Daily Market

Update

A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

Yesterday's softer-than-expected US retail sales data threw a cat amongst the pigeons in financial markets. From there, where investors were positioned for a resilient economy, defying the global slowdown and withstanding higher interest rates, they will now rethink their position and position themselves for the possibility that the US will also experience recessionary conditions in time.

The USD index slid and, in the process, assisted most major currencies in staging a recovery. The EUR-USD recovered to around 1.0780 last night before moderating slightly to 1.0760 this morning. The GBP appears to be struggling a little more, which is unsurprising given the weak GDP data. The pair is trading back down to 1.2580, while the JPY consolidates above the 150.20 mark.

Today, all eyes will turn to the US data scheduled for release. Between the housing and PPI data for January and the Michigan sentiment data for February, the combination is market-moving and will likely influence the performance of most major currencies. It has been a relatively volatile week, with the economic cycle business theme increasingly becoming a bigger determinant of currency direction.

After Tuesday’s selloff, the ZAR has gradually recovered and is once again trading back below R19.0000/$ as of yesterday. It remains within a broader consolidatory channel that it has been trading in since H2 last year, but could be nearing a crossroads where a break out in either direction is possible. US economic data remains the main driver of the market for now, although, next week, all eyes will be on Finance Minister Godongwana’s budget presentation.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.322208	1.328928	1.34768805	1.425829
BWPUSD	0.069792	0.093496	0.07113695	0.07519
GBPBWP	17.923568	17.998968	17.5357985	16.960566
BWPEUR	0.070304	0.070616	0.066417	0.069258
JPYBWP	11.3568	11.4088	10.7289	11.161975
USDZAR	18.186528	19.722144	18.61277475	19.295463
EURUSD	1.032768	1.11904	1.0569735	1.09483
GBPUSD	1.207776	1.308528	1.23608325	1.2802185

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.833	-29446.2881
3m	-5.148	-81200.3702
6m	-8.424	-162400.74
12m	-8.697	-326586.104

Local Fixed income

Yield curve	Close	Change
6m	4.25	0.001
3y	6.00	0.00
20y	8.45	0

International Fixed Income

	Close	Change
SA 10y	10.165	0.055
US 10y	4.267	-0.049
German 10y	2.349	-0.043
SA vs Bots 20y spread	399.5	-6

DOMESTIC AND REGIONAL NEWS

Local inflation accelerated in January

Inflation in Botswana ticked higher to 3,9% in January, according to data released yesterday. This was an acceleration from the 3,5% y/y seen in December. On an m/m basis, prices fell by 0,3% compared to a 0,1% gain in December. According to Statistics Botswana, upward pressure came mostly from prices of transportation (3.3% y/y vs 1.5% y/y in December); food & non-alcoholic beverages (5.9% vs 6.1%) and miscellaneous goods & services (8.7% vs 8.5%). Core inflation, meanwhile, came in at 4,10% y/y for January. The figures suggest that no further rate cuts are likely from the Bank of Botswana in the near term, with monetary policy still quite accommodative at a real rate of -1,50% when using headline inflation and -1,70% when using core inflation.

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GLOBAL NEWS

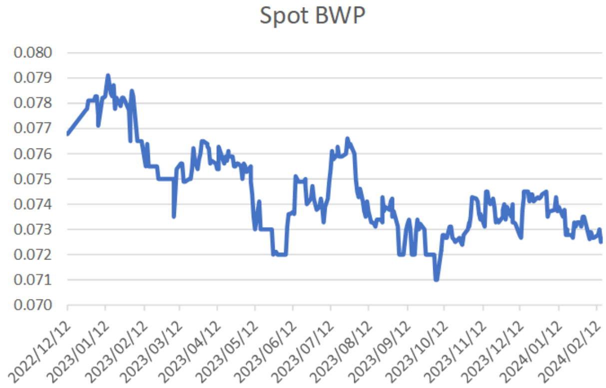
US retail sales numbers to drive market direction today

Central bankers have their work cut out for them. On the one hand, they still face stubbornly high inflation. On the other, they have to navigate recessionary conditions. Only the US bucks this trend, and there are no guarantees that it will last. Data this week has shown that the UK economy fell into recession, while it is clear that China is experiencing sub-trend growth. The ECB, too, is staring at recessionary conditions, and the result is that both central banks would like to reduce interest rates. However, they both face a similar constraint. Embarking on a string of rate cuts while the US continues to hold rates steady could see their currencies depreciate, which would simply delay the pace of disinflation.

It, therefore, matters what Fed officials are saying. Notably, Atlanta Fed President Bostic said that the Fed needs time to assess the moderation in inflation. His comments reiterate that the Fed is in no rush to cut rates, and at best, they are only likely to reduce rates around the middle of 2024. That might not be a problem for the US economy that still enjoys the effects of powerful fiscal stimulation, the effects of military spending and the buffer of excess savings, but it does mean that other countries might be forced to persist with tighter monetary policy than they would be inclined to follow at this late stage of the business cycle.

Sources: ETM Analytics, Access Bank Treasury Team, Bloomberg, Reuters

Chart Pack


Spot BWP
0.080
0.079
0.078
0.077
0.076
0.075
0.074
0.073
0.072
0.071
0.070
2022/12/12
2023/01/12
2023/02/12
2023/03/12
2023/04/12
2023/05/12
2023/06/12
2023/07/12
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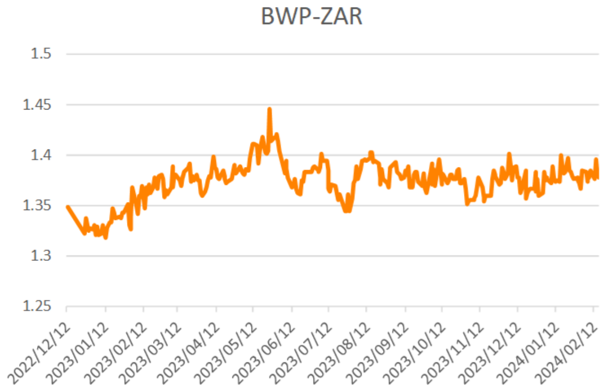
2024/01/12
2024/02/12


BWP-ZAR
1.5
1.45
1.4
1.35
1.3
1.25
2022/12/12
2023/01/12
2023/02/12
2023/03/12
2023/04/12
2023/05/12
2023/06/12
2023/07/12
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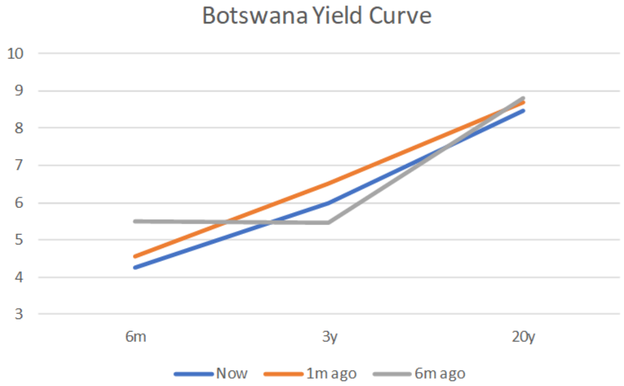
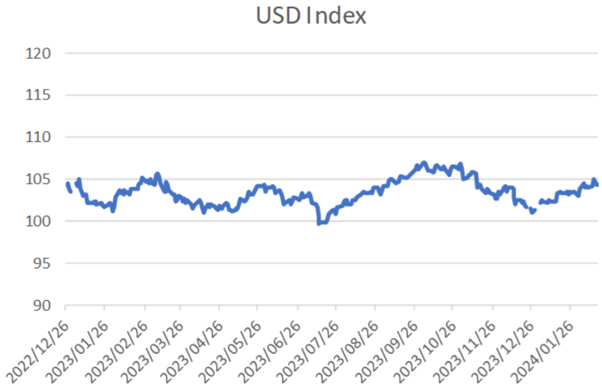
2024/01/12
2024/02/12


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


USD Index
120
115
110
105
100
95
90
2022/12/26
2023/01/26
2023/02/26
2023/03/26
2023/04/26
2023/05/26
2023/06/26
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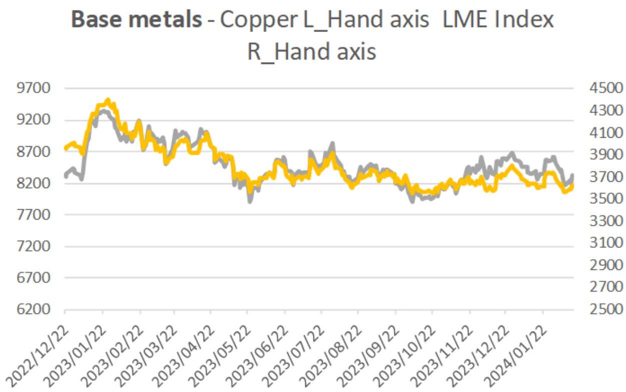
2023/12/26
2024/01/26


Base metals - Copper L_Hand axis LME Index R_Hand axis
9700
9200
8700
8200
7700
7200
6700
6200
4500
4300
4100
3900
3700
3500
3300
3100
2900
2700
2500
2022/12/22
2023/01/22
2023/02/22
2023/03/22
2023/04/22
2023/05/22
2023/06/22
2023/07/22
2023/08/22
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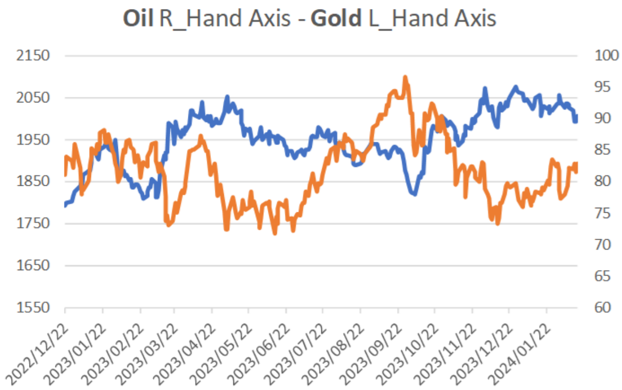
2023/12/22
2024/01/22


Oil R_Hand Axis - **Gold** L_Hand Axis
2150
2050
1950
1850
1750
1650
1550
100
95
90
85
80
75
70
65
60
2022/12/22
2023/01/22
2023/02/22
2023/03/22
2023/04/22
2023/05/22
2023/06/22
2023/07/22
2023/08/22
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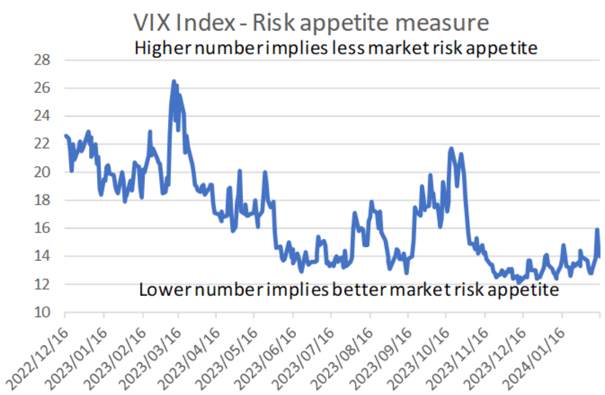
2023/12/22
2024/01/22


VIX Index - Risk appetite measure
Higher number implies less market risk appetite
Lower number implies better market risk appetite
28
26
24
22
20
18
16
14
12
10
2022/12/16
2023/01/16
2023/02/16
2023/03/16
2023/04/16
2023/05/16
2023/06/16
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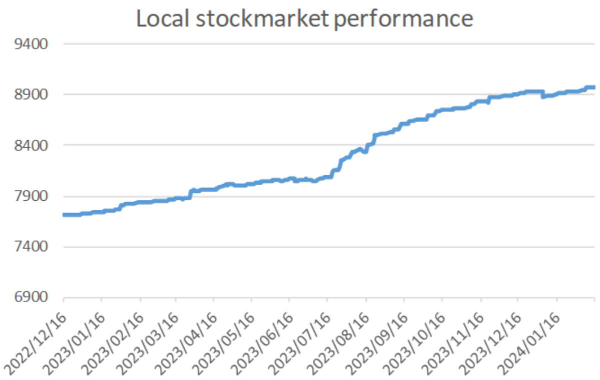
2023/12/16
2024/01/16


Local stockmarket performance
9400
8900
8400
7900
7400
6900
2022/12/16
2023/01/16
2023/02/16
2023/03/16
2023/04/16
2023/05/16
2023/06/16
2023/07/16
2023/08/16
2023/09/16
2023/10/16
2023/11/16
2023/12/16
2024/01/16