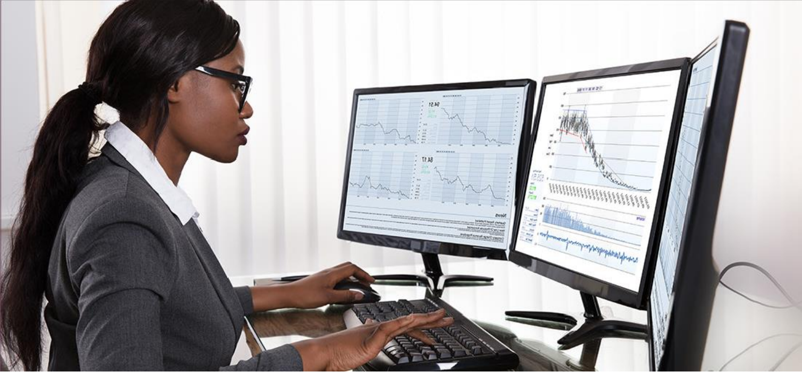


Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
-	CH	Trade balance	Nov	$69.84bn A	$85.15bn
07:00	GE	Industrial production wda y/y	Oct	-0.70%	2.60%
10:00	EZ	GDP sa y/y	3Q F	2.1%	2.1%
12:00	US	MBA mortgage applications	Dec 2		-0.80%
13:30	US	Nonfarm Productivty	3Q F	0.4%	0.3%
15:00	CA	Canada central bank rate decision	Dec 7	4.25%	3.75%
20:00	US	Consumer credit	Oct	$28.25bn	$24.98bn

Factors Overnight	What happened?	Relevance	Importance	Analysis
Chinese trade	China's trade surplus has shrunk to $69.84bn in Nov from $85.15bn in Oct. The disappointing result comes as exports shrank 8.7% y/y, while imports contracted 10.6% y/y	Weak consumption domestically and widespread covid restrictions have negatively affected growth	4/5 (economy)	The data is softer than expected and alludes to an economy that's experiencing significant headwinds. The global slowdown and China's zero covid policy are now weighing on overall economic performance
Australia GDP	Australia's economy slowed in Q3 as it expanded by 0.6% q/q vs 0.9% q/q in the previous quarter, and expectations of 0.7% q/q	Rising rates and higher inflation are detracting from overall GDP growth	3/5 (economy)	In the details, there are some signs that a further slowdown could unfold as the savings ratio dropped to 6.9% from 8.3%, which helped fund consumption
US Trade	The US trade deficit widened 5.4% to $78.2bn in Oct as exports fell 0.7% and imports rose 0.6%	The deficit reflects strong domestic consumption but will detract from GDP	4/5 (economy)	Although domestic demand will counter the effects of the trade deficit, the wide trade deficit will lead to an unsustainable position and weaker GDP

Factors on the Radar	What happened?	Relevance	Importance	Analysis
BoC decision	Today, the BoC will decide on rates, and the broad expectation is that the Bank will hike by 50bp to lift the rate to 4.25%	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.
China's Covid	Reports in the FT highlight the potential risk of a severe wave of infections and deaths, and the latter could potentially spike to 1mn through winter	China's zero Covid policy has left the country short of natural immunity. Lockdowns loom	4/5 (economy)	Investors need to brace for the prospect of more lockdowns in China despite the risk of protests, as recent models show that the number of deaths through winter could spike dramatically
Trump legal troubles	The Trump Organisation has been found guilty of running a 15yr-long criminal scheme to defraud tax authorities	This only adds to the pressure on Trump to withdraw his bid to run for president	3/5 (politics)	As Trump's legal troubles mount, many are now questioning whether he will remain eligible to run for the presidency. Many more legal battles are coming

Highlights news vendors

BUSINESS LIVE - Political uncertainty hangs over burst of economic growth
FT – Hungary blocks €18bn worth of EU aid for Ukraine
REUTERS – G7 Russian oil price cap evolves from revenue squeeze to market anchor
SOUTH CHINA POST - Chinese yuan playing 'complementary' role in interbank settlement, but CIPS won't rival Swift

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.282656	1.293792	1.3073739	1.388131
BWPUSD	0.074016	0.093496	0.0754424	0.079825
GBPBWP	16.24376	16.372928	15.892333	15.428336
BWPEUR	0.076544	0.077168	0.072312	0.075684
JPYBWP	11.0136	11.0968	10.404675	10.856725
USDZAR	16.636128	18.038072	17.026037	17.64782525
EURUSD	1.004736	1.08888	1.0282845	1.0653225
GBPUSD	1.165056	1.262352	1.192362	1.2350415

Interbank Spot Foreign Exchange

	Close	Change
BWPUSD	0.0771	-0.0002
BWPGBP	0.0635	0.0001
BWPEUR	0.0736	0.00
BWPZAR	1.3362	-0.0144
Dollar Index	105.631	0.053
EURUSD	1.0467	-0.0002
GBPUSD	1.2136	-1E-04
USDJPY	137.28	0.23
USDNGN	444.31	0
USDZAR	17.3278	-0.0023

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.432625	0
3m	-7.10775	0
6m	-13.99125	0
12m	-29.8545	0

Local Fixed income

Yield curve	Close	Change
6m	4.403	-0.001
3y	5.46	-0.001
5y	6	-0.53
20y	8.8	0
22y	9	0.04

International Fixed Income

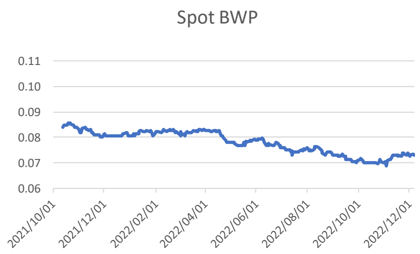
	Close	Change
SA 10y	10.605	0
US 10y	3.513	-0.086
German 10y	1.796	-0.088
Spread SA 5y vs Bots 5y bpts		
	303.5	50.5

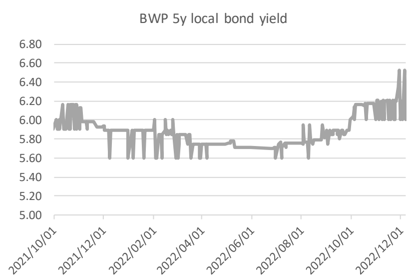
Equities

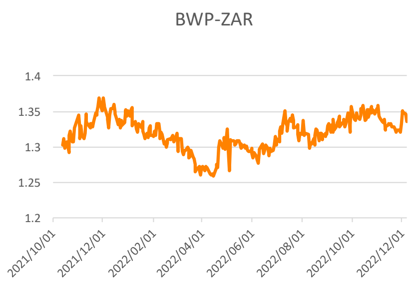
	Close	Change
VIX	e permission t	#VALUE!
Dow Jones	33596.34	-482.78
FTSE	7521.39	11.31
JSE All share	74557.31	370.51
Bots DCIBT	7644.14	17.33
Nigeria Index	48366.69	115.58

Commodities

	Close	Change
Gold	1770.91	2.52
Brent Crude	1768.39	-3.33
3m Copper	1797.82	30.5
LME Index	1802.89	17.3
1 carat index	1768.45	#VALUE!





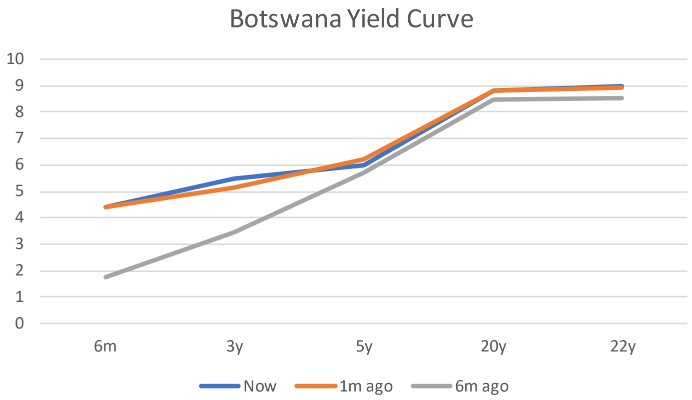


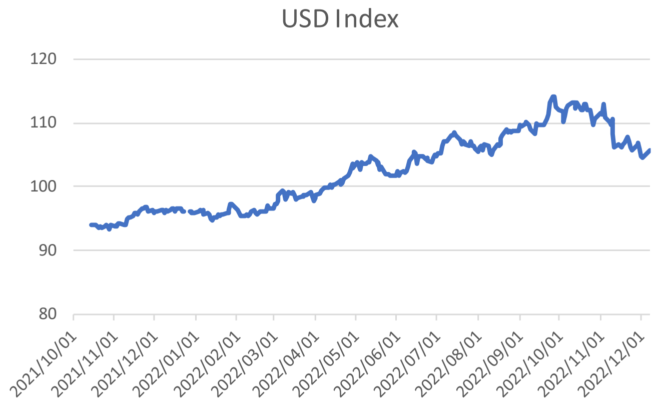
Local and regional talking points

- According to a budget planning document provided to MPs, the government intends to spend 64.1 billion pula on various infrastructure projects over the next two financial years in an effort to reduce its dependence on mineral revenues. The Transitional National Development Plan will allocate 26.8 billion pula for new projects and 37.3 billion pula for continuing programs between now and 2025. Most of the funds are earmarked for projects in the areas of health and education, as well as the development of roads, water infrastructure, land servicing and digital connectivity. According to estimates, upgrading and implementing new infrastructure will result in economic growth of 4.1% in 2023, 4% in 2024, and 4.9% in 2025. While Botswana holds a broadly balanced budget, it will be necessary to borrow carefully to avoid crowding out private capital and higher debt interest payments.
- Statistics South Africa published Q3's GDP figures, which saw the economy expand by 1.6% q/q compared with -0.7% q/q contraction in Q2, reflecting a level of recovery from the spillover effects of the Russia war and supply-side disruptions such as the KZN floods. The reading beat an expansion of 0.4% q/q expected by the market, according to a Bloomberg survey. On a y/y basis, the economy grew by 4.1% compared to 0.2% in Q2. Eight industries, particularly agriculture, forestry, and fishing sectors and exports, underpinned the growth, likely due to favourable weather and global price conditions. However, headwinds remain, such as the Transnet strikes that will probably filter through to Q4 numbers and the never-ending power outages in the country. These factors may drag down domestic output, leading to a less rosy Q4 GDP print.

Financial Market Commentary

- The USD has retained its ascendency and crept a little higher yesterday as the world focuses increasingly on the global economy's difficulties. Although some of the current data in some jurisdictions, most notably the US, is holding up reasonably well, the outlook is deteriorating. Expectations of a major Chinese Covid episode and the global slowdown are raising concerns. It is a tough combination that will eventually force central banks to prioritise growth differently. Through the transition, where the economic backdrop will become fluid, the need for a safe haven may rise to keep the USD supported. However, the tide has turned, and the USD's overvaluation will weigh through the months ahead. The Fed's stance will soften, and bets in favour of the USD will remain subdued or even turn negative to favour USD depreciation. These short-term developments need to be seen in context.
- Meanwhile, the USD-BWP weakened slightly yesterday, closing at 12.8953 but once again lacking the impetus for a move through the 12.800 support to regain more lost ground.
- US Treasuries rallied yesterday, with flattening pressures seen across the curve as receiving interest for swap spreads was high during the US session, pushing the curve inversion even deeper. The 2v10 spread has now widened out to more than 80bp in favour of the front end of the curve, while ultra-long tenors such as the 30yr have seen their yields drop to lows not seen since September. Supporting the shift back into bonds yesterday was the slide for equities and the plunge in oil prices, as global growth concerns were once again brought to the fore. The fear remains that the Fed and other major central banks will hike their way into recessions to contain the current high levels of inflation experienced. Nevertheless, it is clear that bond markets the world over are flashing increasingly strong warning signals about the outlook for economic growth.
- The outlook for 2023 remains highly uncertain, and investors are pricing in for a notable slowdown in global demand as major economies enter into recessions. The oil markets succumbed to this uncertainty yesterday as crude futures declined for their fourth straight session, which pushed benchmark front-month Brent futures back below $80 per barrel for the first time since January. WTI, meanwhile, has slipped back below $75 per barrel. Timespreads are also widening further into contango, suggesting that near-term supply levels are ample. Brent's prompt timespread is currently near 60 cents per barrel in contango, a significant change from the $4 per barrel in backwardation we saw just a month ago.
- However, it should be noted that the market remains exceptionally volatile, which could only worsen into the final sessions of the year as liquidity levels drop, especially after this week's implementation of the EU's restrictions. Our view remains that the outlook for oil over the next few months is bearish, with mean reversion to continue until we get to levels closer to fair value at between $65 and $75 per barrel.


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
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
2022/05/01
2022/06/01
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2022/09/01
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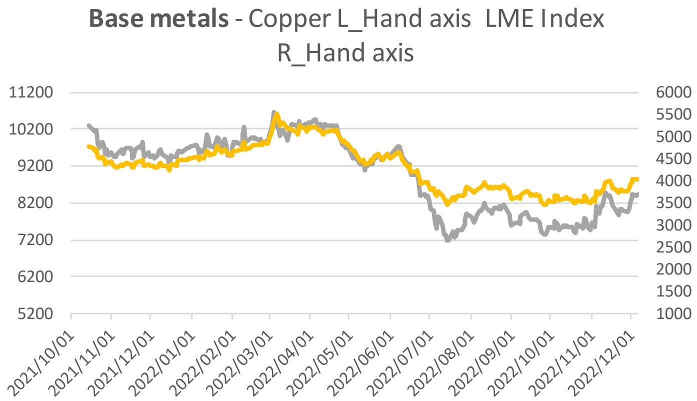
2022/11/01
2022/12/01


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
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
2022/05/01
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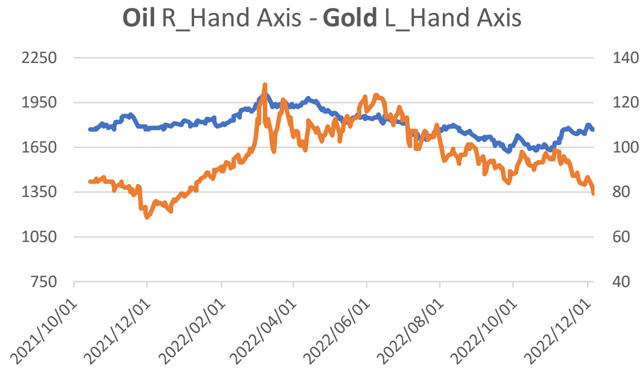
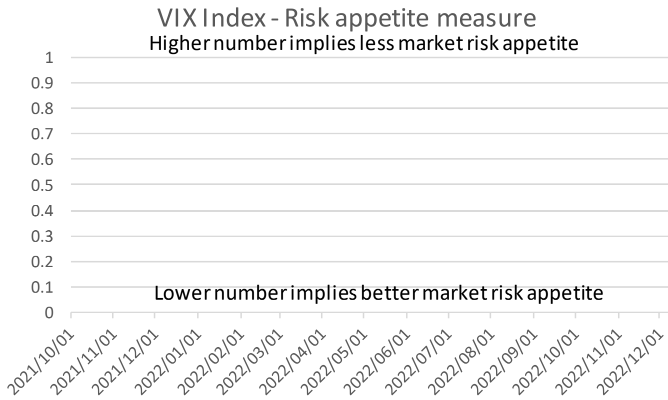
2022/11/01
2022/12/01


Oil R_Hand Axis - **Gold** L_Hand Axis
2250
1950
1650
1350
1050
750
140
120
100
80
60
40
2021/10/01
2021/12/01
2022/02/01
2022/04/01
2022/06/01
2022/08/01
2022/10/01
2022/12/01


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
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
2022/05/01
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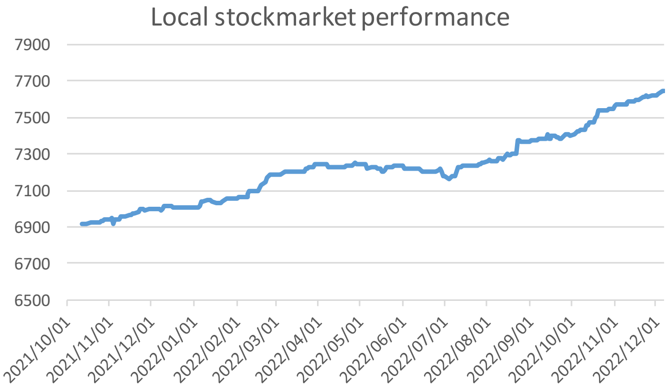
2022/10/01
2022/11/01
2022/12/01


Local stockmarket performance
7900
7700
7500
7300
7100
6900
6700
6500
2021/10/01
2021/11/01
2021/12/01
2022/01/01
2022/02/01
2022/03/01
2022/04/01
2022/05/01
2022/06/01
2022/07/01
2022/08/01
2022/09/01
2022/10/01
2022/11/01
2022/12/01

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