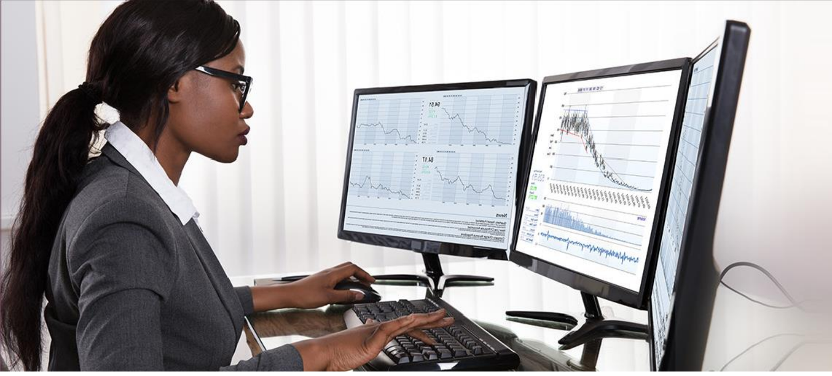

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Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
09:30	GB	Net consumer credit	Oct	0.8bn	0.7bn
09:30	GB	M4 money supply y/y	Oct		5,40%
10:00	EZ	Consumer confidence	Nov F		-23.9%
13:00	GE	CPI y/y	Nov P	10,40%	10,40%
14:00	US	House price index m/m	Sep	-1,30%	-0,70%
14:00	US	S&P CoreLogic Case-Shiller house price composite-20 y/y	Sep	10,65%	13,08%
15:00	US	Consumer confidence	Nov	100	102.5

Factors Overnight	What happened?	Relevance	Importance	Analysis
China's Covid moment	Chinese police are out in full force trying to contain Covid lockdown protests. The heavy-handed approach will work for now, but tensions are simmering	The protests are potentially a sign of a shift in attitude towards the communist regime	**5/5** (economy, politics)	These are the strongest protests that Xi Jinping has ever faced, and interestingly, it appears to be more than just against China's Zero-Covid policy. Some protests have been against long-standing rulers
Global stocks	Equity markets are on the defensive as the protests in China against the country's zero-Covid policy worry investors	It implies more disruptions to production and logistics	**4/5** (markets)	Growth concerns are escalating as China tries to squash any protests and implement harsher lockdowns to combat the surge in Covid cases
UK Retail sales	The Confederation of British Retail's sales balance dropped sharply to -19 in Nov from +18 in Oct. Expectations of sales fell to the lowest levels since Mar 2021	Orders placed on suppliers have dried up, and the cost-of-living crisis is now weighing on demand	**3/5** (economy)	High inflation, rising interest rates, and tax increases are simply too much for the average household to bear. Consumer spending is likely to come under increasing pressure

Factors on the Radar	What happened?	Relevance	Importance	Analysis
EU derivatives trading	Banks and other financial institutions will need to prove to EU regulators that they are not too reliant on UK clearing houses to process derivatives trades	The EU wants less reliance on London post-Brexit and will seek to move its clearing to Frankfurt	**4/5** (markets)	This would be another blow to the City, which will need to reinvent itself. Clearers in London will be allowed to continue operating until 30th June 2025, offering banks time for the adjustment
Fedspeak	NY Fed President Williams said on Monday that while it was appropriate to hike at the moment, the Fed should look at cutting rates in 2024	This is one of the first comments from the Fed suggesting that the cycle is mature and will turn	**3/5** (monetary policy)	Although much is dependent on the data and how quickly inflation reverses, the fact that rate cuts have been mentioned is a shift in the approach to the management of monetary policy
ECB guidance	EZ inflation has not peaked and could still surprise to the top side, according to ECB President Lagarde, hinting at a series of rate hikes ahead.	The EZ is the laggard regarding rate hikes but also has the strongest headwinds to contend with	**4/5** (monetary policy, economy)	The War on Ukraine, surging inflation, high debt levels, and rising interest rates mean that a EZ recession is almost guaranteed, and the ECB will need to balance its inflation fight against GDP

Highlights news vendors

BUSINESS LIVE - ANC not yet rid of slate politics and factionalism, says Mantashe
FT – US officials say Russia has postponed nuclear weapons talks
REUTERS – Burkina Faso's vanishing gold boom puts livelihoods at risk
SOUTH CHINA POST - China offers another lifeline for cash-strapped developers as it allows them to tap equity financing

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.265184	1.27584	1.2895652	1.36887
BWPUSD	0.074112	0.093496	0.0755402	0.079928
GBPBWP	16.049176	16.17928	15.701958	15.24586
BWPEUR	0.077272	0.077896	0.0729998	0.076398
JPYBWP	11.128	11.2216	10.51275	10.978825
USDZAR	16.387968	17.76528	16.772061	17.380935
EURUSD	0.996768	1.080248	1.0201298	1.05687725
GBPUSD	1.152576	1.24904	1.1795895	1.2220175

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0772	-0.0003
BWPGBP	0.0646	0.0005
BWPEUR	0.0747	0.00
BWPZAR	1.324	0.0027
Dollar Index	106.243	-0.438
EURUSD	1.0382	0.0045
GBPUSD	1.2005	0.0047
USDJPY	138.63	-0.31
USDNGN	443.37	0
USDZAR	17.0733	-0.0768

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.3985	0
3m	-7.12725	0
6m	-13.93275	0
12m	-29.51325	0

Local Fixed income

Yield curve	Close	Change
6m	4.408	-0.001
3y	5.259	0.108
5y	6.34	0.14
20y	8.79	-0.01
22y	8.95	0.05

International Fixed Income

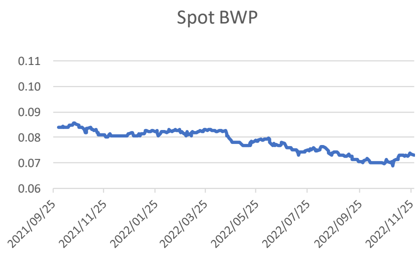
	Close	Change
SA 10y	10.275	0.055
US 10y	3.702	0
German 10y	1.992	0.023
Spread SA 5y vs Bots 5y bpts		
	238	-11

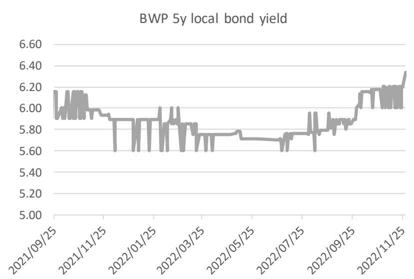
Equities

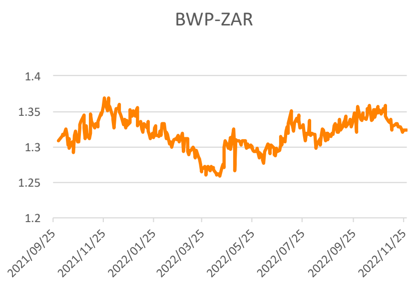
	Close	Change
VIX	e permission t	#VALUE!
Dow Jones	33849.46	152.97
FTSE	7474.02	20.07
JSE All share	73368.25	24.04
Bots DCIBT	7621	-9.04
Nigeria Index	47436.45	949.4

Commodities

	Close	Change
Gold	1740.75	-15.39
Brent Crude	1756.14	-0.44
3m Copper	1754.96	-49
LME Index	1749.28	-5.4
1 carat index	1740.24	#VALUE!





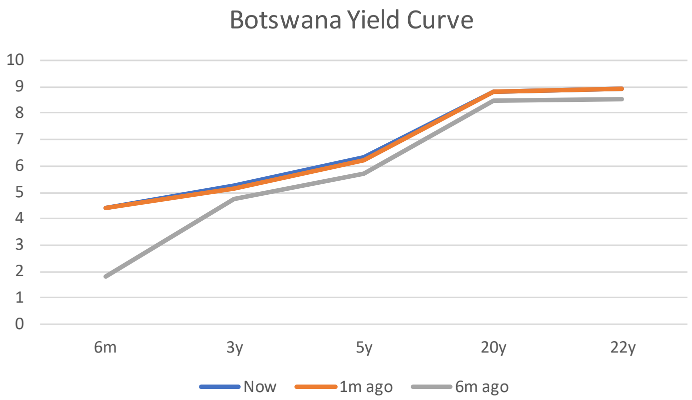


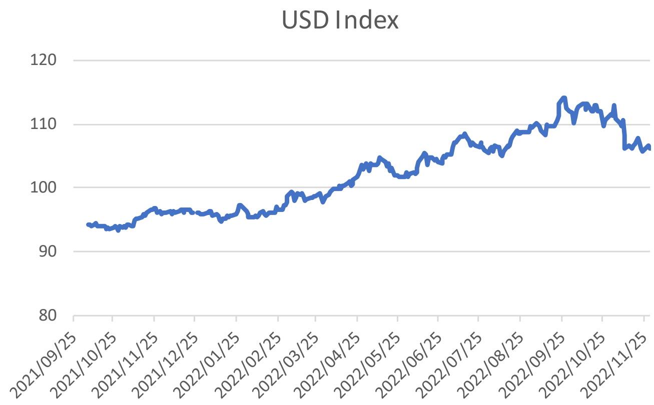
Local and regional talking points

- Namibia’s state-owned railway company, TransNamib, seeks to shift its coal exports from Botswana off the roads and onto the railways by early 2023 in an effort to double exports via Walvis Bay port, its Chief executive was reported saying yesterday. The shift to the rails will cut transportation costs and enable miners to boost exports. Meanwhile, landlocked Botswana is seeking alternative routes to export its coal due to disruptions from South Africa's railway lines to Richards Bay port, the largest coal terminal in Africa. Namibia and Botswana, along with many other African nations, are vying to increase their coal exports in the face of soaring European demand for the commodity following the imposition of sanctions on Russian coal due to Moscow's invasion of Ukraine.
- SA unemployment figures will be in focus today. The level of slack in the SA labour market remains extremely high despite the jobless rate falling in the last two quarters, reflecting an economy that is not growing at a pace that could open more employment opportunities for people. The disparity between the available skillset and skills required to drive productivity alongside strong labour union activity and other structural impediments are headwinds facing the domestic labour market. Given that these factors are likely to remain prevalent for a longer period until reforms are intensified, the unemployment rate will likely remain high in the coming months. As such, domestic demand dynamics will remain weak, further detracting from the economic growth outlook.'

Financial Market Commentary

- Currency resilience has played a crucial role in policymaking in Africa this year. Most African currencies have come under pressure this year due to a surging USD and a deterioration in global risk appetite. For context, 19 out of the 22 African currencies tracked by ETM have depreciated this year. While there has been a broad-based sell-off in African currencies this year, the losses have vastly differed, with the likes of the Ghanaian cedi and Egyptian pound plunging -56% and -36%, respectively. In comparison, the Zambian kwacha and Tanzania shilling have lost just over 1% against the USD. In the case of the Botswana Pula, it has weakened more than 8.8% to the USD, underperforming the South African Rand (down roughly 7%) to place amongst the seven weakest African currencies this year.
- Currency performance has either amplified supply-side price pressures or helped keep them contained. Against the backdrop of the sharp depreciation in currencies, inflation across Africa has spiked, resulting in the need for aggressive monetary policy tightening to contain inflation and inflation expectations. Looking ahead, we expect currency performance to remain a significant determinant of monetary policy moves in 2023.
- Although it seemed like the USD would regain lost ground as China’s Zero-Covid protests unfolded, the greenback struggled to build any traction. This may be a function of improved Asian equity market performances this morning, comments that the Fed will consider rate cuts in 2024, or that calm has returned to China. And as the USD struggles for traction, one eye is turning to developments in the US and the upcoming labour market data. Another strong reading will build the probability of another 75bp rate hike in Dec and the prospect that rates may peak at a higher level than first anticipated. It is keeping investors a little cautious and the USD range bound. The EUR and the GBP are not showing any definitive signs of direction either, and will be waiting on key data sets for further directional guidance.
- The global yield curve has inverted, following the US in signalling that a potentially deep recession is coming. The average yield on sovereign debt maturing in 10 years has fallen below that of bonds maturing between 1 and 3 years time, according to Bloomberg’s aggregate bond indexes. This is the first time that this has occurred on such a large scale and highlights the difficulties that economies are expected to go through in the coming months as the full impact of aggressively tighter monetary policy begins to filter through. The US yield curve is already at its most inverted in 40 years, while the UK and German yield curves have started to catch up as growth risks mount ahead of what will be a December of further rate hikes from major central banks. With this recession signal flashing brightly, global investors are expected to favour longer-term debt markets to park their funds.
- The bond index has already gained 5% this month, its best monthly gain since 2008. It could easily extend these gains through December and into early 2023 as the Fed and other major central banks may be forced to walk back some of their aggression when it comes to hiking rates.


Botswana Yield Curve
10
9
8
7
6
5
4
3
2
1
0
6m
3y
5y
20y
22y
Now
1m ago
6m ago


USD Index
120
110
100
90
80
2021/09/25
2021/10/25
2021/11/25
2021/12/25
2022/01/25
2022/02/25
2022/03/25
2022/04/25
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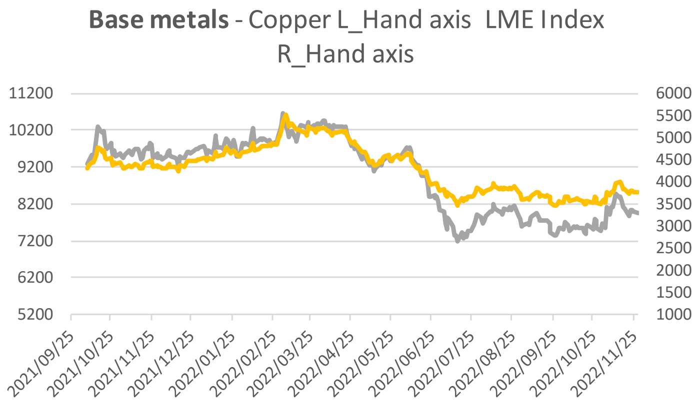
2022/09/25
2022/10/25
2022/11/25


Base metals - Copper L_Hand axis LME Index R_Hand axis
11200
10200
9200
8200
7200
6200
5200
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
2021/09/25
2021/10/25
2021/11/25
2021/12/25
2022/01/25
2022/02/25
2022/03/25
2022/04/25
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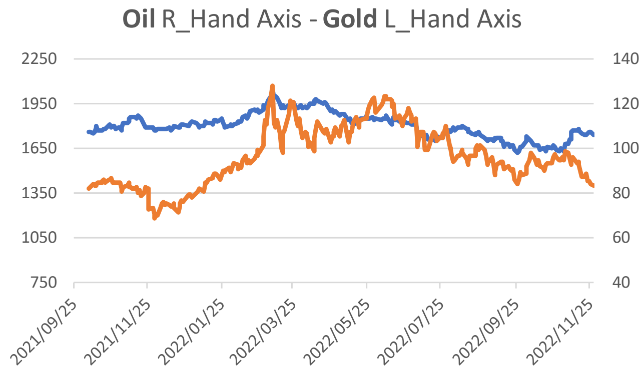
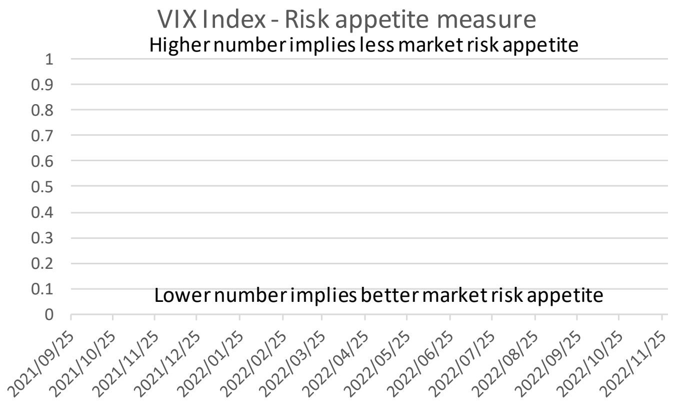
2022/10/25
2022/11/25


Oil R_Hand Axis - Gold L_Hand Axis
2250
1950
1650
1350
1050
750
140
120
100
80
60
40
2021/09/25
2021/11/25
2022/01/25
2022/03/25
2022/05/25
2022/07/25
2022/09/25
2022/11/25


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Lower number implies better market risk appetite
2021/09/25
2021/10/25
2021/11/25
2021/12/25
2022/01/25
2022/02/25
2022/03/25
2022/04/25
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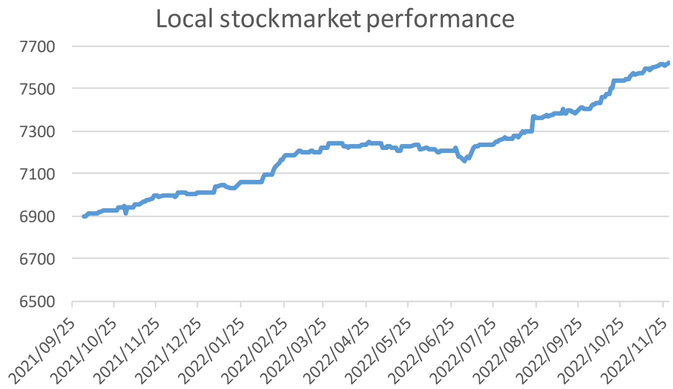
2022/09/25
2022/10/25
2022/11/25


Local stockmarket performance
7700
7500
7300
7100
6900
6700
6500
2021/09/25
2021/10/25
2021/11/25
2021/12/25
2022/01/25
2022/02/25
2022/03/25
2022/04/25
2022/05/25
2022/06/25
2022/07/25
2022/08/25
2022/09/25
2022/10/25
2022/11/25

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