

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
01:30	CH	PMI manufacturing	Nov	48.0 A	49.2
08:55	GE	Unemployment rate sa	Nov	5.5%	5.5%
10:00	EZ	CPI estimate y/y	Nov	10.4%	10.7%
12:00	US	MBA mortgage applications	Nov 25		2.2%
13:15	US	ADP employment change	Nov	195k	239k
13:30	US	GDP q/q annualised	3Q S	2.7%	2.6%
13:30	US	Personal consumption	3Q S	1.5%	1.4%
13:30	US	Wholesale inventories m/m	Oct P	0.5%	0.6%
18:30	US	Powell Discusses the Economic Outlook and the Labor Market			
19:00	US	U.S. Federal Reserve Releases Beige Book			

Factors Overnight	What happened?	Relevance	Importance	Analysis
UK fresh food prices	According to the British Retail Consortium, the cost of fresh food sold in Britain at the fastest pace since records began in 2005, accelerating to 14.3% y/y	The cost-of-living crisis is likely to get a bit worse before it stabilises and gets better	5/5 (economy)	Although these are supply-side-driven price shocks, the higher inflation readings will keep the Fed hawkish in its approach despite the economy facing some serious growth headwinds
Chinese PMIs	China's manufacturing PMI for Nov contracted further to 48.0 vs 49.2, while the Nov Services PMI fell to 46.7 from 48.7 in Oct	Contraction in certain industries will detract further from GDP growth	4/5 (economy)	These numbers signal seven-month lows and reflect, amongst other things, the effects of the Covid restrictions as China persists with its zero-Covid policy
Chinese protests	Frustration at continued Covid restrictions has resulted in people protesting in China's southern manufacturing hub of Guangzhou, marking an escalation in protests	This now leaves the Chinese authorities with the awkward decision of having to walk back their curbs or face more protests	4/5 (economy)	For a communist country like China, this is a direct threat to its governance and control of the country. The likely stance of the government will be to crack down harder, but that only threatens further logistical disruptions
Factors on the Radar	What happened?	Relevance	Importance	Analysis
US labour data	This week is payrolls week, and today will kick off the first of three major reports. The private sector ADP report will be first followed by jobless claims tomorrow and the payrolls data on Friday	Given the strength of the inflation episode, Fed officials will be hoping to see some loosening of the labour market	5/5 (markets, economy)	The tight labour market is considered a threat to the inflation outlook because it will keep wage inflation buoyant and demand-side pressures alive. The outcomes will affect rates expectations and spill over into financial markets
Ukrainian war	NATO has warned that Russia will use winter as a weapon of war and has vowed more help for Ukraine as Russian forces attack several fronts	This war is not de-escalating, and Putin is not backing down in a war he must win to retain credibility	4/5 (geopolitics)	Ukraine is desperate for transformers to repair bombed electrical infrastructure and missiles to continue fighting back against Russian aggression, which is showing no signs of moderating
Inflation	Although inflation remains buoyant and rising in some jurisdictions, in many others, including the US, Australia, Germany and the Far East, inflation has stalled	These are early indications that the underlying momentum behind inflation is starting to top out or ease	4/5 (monetary policy, economy)	2023 will be the year of a significant moderation in inflation worldwide. While there may be several more buoyant months, inflation has run out of momentum. Tighter monetary policy and weak growth will contain inflation

Highlights news vendors

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FT – [Nato restates pledge to make Ukraine a member](#)

REUTERS – [China's Nov factory, services activities fall to 7-month lows on COVID curbs](#)

SOUTH CHINA POST - [China caught in a Covid-19 bind as winter approaches](#)

Local and regional talking points

	Corporate Foreign Exchange			
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.264224	1.270176	1.2885867	1.362793
BWPUSD	0.074592	0.093496	0.0760295	0.08034
GBPGBP	15.981368	16.048344	15.635617	15.122478
BWPEUR	0.078	0.078312	0.0736875	0.076806
JPYBWP	11.1904	11.2424	10.5717	10.999175
USDZAR	16.270272	17.641728	16.651607	17.260056
EURUSD	0.993984	1.077232	1.0172805	1.0539265
GBPUSD	1.150656	1.24696	1.1776245	1.2199825

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0777	0.0005	1m	-2.40825	0
BWPGBP	0.065	0.0004	3m	-7.14675	0
BWPEUR	0.0752	0.00	6m	-13.962	0
BWPZAR	1.3205	-0.0008	12m	-29.59125	0

Dollar Index	106.529	-0.293
EURUSD	1.0354	0.0027
GBPUSD	1.1987	0.0034
USDJPY	138.49	-0.19
USDNGN	443.44	0
USDZAR	16.9484	-0.0466

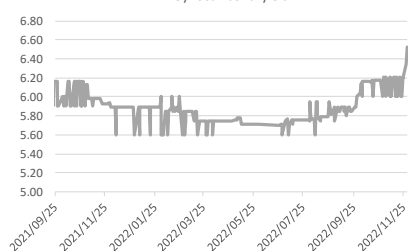
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.407	-0.001	SA 10y	10.23	-0.045
3y	5.631	0.372	US 10y	3.748	0.046
5y	6.53	0.19	German 10y	1.913	-0.079
20y	8.8	0.01	Spread SA 5y vs Bots 5y bpts		
22y	8.96	0.01		216	-1.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.85253	-0.16	Gold	1749.73	8.98
Dow Jones	33852.53	-497.57	Brent Crude	1740.75	-0.16
FTSE	7512	-12.65	3m Copper	1756.14	78.5
JSE All share	73127.92	216.87	LME Index	1754.96	51.3
Bots DCIBT	7623.67	11.67	1 carat index	1749.28	#VALUE!
Nigeria Index	47322.97	-117.89			

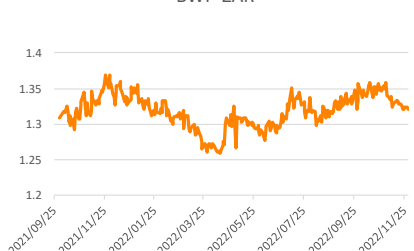
Spot BWP



BWP 5y local bond yield



BWP-ZAR



• SARB's Financial Stability report published yesterday expressed concerns about the threat an inadequate and unreliable power supply poses to financial stability as the country experiences record blackouts. The effects of sustained load-shedding has adverse impacts on domestic economic growth, investor sentiment and business activity, exacerbating other pre-existing vulnerabilities. The impact of the severe power cuts may not be fully priced into the market, even as local investors appear more pessimistic about SA. The report also noted debt concerns. Despite better-than-expected outcomes from last month's budget update, the financial sector's high exposure to government bonds remains a risk. Despite this, the country's financial system remains resilient, and financial institutions have maintained adequate capital buffers to absorb the impact of shocks, a resilience that's expected to be sustained over the forecast period, SARB noted.

• Electricity shortages plaguing Zimbabwe are set to worsen after an authority that manages the country's biggest dam ordered the suspension of electricity generation at its main hydro plant because of a water shortage. The Kariba South hydropower provides Zimbabwe with about 70% of its electricity and has been producing significantly less than its capacity of 1 050 megawatts in recent years as successive droughts have resulted in poor inflows into the Kariba Dam whilst ageing coal-fired power stations have repeatedly broken down. The government has licensed some independent solar producers to try to augment supply.

Financial Market Commentary

• US bond yields are edging lower this morning after advancing yesterday by the most in a week, driven higher by hawkish Fed comments and rising oil prices. The comments from St. Louis Fed President Bullard this week have seen traders increase their bets on another possible 75bp hike in December, with the odds currently at 30%, while a 50bp has a 70% probability priced in. Limiting the move higher for yields, however, was some inflation data out of Europe yesterday that showed a more positive picture of the price pressures facing the region. Bund yields, as a result, were lower across the board yesterday. We also continue to see growth concerns for China mount, with today's weak PMI figures affirming this and dragging global bond yields lower in early trade this morning.

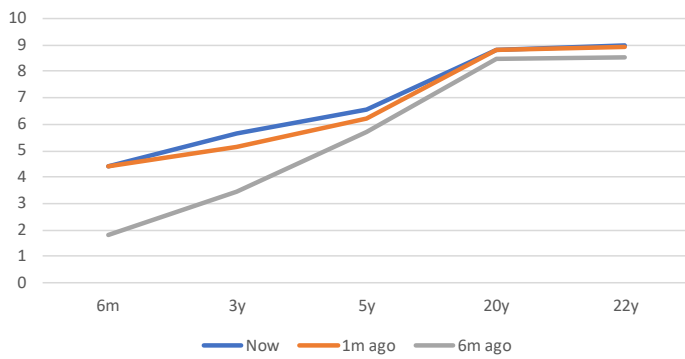
• Focus will now shift to Fed Chair Powell's speech and the Fed Beige book release this afternoon. Given the speech's focus on the economy and the labour market, his comments will very likely be market-moving. We may see him stick to the general tone that we have seen from other Fed speakers this week, which could keep bond markets under pressure.

• Ahead of the US labour market data later this week, the USD has regained some composure and appears to have consolidated and bottomed out. Investors are clearly reluctant to sell the USD any further amid ongoing lockdown protests in China, weakening global growth dynamics that may weigh on equity markets, and an overall rise in risk aversion. Furthermore, the USD has corrected weaker a long way in a short space of time and heading into the end-of-year festive season, where trading can often be disrupted, it seems unlikely that investors will want to bet too strongly against the USD, with the global economy so fluid.

• CFTC data shows that speculative demand behind the USD has dropped considerably but has not turned aggressively negative just yet. Expectations of a much weaker USD may need to be postponed until 2023, when the data out of the US would allow the Fed to turn more dovish. The markets are already pricing in the risk that the Fed could start cutting rates by around Q3 2023. For now, the USD is trading water and will wait for the outcome of the latest labour market data. In the interim, the BWP will likely continue to gain ground against the USD, with a breakthrough 12.800/USD to open the way higher towards the 200DMA resistance at 12.4625/USD. There may be reduced trading volumes between today and tomorrow as the local market gears up for the final rate decision for 2022.

• Brent crude prices attempted to break above the \$85 per barrel mark yesterday, finding support from some positive developments on the China COVID front and speculation that OPEC+ will announce further output cuts this week. Adding to some of the downside pressure was news that the EU has still not yet agreed on a level at which to cap Russian crude prices. A range of between \$65-\$70 per barrel was initially floated but are still a long way from a final deal, which will help to ease supply concerns for now.

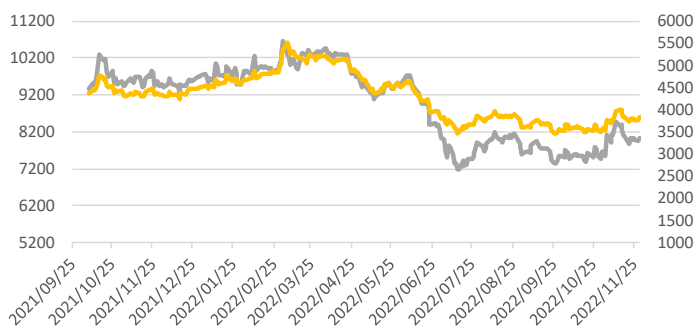
Botswana Yield Curve



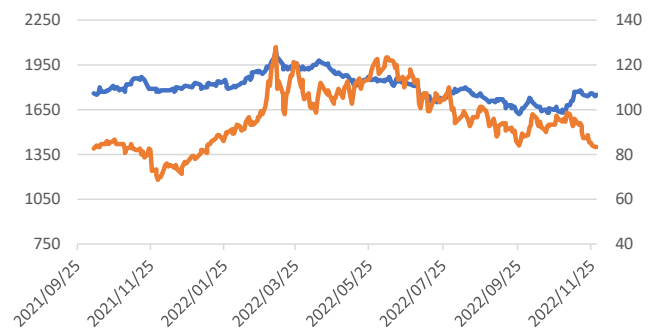
USD Index



Base metals - Copper L_Hand axis LME Index
R_Hand axis



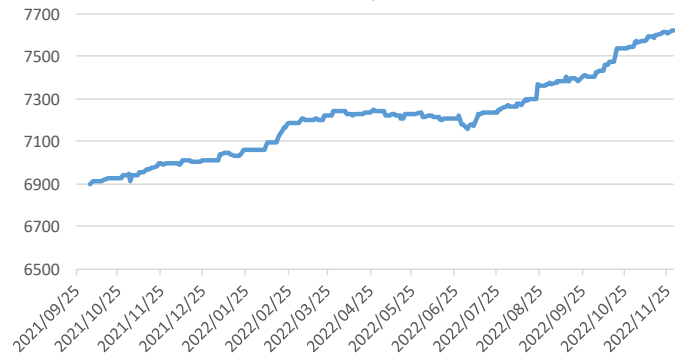
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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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