

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
10:00	EC	OECD Publishes Economic Outlook			
15:00	EC	Consumer Confidence	Nov P	-26.0	-27.6
15:00	US	Richmond Fed Manufact. Index	Nov	-8.0	-10.0
16:00	US	Fed's Mester Discusses Wages and Inflation			
18:00	EC	ECB's Nagel Speaks			
19:15	US	Fed's George Takes Part in Policy Panel			
19:45	US	Fed's Bullard Discusses Heterogeneity in Macroeconomics			
Factors Overnight	What happened?	Relevance	Importance	Analysis	
China Covid	Beijing shut parks and museums on Tue and began mass testing as new Covid cases rose sharply to 28,127 nearing the peak in Apr	Investors fear another major lockdown affecting GDP and logistics	4/5	China's zero Covid policy has come back to haunt them as natural immunity continues to allude them. This will be a constraint for a long time to come	
			(political, Covid)		
Italian budget	Italy has approved its 2023 budget with €35bn to be spent to support the economy, €21bn to tame energy bills	The budget deficit will surge to 4.5% of GDP, much higher than the Sep forecast	4/5	The danger with this approach is that Italy's national debt is already sky-high, rendering it vulnerable to shocks. This budget will only exacerbate that	
			(economy, fiscal policy)		
UK's Sunak on Brexit and emigration	PM Sunak spoke at a CBI conference yesterday and was unequivocal that Britain should pursue its own agenda on regulation and migration	Sunak pushed back against forming closer ties with the EU and allowing more migration	4/5	At face value, he seemed to push back against Chancellor Hunt's comments that the UK should work on removing most trade barriers with the EU without rejoining the single market	
			(politics, economy)		
Factors on the Radar	What happened?	Relevance	Importance	Analysis	
Black Friday and Thanksgiving	This week signals Black Friday, which also implies a long weekend in the US, with Thursday marking Thanksgiving	Not only will Black Friday give insight into consumption, but liquidity will be thin	5/5	This will ensure that investors are a little more cautious in their trading this week, which will be characterised by consolidation	
			(markets, economy)		
RBNZ	The RBNZ is on track to deliver its biggest rate hike ever this week as investors position for the prospect of a 75bp hike to combat inflation of 7.2% y/y	New Zealand's inflation is not dissimilar to that of the rest of the world, with more to come	4/5	Traditionally, a central bank that moves in smaller increments, a 75bp rate hike from the RBNZ would be telling and highlight the gravity of the inflation spiral that is currently underway	
			(monetary policy)		
Fed policy guidance	Cleveland Fed President Mester was quoted on Monday saying that she would support a smaller rate hike at the next Fed meeting in December	She did, however, also add that the Fed would remain data-dependent, and that would guide policy	3/5	Overwhelmingly, the Fed expected to lift rates by 50bp at the next meeting, suggesting that investors anticipate a smaller increase to signal the start of the pivot to an easier stance	
			(monetary policy, economy)		

Highlights news vendors

BUSINESS LIVE - [Astral invests R200m to mitigate 'shameless demise' of SOEs](#)

FT - [Sunak rules out Swiss-style trade deal with EU](#)

REUTERS - [Ukraine braces for harsh winter as Russian strikes cripple power facilities](#)

SOUTH CHINA POST - [EU set to renew Chinese officials' sanctions over Xinjiang human rights](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.269888	1.280544	1.2943598	1.373917
BWPUSD	0.073344	0.093496	0.0747574	0.079104
GBPGBP	15.983552	16.114592	15.637754	15.184904
BWPEUR	0.07748	0.078104	0.0731963	0.076602
JPYBWP	11.2736	11.3672	10.6503	11.121275
USDZAR	16.621728	18.016856	17.0113	17.62706825
EURUSD	0.983712	1.066104	1.0067678	1.04303925
GBPUSD	1.136064	1.231152	1.1626905	1.2045165

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0764	-0.0002	1m	-2.1255	#VALUE!
BWPGPB	0.0645	-0.0003	3m	-6.2595	#VALUE!
BWPEUR	0.0745	0.00	6m	-12.39225	#VALUE!
BWPZAR	1.3224	-0.0109	12m	-25.94475	#VALUE!

Dollar Index	107.683	-0.152
EURUSD	1.0247	0.0006
GBPUSD	1.1836	0.0015
USDJPY	141.94	-0.18
USDNGN	442.49	0
USDZAR	17.3146	-0.0107

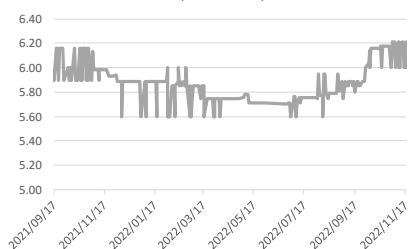
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.407	-0.001	SA 10y	10.395	0
3y	5.15	0.001	US 10y	3.827	0.009
5y	6.21	0.21	German 10y	1.977	-0.041
20y	8.79	-0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.95	-0.05		249	-3.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.08	-0.15	Gold	1737.8081	-11.9319
Dow Jones	33700.28	199.37	Brent Crude	1749.74	-0.17
FTSE	7376.85	38.98	3m Copper	1760.87	-195.5
JSE All share	71938.01	421.57	LME Index	1773.77	-103
Bots DCIBT	7611.14	1.13	1 carat index	1778.25	#VALUE!
Nigeria Index	44701.84	481.51			

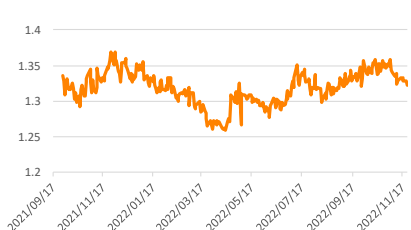
Spot BWP



BWP 5y local bond yield



BWP-ZAR

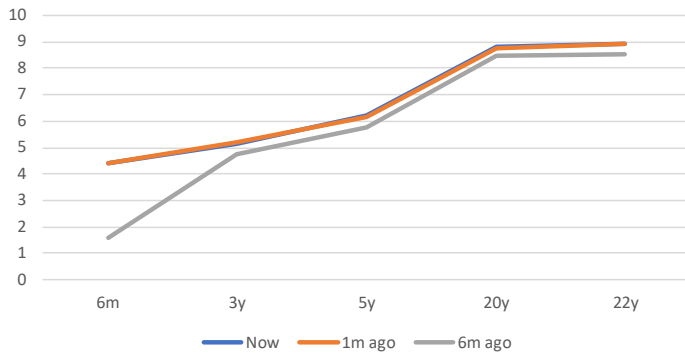


- Reuters reported the following - Botswana has picked India's Jindal Steel & Power Ltd as the preferred bidder in a tender to build a 300 megawatt (MW) coal-fired power plant, a notice from its energy ministry showed on Monday.
- It is the only fossil fuel-based power plant the Southern African country plans to procure in the next 20 years. Four companies were initially short-listed for the contract but one pulled out leaving Jindal, African Energy Resources and Minergy in a three-way race. Botswana has over 200-billion tonnes of coal resources and despite recent pressure on coal due to climate change, the diamond-dependent country is pressing ahead with monetising its coal for economic development.
- From a data perspective the local calendar remains thin. There is however the Leading Indicator measure for September due in South Africa. The leading indicators will show an economy that is slowing and has lost its momentum. Nothing surprising in this, given the strength of the inflation episode and the SARB's rate hiking response. This would also be in keeping with the weaker-than-expected retail sales data that was released last week.

Financial Market Commentary

- The BWPUSD continues to pivot around the 0.77 level and we have yet to see a firm push in either direction as the market awaits the US FOMC minutes tomorrow which will give further insight into the Fed's monetary policy intentions which in turn will drive direction for the dollar.
- Yesterday's gains on the trade-weighted USD were not sustained, and the USD has continued to consolidate in a tight range. Although there are still concerns about the Covid episode in China, investors are squarely focused on the Fed's pivot and the likelihood that it will slow the pace of hiking in Dec, shifting towards rate cuts in 2023. Black Friday might be key to the USD's direction in the coming months. A strong Black Friday would support the USD as it offers room for the Fed to hike further. A weaker Black Friday will do the opposite, and so in the run-up to the US long weekend, the USD will likely remain relatively range-bound, searching for its next catalyst. Most financial markets appear to have lost some of their directional momenta this week, and a large move is therefore not anticipated. That being said, the EUR has slid on the back of troubles in Ukraine and in anticipation of a smaller rate hike by the ECB. The EUR-USD is trading back towards 1.0250. The GBP on the other hand, is proving much more resilient under the Sunak government and is still trading around 1.1850..
- Moving over to the fixed income markets, US Treasuries ended yesterday's session relatively flat, with some initial gains as oil slumped reversed towards the end of the day as crude recovered after a report regarding oil production increases was denied by Saudi Arabia. It seems as if yields may be topping out once again, with the 2yr trading at over 4.500% while the 10yr yield holds above 4.800%. The market is well priced for an aggressive Fed rate hike trajectory, which will ultimately lead to a recession in the US and the need for a swift policy reversal later down the line. If yields have indeed peaked, it could open the door for a recovery in stock and other risk markets in the sessions ahead. However, this will depend on how tomorrow's FOMC meeting minutes are perceived.
- Meanwhile, there was some notable bull flattening across the UK yield curve yesterday, with traders paring some of their BoE rate hike bets and pricing in for an even greater slowing of the economy. The BoE's sale of shorter-dated gilts also provided some additional flattening pressure along the curve.

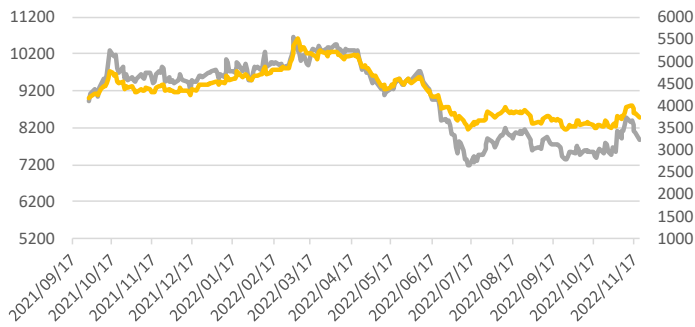
Botswana Yield Curve



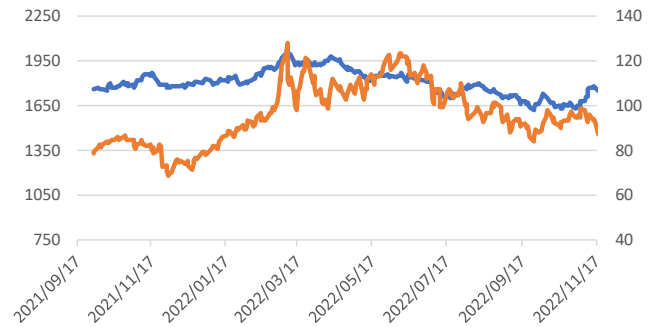
USD Index



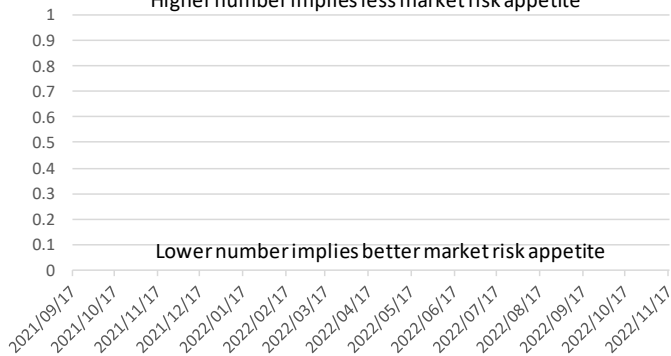
Base metals - Copper L_Hand axis LME Index
R_Hand axis



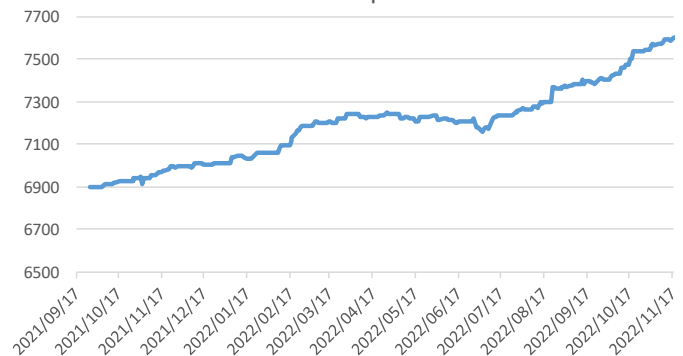
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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