

Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Botswana to sell 7-day certificates			
03:30	AU	RBA rate decision	Dec 6	3.10% A	2.85%
07:00	GE	Factory orders y/y	Oct	-4.70%	-10.80%
09:30	GB	PMI construction	Nov	52	53.2
13:30	US	Trade balance	Oct	-\$79.1bn	-\$73.3bn
Factors Overnight		What happened?	Relevance	Importance	Analysis
RBA		This morning the RBA chose to lift rates by a further 25bp to take the cash rate up to 3.10%. Inflation in Australia remains too high at 6.9% y/y	Future decisions will be driven by CPI and jobs data in the main. The labour market remains too tight	4/5 (monetary policy, market)	Along with most other central banks around the world the RBA has opted to try and contain inflation by cooling the economy and loosening some of the pressures in the labour market.
UK consumption		A survey conducted by the British Retail Consortium showed that consumption spending lagged inflation quite considerably	Wages have not kept up with inflation and will lead to margin squeeze	4/5 (economy)	Retailers in the UK are still having a tough time and that will likely get worse before it gets better as inflation continues to rise and GDP falls
US ISM		According to the latest ISM data the US economy is still resilient as the services industry picked up and hiring improved. The ISM non-manufacturing rose to 56.5	The data suggests there is still much resilience and the Fed can afford to hike strongly again	4/5 (economy)	This data will likely tilt the scales in favour of another 50bp hike when the FOMC meets next week. The labour market remains strong and the Fed will feel comfortable tackling inflation
Factors on the Radar		What happened?	Relevance	Importance	Analysis
BoC decision		On Wednesday, the BoC will decide on rates, and the broad expectation is that the Bank will hike by a further 50bp	This remains the harshest tightening cycle in the history of the central Bank	4/5 (monetary policy, economy)	The tightening will eventually take its toll. The data, for now, has held up[better than expected, but it may be a matter of time until the stress grows.
ECB guidance on decision		ECB's Makhlof has indicated that the bank will likely raise rates by 50bp next week and move beyond a deposit rate of 3.00%	Inflation remains a problem, although there have been some signs of moderation	4/5 (monetary policy)	Regarding where the ECB will top out, Makhlof was less certain, but could envisage a scenario where inflation remains stubbornly high and the ECB hikes rates beyond 3.00%
Oil price cap consequences		Under EU sanctions, tankers holding Russian oil are barred from any maritime insurance unless they abide by the EU's price cap of \$60 pb	As a result there is now a log jam in Turkish waters of tankers that cannot get insurance	5/5 (geopolitics, markets, economy)	Turkey has demanded new proof of insurance in light of the price cap. This despite Russia indicating that it will continue to ship oil. This has the potential to impact physical delivery

Highlights news vendors

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REUTERS - [Nigerian presidential hopeful Obi pledges to reform currency market](#)

SOUTH CHINA POST - [North Korea orders new artillery firings over South Korea's drills](#)

Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.302048	1.312896	1.3271396	1.408628
BWPUSD	0.074592	0.093496	0.0760295	0.080443
GBPGBP	16.185728	16.31344	15.835556	15.37228
BWPEUR	0.077064	0.077688	0.0728033	0.076194
JPYBWP	11.0656	11.1488	10.4538	10.9076
USDZAR	16.757376	18.164328	17.150127	17.77134975
EURUSD	1.006656	1.09096	1.0302495	1.0673575
GBPUSD	1.169856	1.267552	1.1972745	1.240129

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0777	0.0004	1m	-2.56425	0
BWPGPB	0.0638	0.0004	3m	-7.1565	0
BWPEUR	0.0741	0.00	6m	-14.079	0
BWPZAR	1.3564	0.0058	12m	-30.0495	0

Dollar Index	105.359	0.07
EURUSD	1.0485	-0.0006
GBPUSD	1.2184	-0.0004
USDJPY	136.95	0.21
USDNGN	444.04	0
USDZAR	17.4572	0.0312

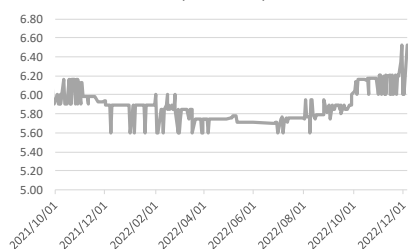
Local Fixed Income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.404	0	SA 10y	10.605	-0.2
3y	5.461	-0.03	US 10y	3.599	0.096
5y	6.53	0.53	German 10y	1.884	0.029
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	8.96	-0.04		254.5	1.5

Equities			Commodities		
	Close	Change		Close	Change
VIX	23.89	-0.11	Gold	1768.39	-29.43
Dow Jones	33947.1	34.87	Brent Crude	1797.82	-2.89
FTSE	7567.54	-2.26	3m Copper	1802.89	-59
JSE All share	74693.42	-697.1	LME Index	1768.45	-11.2
Bots DCIBT	7642.81	1.6	1 carat index	1749.73	#VALUE!
Nigeria Index	48270.23	498.01			

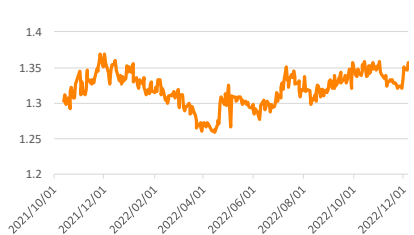
Spot BWP



BWP 5y local bond yield



BWP-ZAR



• On the mining front, Cobre Ltd reportedly discovered high-grade copper mineralisation in drilling the Comet target at Ngami Copper Project in Botswana's Kalahari Copper Belt, demonstrating the potential for economical grades of copper in the region. This is good news for the mining sector and the broader economy. Meanwhile, shares of the mining company jumped nearly 7% on the news.

• In the session ahead, Botswana plans to sell BWP4.5bn (\$351mn) worth of 7-day certificates, due on December 14.

• The main event in Southern Africa today is South Africa's Q3 GDP print. Market expectations are for growth to have rebounded on a y/y basis after falling to just 0.2% in Q2. On a q/q basis, consensus expectations are for growth of around 0.4%, suggesting that the economy avoided entering a technical recession owing to the contraction of 0.7% in Q2. The restoration of supply lines after the KZN floods and some strong external demand during Q3 will likely have driven the improvement in the economy's performance. We don't, however, expect the reading to be all that market-moving, given how dated it is, and it will unlikely have much of an influence on the current policy stance of the SARB. Notwithstanding the expected rebound in Q3, the outlook for SA's economy is deteriorating amid the severe power outages, rising interest rates, a looming global recession and SA's usual structural impediments.

Financial Market Commentary

• Strong ISM US non-manufacturing data for October released yesterday reflected an economy that still enjoyed great resilience. Not only did activity pick up, but so too did the hiring component. The result was a more convicted bet on US interest rates. Expectations for rate cuts in 2023 moderated significantly, and now there is only a risk of a rate cut priced than a full rate cut or series of rate cuts. Instead, rate-cut bets were pushed out to 2024.

• US Treasuries tumbled yesterday following the data, which saw the market increase what it sees as the terminal rate for this current Fed hiking cycle. Front-end yields were up by more than 15bp at one point on the day, while the benchmark 10yr yield climbed 10bp. The rally for yields drove a broad rotation away from risk assets, overshadowing the news from earlier in the morning regarding China's reopening. With the market now pricing in peak rates at 5.00%, there may be very little upside left. However, we can expect to see some volatility in the market amid year-end and the current Fed speaker blackout ahead of next week's FOMC meeting. A 50bp increase is still the base case for the December meeting.

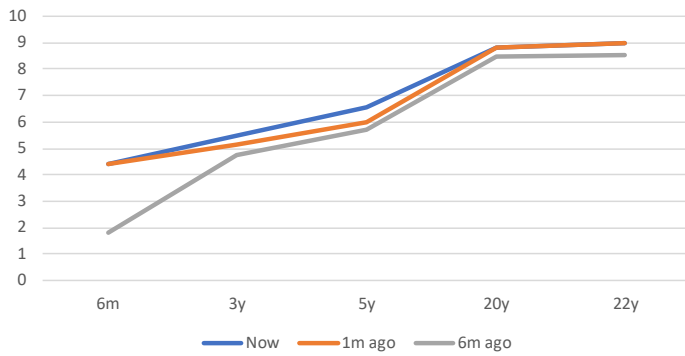
• The USD responded constructively and appreciated on a trade-weighted basis. The USD index is up and appears to be consolidating the gains now that the pivot no longer looks guaranteed and that the outlook for rates is less dovish. More data is needed to be convinced of a taper, but we will need to wait until Friday before more market-moving US data is released in the form of consumer confidence and wholesale sales.

• As for the BWP, it kicked off the new week in a similar fashion as it ended the last. The local currency continued to strengthen yesterday, closing at 12.8165 to the USD, with a break through the key 12.8000/USD resistance to open the way to further gains. The next key level to be on the lookout for is the 61.8% Fibb retracement level at 12.7471/USD, which extends from August's highs and October's lows.

• Oil had another volatile Monday, with Brent crude rising to around \$88.50 per barrel during the European session, bolstered by China's reopening and broad risk-on trade. However, this reversed sharply in the US session, as surging UST yields and a bounce for the USD quickly drove a rotation out of risk assets. Brent thus closed yesterday just below \$82.70 per barrel, keeping the broader downward trend relatively intact still. Traders are still clearly concerned over the demand outlook for 2023 as prices have not necessarily responded as expected to the news out of China or the upcoming output cuts by OPEC+.

• Supporting the nearish outlook for demand for crude, Saudi Arabia has once again lowered the price of its benchmark grade that it sells to Asia. Saudi Aramco cuts its key Arab Light grade for January to \$3.25 a barrel above the regional benchmark, a reduction of \$2.20 per barrel. Kuwait, meanwhile, has said that its oil customers have expressed reluctance to import oil next year. This all suggests that even though the market remains quite tight at the moment, it will take a major supply shock to send crude prices to notably higher levels than where they currently are.

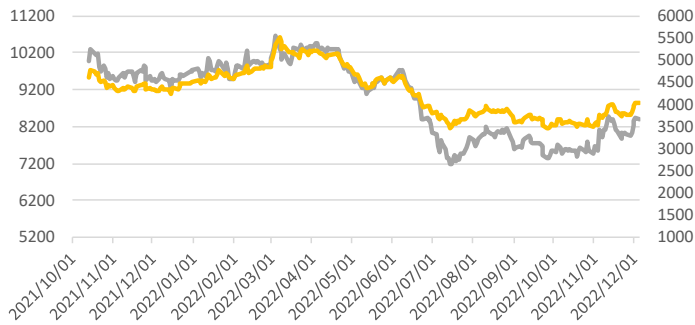
Botswana Yield Curve



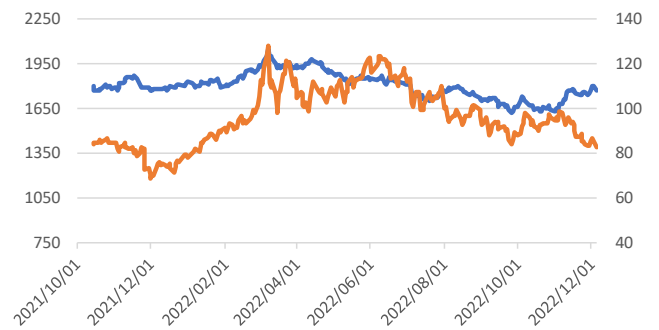
USD Index



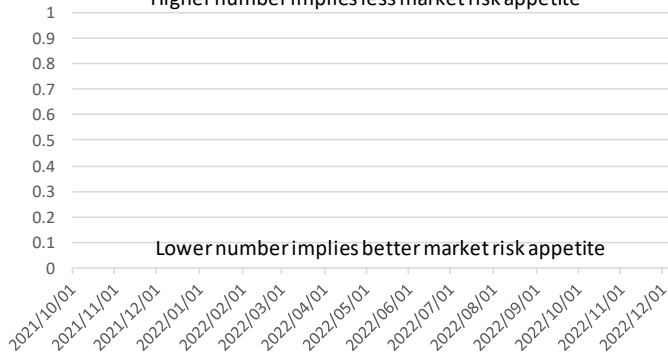
Base metals - Copper L_Hand axis LME Index
R_Hand axis



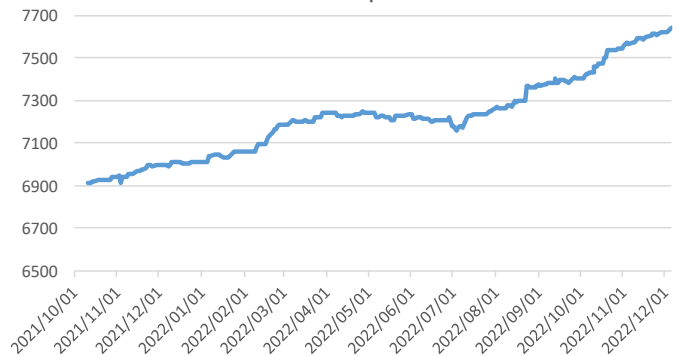
Oil R_Hand Axis - Gold L_Hand Axis



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



Local stockmarket performance



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