

Botswana Market Watch



GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
10:00	EZ	CPI y/y	Oct F	10,70%	9,90%
10:00	EZ	Construction output wda y/y	Sep		2,30%
12:30	UK	BOE's Huw Pill speaks			
13:00	US	Fed's Bullard Discussed the Economy and Monetary Policy			
13:30	US	Initial jobless claims	November 12		225k
13:30	US	Building permits	Oct	1517k	1564k
13:30	US	Housing Starts	Oct	1420k	1439k
13:30	US	Philadelphia Fed index	Nov	-6	-8.7
14:15	US	Fed's Bowman Discusses Financial Literacy and Inclusion			
14:30	UK	BOE's Tenreyro speaks			

Factors Overnight	What happened?	Relevance	Importance	Analysis
US mid-term elections	While the Democrats have managed to hold on to the Senate by the thinnest of margins, they have lost control of the House	With Congress split, this makes the Biden administration's job that much more difficult to pass bills	4/5 (politics)	It is quite likely that the Republicans will use their majority in the House to stall many of the bills and programmes that the Biden administration had promised that might impact fiscal policy
US Retail Sales	US retail sales rose a solid 1.3% in October as the jobs market remained strong, defying forecasts of a slowdown in growth	The effects of the rate hikes and inflation will impact, but with a lag	3/5 (geopolitics)	The combination of slowing inflation and rising consumption has raised hopes of a soft landing, although the jury is out on the sustainability of the demand
G20 conclusion	The G20 summit has concluded with widespread, but not a unanimous condemnation of Russia's war on Ukraine, and efforts to repair relationships	Nothing market-moving has come from the G20 statements, and the impact is muted	4/5 (geopolitics)	There was much said on Ukraine; while the US and China will look at repairing relations, the rest was mostly on climate change, but in the main, these are all the old problems with no new solutions
Factors on the Radar	What happened?	Relevance	Importance	Analysis
Russia - NATO	Preliminary investigations suggest that the missile that struck Poland was likely an air defence missile fired by Ukraine	At the margin, this defuses the situation from NATO going to war with Russia	3/5 (geopolitics)	Thankfully this was not Russian aggression or the geopolitical landscape would've deteriorated rapidly. As it is, the war in Ukraine is a long-term one
UK budget and recession probability	In the face of a rapidly deteriorating economy headed for recession, UK Chancellor Hunt will announce an austerity budget to try and plug huge fiscal holes	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
ECB guidance	Two doves on the ECB's board have concluded that the central bank should continue raising rates but that they should apply increased caution	As anticipated, the ECB will proceed with due sensitivity to the very weak growth dynamics that persist	4/5 (economy, monetary policy)	Hiking rates and shrinking the balance sheet threaten to weaken the bond market and spike yields. Such an event should be avoided if stability is to be a priority

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FT - [France and Germany to fire up stalled fighter jet project](#)

REUTERS - [Republicans win US House majority, setting stage for divided government](#)

SOUTH CHINA POST - [North Korea fires ballistic missile, warns of 'fiercer' military response to US and allies](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
BWPZAR	1.280928	1.292064	1.3056126	1.386277
BWPUSD	0.074016	0.093496	0.0754424	0.079825
GBP/BWP	15.918552	16.043768	15.57416	15.118166
BWPEUR	0.077272	0.077896	0.0729998	0.076398
JPY/BWP	11.18	11.2736	10.561875	11.0297
USDZAR	16.614624	18.011032	17.004029	17.62137025
EURUSD	0.995808	1.079208	1.0191473	1.05585975
GBPUSD	1.141728	1.236976	1.1684873	1.2102145

	Interbank Spot Foreign Exchange		Forward Foreign Exchange	
	Close	Change	BWP/USD	BWP/ZAR
BWP/USD	0.0771	0.0000	1m	-2.2425
BWP/GBP	0.0648	0.0001	3m	-6.48375
BWPEUR	0.0743	0.00	6m	-12.66525
BWP/ZAR	1.3343	0.0038	12m	-26.793

	Close	Change
Dollar Index	106.381	0.1
EURUSD	1.0375	-0.0017
GBPUSD	1.1895	-0.0013
USDJPY	139.41	-0.14
USDNGN	441.19	0
USDZAR	17.306	0.0451

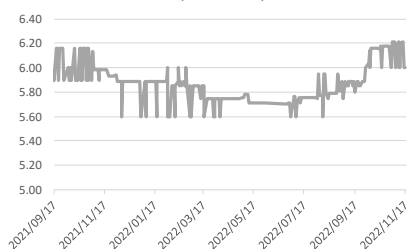
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.406	0	SA 10y	10.345	0.09
3y	5.151	0.001	US 10y	3.694	-0.105
5y	6	0	German 10y	2.001	-0.097
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0		274	-0.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	13.35	-0.15	Gold	1773.77	-4.48
Dow Jones	33553.83	56.22	Brent Crude	1778.25	-1
FTSE	7351.19	-15.73	3m Copper	1771.8	-83
JSE All share	72607.46	176.22	LME Index	1770.69	-78.3
Bots DCIBT	7594.49	-4.22	1 carat index	1754.75	#VALUE!
Nigeria Index	44050.44	-9.87			

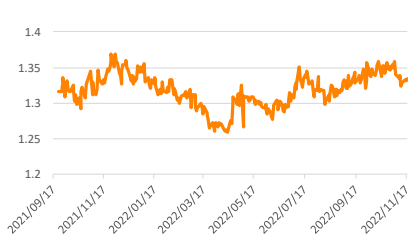
Spot BWP



BWP 5y local bond yield



BWP-ZAR

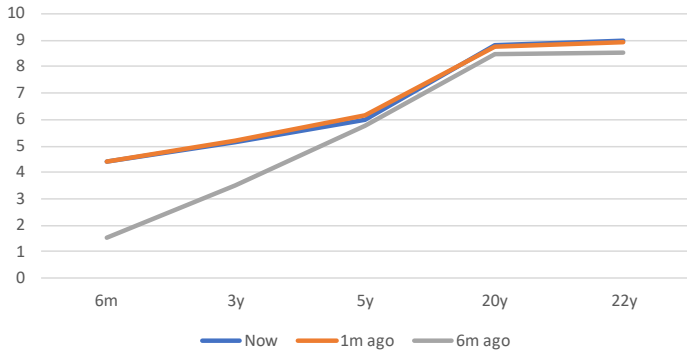


- There has been a clear shift in global risk sentiment recently, with financial markets turning increasingly bullish on riskier emerging market assets. Emerging market bonds and stocks have rallied hard in recent days amid signs of a potential slowdown in the pace of rate hikes in the US, which would provide some much-needed breathing room for riskier assets. While it has been one of the worst years on record for EM bonds, the tide seems to be turning.
- In addition to easing rate hike bets, emerging market bonds have also found support from easing fiscal concerns as more distressed developing economies receive financial support from international lenders, including the International Monetary Fund and the World Bank. Since its lows in October, the JP Morgan Emerging Market Bond Index has gained more than 7%. The rebound in EM bonds has been accompanied by a sharp rebound in EM equities, with the MSCI Emerging Market Index up 11.5% from its lows in October.
- Meanwhile, Bloomberg's fear-greed indicator, which compares buying strength against selling pressure, is the most bullish since 2011, when a deal to resolve the Eurozone's debt crisis by boosting the shared bloc's bailout fund triggered a more than 20% gain in stocks in less than 20 days. The bullish market positioning implies that the recovery in emerging market assets is likely to persist in the months ahead, particularly if we see concrete evidence that a pivot in global monetary policy is underway.

Financial Market Commentary

- The USD-BWP retreated yesterday to unwind a portion of Tuesday's gains but once more lacked the impetus for a break below 12.9000, which coincides with the 50% Fib retracement level that extends from August's lows to November highs. Meanwhile, the USD has stabilized against other major currencies this morning whilst gaining sharply against emerging Asia currencies. The USD has found support from stronger-than-expected US retail sales data that indicates that the economy can withstand more rate hikes.
- The inversion of the US yield curve deepened yesterday, with the widely-watched spread between the 10yr and 2yr bond reaching its most negative since the early 1980s at more than 64bp. Some stronger-than-expected retail sales data out of the US yesterday saw front-end tenors outperform as the figure supported the case for another large Fed rate hike in December. This is, however, increasing market bets that the Fed will push the economy into a recession, which has seen the longer-dated 10yr yield break below the floor of the effective Fed Funds rate. The 2yr yield also now exceeds that of the 5yr by more than 50bp, the first time that has happened in a generation, while expectations for the terminal rate rose back up to 5%.
- Geopolitical risks are easing, and thus focus for the oil market is shifting back towards demand concerns. US recession risks are building with the yield curve inversion deepening by the day, while China's COVID policies continue to pressure demand in the world's largest oil importer. As a result, we have oil prices lower this morning, with the benchmark front-month Brent contract sliding below \$92 per barrel and nearing lows not seen since mid-October. Yesterday saw Polish and NATO leaders declare that the missile strike on Poland was not an intentional attack by Russia. Meanwhile, the Bruzha pipeline that carries crude through Ukraine was restarted yesterday after a brief halt to operations, helping ease some supply concerns in the region.
- These demand concerns are also being reflected in the futures curve. Although the current prompt spread for Brent remains in backwardation and over \$1.00 per barrel, it has narrowed quite considerably from levels seen a week ago at over \$1.85 per barrel. The outlook for demand is quite clear that it will weaken in the coming weeks and months but the supply outlook remains highly uncertain heading into December, when European sanctions on Russian crude come into effect. As such, we may see some volatility persist in the market.

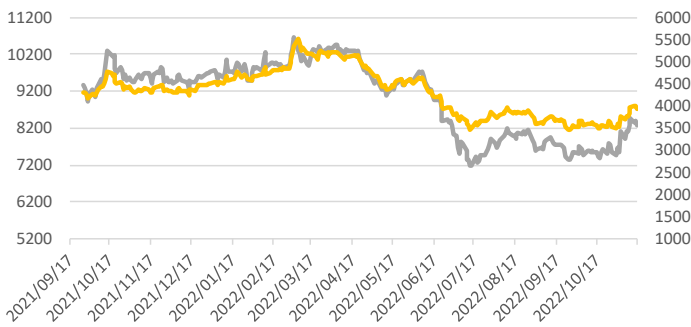
Botswana Yield Curve



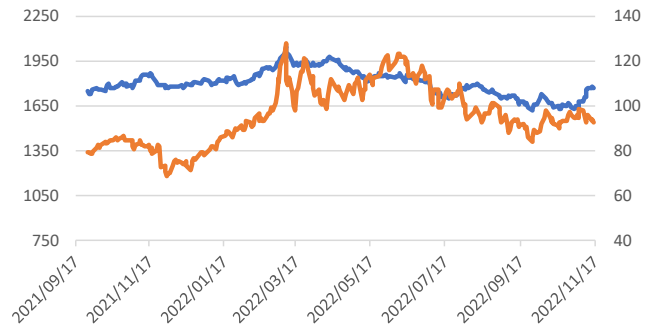
USD Index



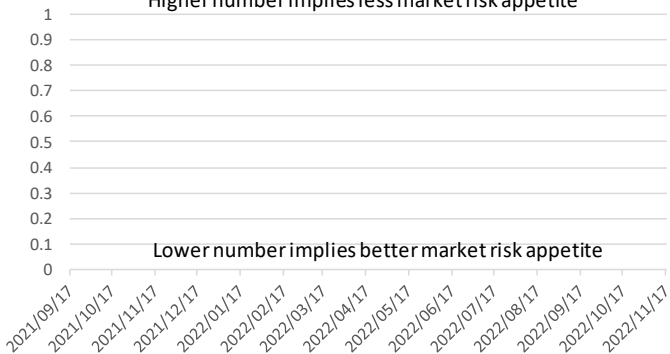
Base metals - Copper L_Hand axis LME Index R_Hand axis



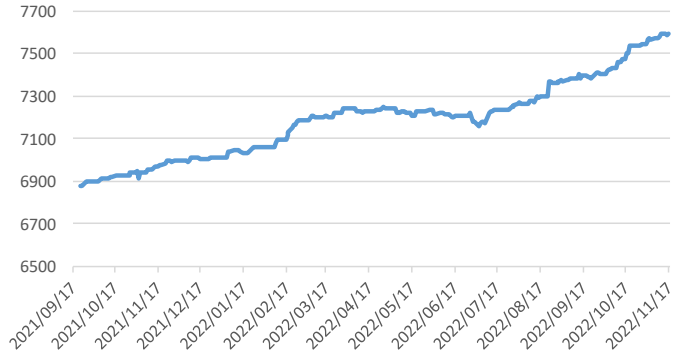
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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