

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
-	EC	ECB Financial Stability Review (provisional date)			
13:30	US	Retail sales ex. auto and gas	Oct	0,20%	0,30%
14:15	US	Industrial production m/m	Oct	0,20%	0,40%
14:15	US	Manufacturing production m/m	Oct	0,30%	0,40%
14:15	UK	BOE's Bailey testifies to Parliament			
15:00	US	NAHB Housing market index	Nov	36	38
15:00	EC	ECB's Lagarde Speaks			
15:00	EC	ECB's Panetta Speaks			
15:00	US	Fed's Barr Testifies Before House Panel			
19:35	US	Fed's Waller Discusses the Economic Outlook			

Factors Overnight	What happened?	Relevance	Importance	Analysis
Trump ambitions	Former President Trump officially launched his 2024 presidential campaign. Trump has jumped in early to take advantage of a resurgence in Republican support	His move is also strategic in that it will probably scare off some other potential candidates	4/5 (politics)	Whether it even becomes possible given the ongoing criminal investigation is up for debate, but it is a typically bold strategy by Trump to make it clear what other contenders will be up against
Russia - NATO	NATO leaders have met after unconfirmed reports that a stray Russian missile landed in Poland, killing two people. Russia has denied using rockets near Poland	Under Article 5, NATO is obliged to consider the defence of its territory, and this could escalate further	5/5 (geopolitics)	Such escalation risks the war becoming something a lot more serious than it is at the moment. Russia has denied that it is responsible. NATO allies will be investigating to make sure
Japanese economy	Sep Machinery orders fell unexpectedly by 4.6% m/m vs the forecast of 0.7% growth as higher input costs, and weaker global demand weighed on activity	This data raises concerns about the degree of Capex spend that will take place	4/5 (economy)	The global economy is coming under increasing pressure, and as it does, spending on capital goods will also slow. Japan's economy has already contracted in Q3

Factors on the Radar	What happened?	Relevance	Importance	Analysis
ECB guidance	ECB member and France's central bank chief Francois Villeroy de Galhau has indicated that the ECB will need to raise rates beyond 2% but that large rate hikes will not become a habit	Rate hikes are in the pipeline but will be more gradual than those in the US and UK and will be sensitive to growth	4/5 (economy, monetary policy)	The ECB has been the laggard, but it is also facing the strongest geopolitical headwinds and is at high risk of a recession that would only compound government finances if the central bank turns too aggressive in its stance
UK budget and recession probability	The unemployment rate is rising, and job vacancies have fallen for the fifth consecutive report a row as Britain prepares for an austerity budget on Thursday	Higher taxes and less government spending will only exacerbate the weaker growth dynamic	5/5 (politics, fiscal policy, economy)	All this tightening of monetary and fiscal policy comes over and above the more visible impacts of Brexit that will detract from overall growth levels and raise the risk of recession starting in Q4
G20 in Bali	The G20 enters its second day of talks, interrupted by an emergency meeting to discuss the missile landing in Poland that killed two people	Poland has claimed a Russian-made rocket landed in its territory, sparking fears of NATO retaliation	4/5 (economy)	The world is on high alert, and the war in Ukraine may take a far more serious turn if the missile landing in Poland is deemed a reason for NATO to arm itself and consider retaliating

Highlights news vendors

BUSINESS LIVE - [No relief from load-shedding as Eskom's diesel budget runs dry](#)

FT - [Poland blames 'Russian-made missile' for deadly blast near Ukraine border](#)

REUTERS - [Actis sees annual investments of up to \\$300 mln in Africa energy](#)

SOUTH CHINA POST - [China's changes to Covid-19 controls get mixed reaction as new cases stoke fears](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.280544	1.291488	1.3052212	1.385659
BWPUSD	0.07392	0.093496	0.0753445	0.079722
GBP/BWP	15.897544	16.024112	15.553607	15.099644
BWPEUR	0.077168	0.077792	0.0729015	0.076296
JPY/BWP	11.2008	11.2944	10.581525	11.05005
USDZAR	16.63008	18.026944	17.019848	17.636938
EURUSD	0.995616	1.078688	1.0189508	1.055351
GBPUSD	1.138752	1.233856	1.1654415	1.207162

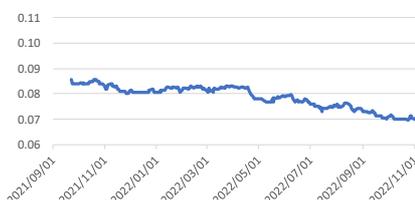
Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.077	0.0000	1m	-2.33025	0
BWPGBP	0.0649	0	3m	-6.3375	0
BWPEUR	0.0742	0.00	6m	-12.58725	0
BWPZAR	1.3339	0.0053	12m	-26.676	0

	Close	Change
Dollar Index	106.442	0.038
EURUSD	1.037	0.0022
GBPUSD	1.1863	0.0005
USDJPY	139.88	0.59
USDNGN	441.19	0
USDZAR	17.3236	0.024

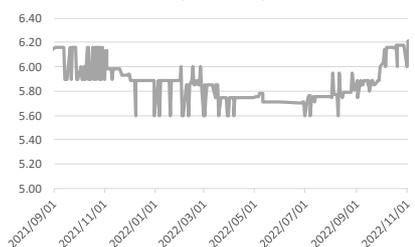
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.406	-0.001	SA 10y	10.255	0.05
3y	5.15	0	US 10y	3.799	-0.068
5y	6	-0.21	German 10y	2.098	-0.061
20y	8.8	0.01	Spread SA 5y vs Bots 5y bpts		
22y	9	0.05		267	20

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.88	-0.16	Gold	1778.25	6.45
Dow Jones	33592.92	-211.16	Brent Crude	1771.8	0.72
FTSE	7369.44	67.13	3m Copper	1770.69	1.5
JSE All share	72998.69	-160.33	LME Index	1754.75	25.7
Bots DCIBT	7586.97	0.3	1 carat index	1706.32	#VALUE!
Nigeria Index	43808.25	-150.63			

Spot BWP



BWP 5y local bond yield



BWP-ZAR

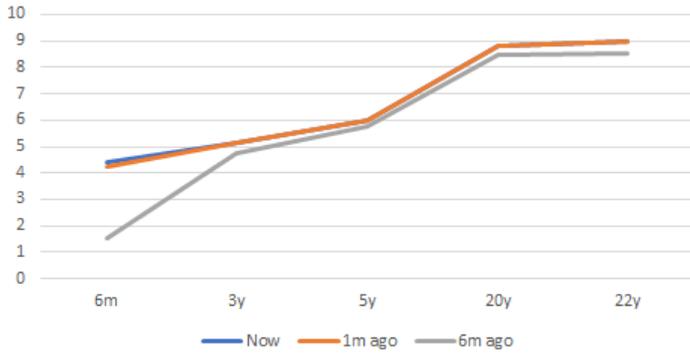


- Yesterday's regional data card held several inflation releases from the region, including Botswana and Namibia, which underscores the complex inflationary environment. Currency weakness has driven import bills to record levels, among other items, following the impact of the Russia-Ukraine war, which are to blame and passed on to consumers. Botswana's headline inflation cooled further in October, coming in at 13.1% y/y from 13.8% y/y reported in September. High transport, food & non-alcoholic beverage, electricity, gas & other energy prices are preventing a more significant slowdown in local consumer prices. Still, consumers and policymakers alike will be pleased to see inflation has likely peaked and may now resume its gradual trend towards the central bank's target of 3-6%.
- The Bank of Botswana's most recent forecasts estimates inflation returning to the target in the third quarter of 2024. While there are signs that inflation pressures are easing with the dollar and global food prices, for instance, pulling back recently, inflation pressures are expected to remain substantial in the near term. That said, given the high base effects of 2022, we expect to see a statistical slowdown in inflation from the end of Q1 2023. In order to anchor inflation, the Bank of Botswana will probably keep raising interest rates as it has done in the past.

Financial Market Commentary

- Soft US PPI data yesterday only compounded problems for the USD that again rocked onto the back foot and lost ground. Had it not been for unconfirmed reports of a Russian missile landing in Poland, the USD might've remained on the defensive, but the sensitivity of the EUR to bad geopolitical news helped the USD recover its intra-day losses.
- As for the BWP, its gains were capped and finished yesterday's session at 12.9284 to the USD, which is just above the 50% Fibon retracement level. Failure to pierce through this level could make the BWP's rally short-lived. So far this year, the BWP has lost more than 9% against the USD and with investors aggressively unwinding their net long dollar bets, now is a good time for the local currency to regain some lost ground.
- US bonds remained bid yesterday, keeping the rally going as slowing producer price inflation and rising global geopolitical tensions propped up demand for USTs. USTs ended yesterday's session richer along the curve by between 2bp and 7bp, with the belly leading the move. Volumes also picked up and were higher than the recent average, signalling that the move could still gain some momentum should the war in Ukraine escalate further and data continue to point to deteriorating economic conditions in the US.
- On a closing basis, yields on the 2yr UST are now higher than those for the 10yr by the most in 40 years, pointing to recessionary conditions in the US. This inversion could potentially deepen still with some key data out of the States today that hold downside risks. Meanwhile, bunds and gilts also gained yesterday on heightened global tensions, flattening their curves further. Focus for gilts today will be on the local CPI figures, which could drive the front end higher if we see a topside surprise.
- The bullish tone in the oil markets yesterday faded quickly as global investors reacted to rising geopolitical tensions following a reported missile attack on Poland. Brent quickly retreated from levels above \$95 per barrel yesterday, with the benchmark front-month contract now edging lower and trading below \$93.50. The escalation within Ukraine, meanwhile, saw the Druzhba pipeline, which takes Russian crude to eastern Europe, halted. This threatens to tighten the market even further and is the reason why the losses seen so far have not been more pronounced. According to the IEA, global stockpiles of crude have plunged to 18-year lows and with the European winter months approaching, we could see further strain placed on inventories.
- Given that the market already has to deal with tightening supply from OPEC+'s production cuts, and balance this against weakening demand and concerns over China and its COVID restrictions, the increased geopolitical tensions will only add to the volatility we have seen in the market. Focus will likely remain on the war in Europe over the next few sessions, with NATO leaders holding an emergency meeting today. Any newsflow from there will be closely watched and could move the markets.

Botswana Yield Curve



USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

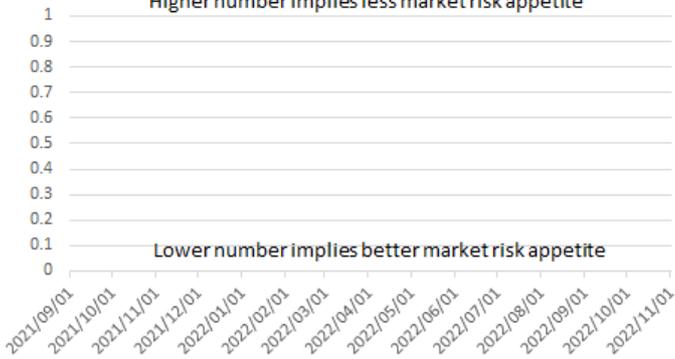


Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Local stockmarket performance



Access Bank Global Markets & Treasury Team

e-mail	First Name	Surname	Direct Line
nkatem@accessbankplc.com	Mogamisi	Nkate	2673674335
masalilap@accessbankplc.com	Phillip	Masalila	2673674621
kebaetsek@accessbankplc.com	Kefentse	Kebaetse	2673674336
thembaa@accessbankplc.com	Amogelang	Themba	2673674370
bogalet@accessbankplc.com	Tshwanelo	Bogale	2673674622
davidbat@accessbankplc.com	Batanani Pearl	David	2673644382
magashulan@accessbankplc.com	Ntebang	Magashula	2673644382
segwabek@accessbankplc.com	Keategile	Segwabe	2673644382

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