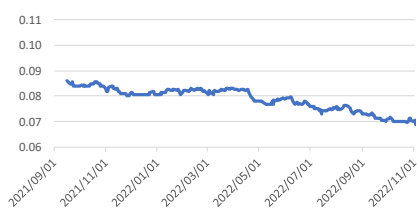
Interbank Spot Foreign Exchange		Forward Foreign Exchange		
	Close	Change	BWPUSD	BWPZAR
BWPUSD	0.0762	0.0008	1m	-2.145
BWPGBP	0.065	-0.0014	3m	-6.23025
BWPEUR	0.0746	0.00	6m	-12.17775
BWPZAR	1.3236	-0.0117	12m	-25.194

	Close	Change
Dollar Index	108.015	-0.191
EURUSD	1.0203	-0.0005
GBPUSD	1.1697	-0.0016
USDJPY	141.58	0.63
USDNGN	440.13	0
USDZAR	17.3854	0.0151

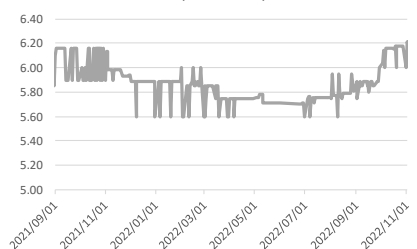
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.405	-0.001	SA 10y	10.28	-0.22
3y	5.151	0.001	US 10y	3.829	-0.322
5y	6	-0.21	German 10y	2.003	-0.174
20y	8.8	0.01	Spread SA 5y vs Bots 5y bpts		
22y	9	0.05		273	5

Equities		Commodities			
	Close	Change	Close	Change	
VIX	23.88	-0.88	Gold	1754.75	48.43
Dow Jones	33715.37	-646.89	Brent Crude	1706.32	1.02
FTSE	7375.34	-9.89	3m Copper	1712.52	167
JSE All share	70710.27	628.78	LME Index	1674.68	71.2
Bots DCIBT	7580.76	0	1 carat index	1680.27	#VALUE!
Nigeria Index	43942.82	15.88			

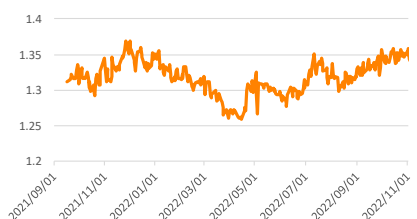
Spot BWP



BWP 5y local bond yield



BWP-ZAR

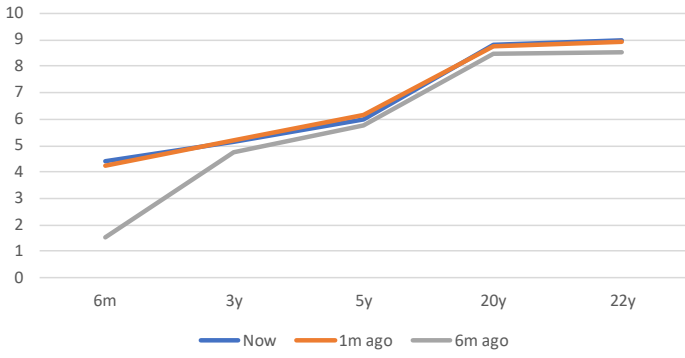


- The FAO food price index averaged 135.9 points in October 2022, which is virtually unchanged from the September figure. The price of all the indices covered decreased on a m/m basis except for the cereals group. An upturn in the Cereal Price Index countered drops in vegetable oils, dairy, meat and sugar indices.
- Food prices have fallen back down to levels last seen at the start of 2022 before the Russia-Ukraine war broke out. Grain prices have remained elevated due to the uncertainty around the future of the grain corridor that has allowed for grains to be exported via the black sea. The agreement between Russia and Ukraine is due to expire on 19th Nov, and there is a lot of uncertainty surrounding what Russia will decide about the deal. However, it is extremely important to ease supply pressures within the grain market. In the coming weeks, we will likely see quite a lot of volatility within the grain market.
- The food price index has been relatively unchanged, suggesting that food prices have reached their peak. Towards the end of Q1 2023, the high base effects of 2022 will come into play which should provide relief for inflation across the African region. However, we expect food prices to remain elevated for the remaining few months of the year and the start of next year.

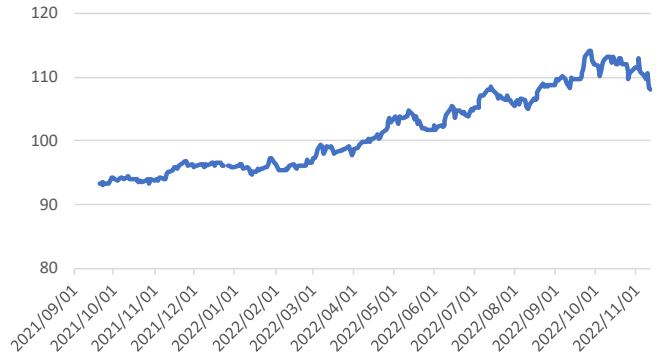
Financial Market Commentary

- Investors always knew that the US inflation print had the potential to impact market sentiment quite heavily, and it did not disappoint. Coming in lower than market expectations, the inflation reading eases the pressure on the Fed to act quite as aggressively. Almost immediately, stock markets rallied to boost risk appetite, and higher beta currencies found themselves strongly appreciating. The USD's overvaluation is now unwinding and has much further to go.
- Meanwhile, the BWP clawed back more ground against the USD yesterday after settling at 13.1497/USD. The local currency is now knocking on the door of the 38.2% Fibi retracement level at 13.060/USD, a break of which would open the door to further gains, with the 100DMA just below 13.000/USD at risk of being tested.
- Bond markets were a sea of green yesterday as traders slashed their outlook for how high the Federal Reserve will raise interest rates following the softer-than-expected US CPI print. Headline US inflation came in at 7.7% y/y in October compared to 8.2% y/y in September, suggesting that inflation may have reached its peak in the US. US inflation is now at its lowest level since January.
- The downside surprise prompted some significant movements in the rates market. Swap traders slashed bets of another 75bps rate hike in December to almost zero while continuing to price in a 50bps hike for the final FOMC meeting of 2023. The terminal rate, or implied peak of the current hiking cycle, was reduced to 4.9%, levels last seen in May. The market-implied terminal rate was trading just below 5.10% ahead of the CPI release.
- The market reaction to the US inflation data was aggressive, with the slowing inflation reassuring the market that we will see a pivot in the US monetary policy in 2023. US Treasuries posted their best single-day performance on Tuesday since the Global Financial Crisis, with the 2yr, 5yr and 10yr yields down 25bps, 30bps and 28bps, respectively, on the session. While cash Treasuries are shut today as a result of a US holiday, 2yr futures have held the previous day's gain in Asian trading. Yesterday's softer-than-expected inflation data fueled bets of a re-steepening of the yield curve as traders readjust their interest rate outlooks.
- Oil managed to shake off concerns over slumping Chinese demand yesterday and join in the risk rally following the weaker-than-expected US CPI print. The front-month Brent contract managed to bounce off its 50DMA at \$92.6056 per barrel, keeping it as the support level to watch over the near term. However, despite yesterday's gains, crude is still heading for a weekly loss, with the benchmark contract down more than 6% since last week's close. The growing number of COVID cases in China and new lockdown measures will continue to weigh on the market and limit any further price gains, for now.

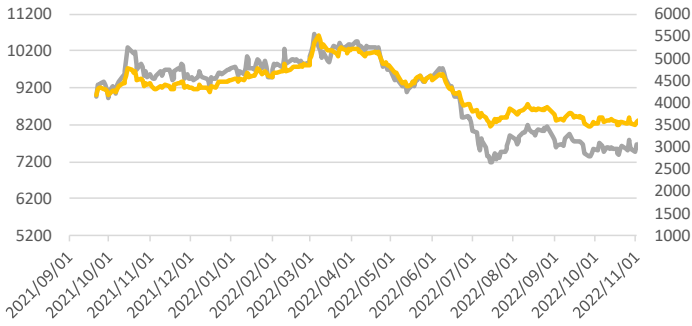
Botswana Yield Curve



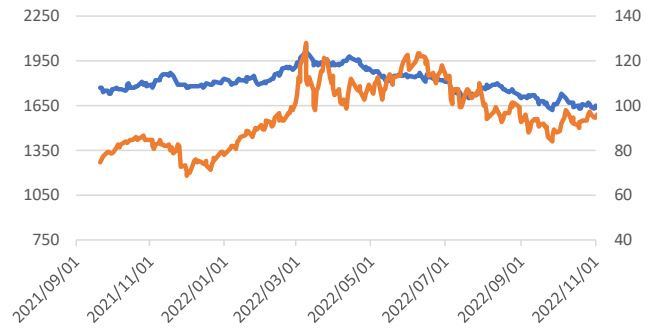
USD Index



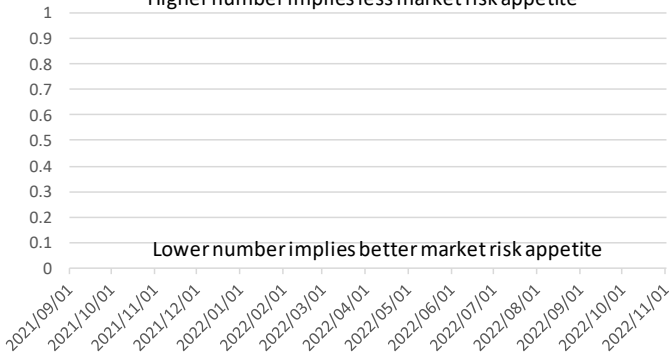
Base metals - Copper L_Hand axis LME Index R_Hand axis



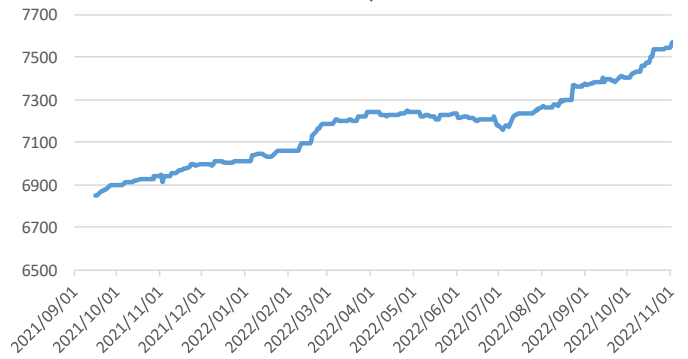
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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