

# Botswana Market Watch

GMT	Country	Data event or release	Period	Market Exp	Previous
-	BW	Empty data card			
O/N	JN	GDP annualised	3Q F	-1.00%	-1.20%
O/N	JN	Current account total	Oct	¥625bn	¥909.3bn
O/N	JN	Trade balance	Oct	¥-1820.7bn	¥-1759.7bn
13:30	US	Initial jobless claims	Dec 3	230k	225k
16:00	EC	ECB's Villeroy speaks in Toulouse			
Factors Overnight		What happened?	Relevance	Importance	Analysis
UK House Prices	Britain has recorded the most widespread house price declines since the early phases of the pandemic, according to the RICS data	RICS data recorded the weakest since May 2020, with more house price declines to come	3/5 (geopolitics)	Higher interest rates, as well as rising inflation, have constrained household disposable income to such a degree that prices are under considerable pressure and likely to remain that way	
China Covid Laws	Today, China dropped key parts of its zero Covid policy in a bid to quell protests and align with policies in the rest of the world	Although it will lead to a spike in infections, it will also positively impact GDP	3/5 (economy)	Some restrictions will remain, but life will normalise, and at least one of the major disruptions to logistics and growth will steadily fade	
BoC	Yesterday, the BoC raised interest rates by 50bp in line with expectations to take the policy rate up to 4.25%	This is the highest level seen policy rate since 2008, rising a record 400bp in 9m	4/5 (monetary policy, economy)	These higher rates will need to work through the system, ease demand-side pressures and tighten the credit cycle to help cool inflation	
Factors on the Radar		What happened?	Relevance	Importance	Analysis
Ukraine war update	Russian President Putin has, for the first time, acknowledged that the war in Ukraine could persist for longer than first anticipated	Notwithstanding the protracted conflict, Russia is not lurching to nuclear weapons	3/5 (geopolitics)	Russia continues to describe its efforts as having achieved significant results in partly occupied territories. Ukrainians would see this differently	
BoE expectations	The BoE is expected to continue with its monetary tightening and raise interest rates by 50bp when they meet next week to take the policy rate up to 3.5%	As inflation is still rising, the BoE is expected to raise rates beyond just the 50bp next week	4/5 (monetary policy, economy)	Inflation remains a considerable constraint to the economy, and the BoE still maintains that the lesser of two evils is to constrain demand pressures in order to ensure inflation is curtailed	
ECB forward guidance	ECB policymaker Peter Kazmir struck a more hawkish tone on Wed when he indicated that rates should rise even if inflation slows	It implies that the ECB's policy may be more restrictive than first anticipated	4/5 (monetary policy)	The ECB will remain conservative, and while that will imply a headwind to GDP growth, it will also help protect the value of the EUR and help contain inflation	

## Highlights news vendors

**BUSINESS LIVE** - [Eskom sets grim record as 47% of the grid goes down](#)

**FT** - [Peru plunges into political crisis as president ousted](#)

**REUTERS** - [US floats new steel, aluminum tariffs based on carbon emissions](#)

**SOUTH CHINA POST** - [China vows to crack down on local authorities taking 'excessive' approach](#)

## Local and regional talking points

Corporate Foreign Exchange				
	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.272192	1.283424	1.2967082	1.377007
BWPUSD	0.074016	0.093496	0.0754424	0.080237
GBPGBP	16.30408	16.436368	15.951348	15.488116
BWPEUR	0.076336	0.07696	0.0721155	0.07548
JPYBWP	11.0032	11.0864	10.39485	10.84655
USDZAR	16.502688	17.89216	16.88947	17.50507
EURUSD	1.00752	1.091896	1.0311338	1.06827325
GBPUSD	1.169376	1.26724	1.1967833	1.23982375

Interbank Spot Foreign Exchange			Forward Foreign Exchange		
	Close	Change		BWPUSD	BWPZAR
BWPUSD	0.0771	-0.0004	1m	-2.56425	0
BWPGBP	0.0633	-0.0002	3m	-7.14675	0
BWPEUR	0.0734	0.00	6m	-14.0595	0
BWPZAR	1.3254	-0.0216	12m	-30.0105	0

Dollar Index	105.348	0.248
EURUSD	1.0494	-0.0011
GBPUSD	1.2181	-0.0018
USDJPY	137.18	0.58
USDNGN	444.31	0
USDZAR	17.1907	0.0182

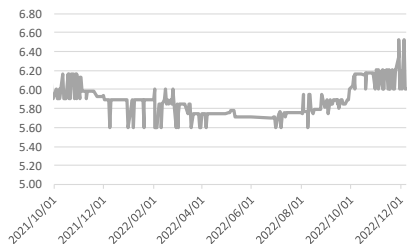
Local Fixed income			International Fixed Income		
Yield curve	Close	Change		Close	Change
6m	4.409	0.006	SA 10y	10.51	-0.095
3y	5.46	0	US 10y	3.408	-0.105
5y	6	0	German 10y	1.783	-0.013
20y	8.8	0	Spread SA 5y vs Bots 5y bpts		
22y	9	0		291.5	-12

Equities			Commodities		
	Close	Change		Close	Change
VIX	18.00	0.00	Gold	1786.22	15.31
Dow Jones	33597.92	-350.76	Brent Crude	1770.91	-2.18
FTSE	7489.19	-46.15	3m Copper	1768.39	35
JSE All share	74011.12	-136.11	LME Index	1797.82	33
Bots DCIBT	7648.66	1.33	1 carat index	1802.89	#VALUE!
Nigeria Index	48426.49	96.46			

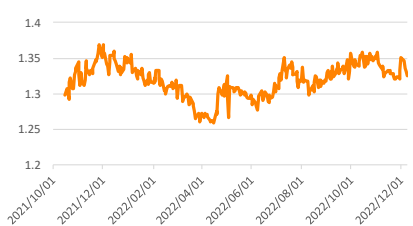
Spot BWP



BWP 5y local bond yield



BWP-ZAR

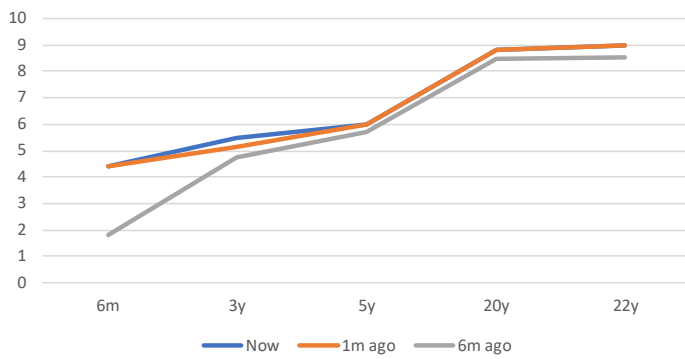


- Local headlines yesterday were dominated by the African Development Bank approving a loan of \$179.66 million to support government reforms to restore post-pandemic fiscal stability and economic recovery. According to the Bank, the funds for the second phase of the program will build on the successes of the first phase by supporting policy measures designed to boost economic recovery, further ease private sector participation in the economy and promote climate-smart agriculture and industrial development.
- Botswana's economy remains undiversified in terms of exports. The nation has adopted a natural resource-based model in recent decades, which heavily relies on diamond mining. The country has a large public sector. Still, Botswana enjoys satisfactory macroeconomic stability despite the Covid-19 pandemic and the impact of Russia's invasion of Ukraine.
- To enhance resilience and social inclusion, the program will strengthen the policy framework for micro, small and medium enterprises (MSMEs), promote the adoption of a technical and vocational training policy and roll out a single social registry, reported the Bank. Businesses, including MSMEs, will benefit, particularly those in agriculture and manufacturing. The program is also expected to positively impact the national level, particularly for women and youth.

## Financial Market Commentary

- US bond yields tumbled yesterday, dropping by between 12bp and 14bp across the curve. The move lower for yields was started by the weaker-than-expected unit labour cost data out of the US, with the moves then exacerbated by the current positioning backdrop, receiving flows in the swaps market, and rising geopolitical tensions. The 10yr benchmark ended the session near 3.405%, while the 2v10 spread continued to invert and closed the day near -84bp. We are seeing a bit of a reversal in early trade this morning, with both the 2yr and 10yr yields up by around 4bp through the Asian session. However, this will remain limited given a lack of data coming out that could ease recession concerns while Fedspeakers are in their blackout period ahead of next week's FOMC meeting.
- Bund and gilt yields, meanwhile, also headed lower yesterday but to a lesser extent. Bets on central bank tightening were eased, which saw the 2yr bund outperform core markets in Europe yesterday, while Italian bonds rallied strongly. As investors continue to pare their bets on aggressive rate hikes, we could see some curve steepening take place to unwind the notable inversion we have at the moment.
- Ahead of the FOMC decision next week, investors are positioning for a slightly easier stance to monetary tightening, where the Fed will raise rates by 50bp. With inflation on the retreat and getting released just before the FOMC decision, the Fed will have the benefit of seeing the latest inflation print. Inflation is currently reversing and potentially dropping faster than anticipated. If the inflation picture continues to moderate convincingly, the probability is high that the market will shift to an easier monetary policy outlook and the USD will soften. The USD appears to be on the defensive and will likely remain that way through the trading sessions ahead, especially as China moderates its Covid policies and risk appetite steadily improves. Add to that the collection of economic data that is showing a turn in the business cycle, and the USD will remain on the defensive. The EUR-USD is trading just below 1.0500, while the GBP-USD is now just under 1.2180. Both majors appear to be settling into a range ahead of the weekend and next week's FOMC decision.
- The combination of the USD on the defensive, a reduction in risk aversion due to China opening up, and the US Fed likely to pivot towards smaller rate hikes is offering the BWP a positive tailwind. The local currency finished yesterday's session at 12.8618/USD as it has yet to muster up the strength to punch through the 12.800/USD resistance. Meanwhile, its regional peer, the ZAR, will to some extent, be rendered vulnerable due to the negative sentiment around load shedding. Investors should not turn complacent just because the ZAR has been resilient in recent trading sessions. Several forces and cross winds may be masking underlying SA sentiment. Should these turn, the ZAR might suddenly reflect higher degrees of volatility.

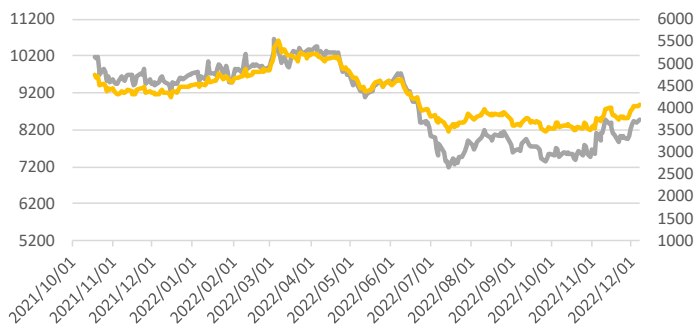
### Botswana Yield Curve



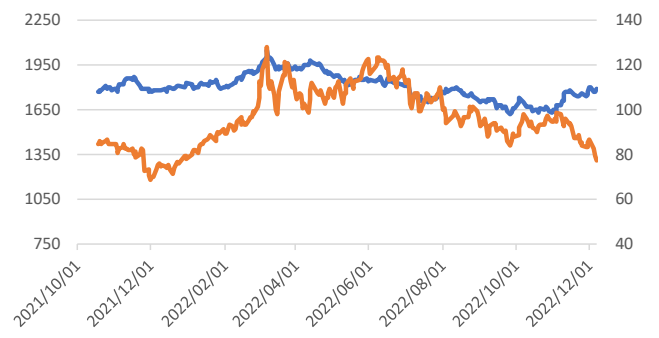
### USD Index



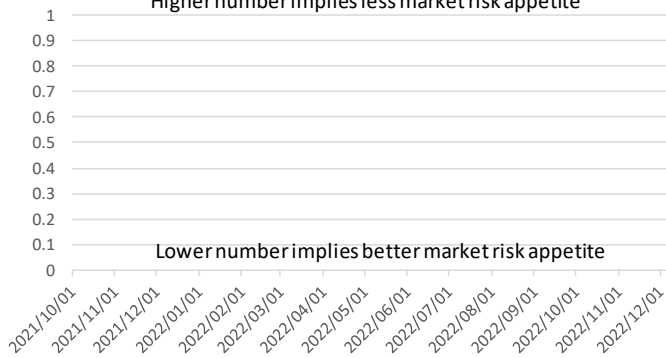
### Base metals - Copper L\_Hand axis LME Index R\_Hand axis



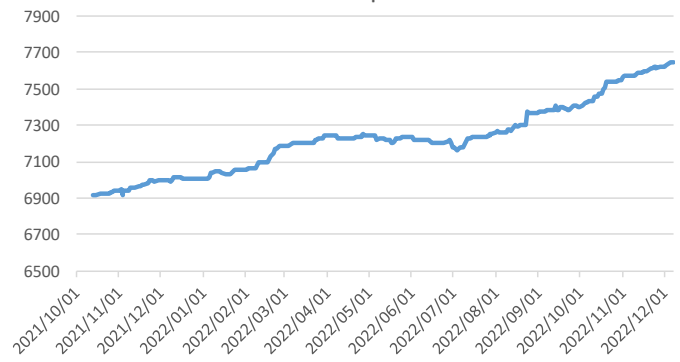
### Oil R\_Hand Axis - Gold L\_Hand Axis



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



### Local stockmarket performance



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