Daily Market Update

A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The USD index has come under renewed pressure and this despite Fed minutes reflecting some caution concerning the rate at which rates should decline. It has slipped to the lowest levels since mid-Jan and will alleviate the pressure across many currency markets this morning. Once again, it appears as though there was a tighter monetary policy priced in than was reflected in the minutes.

It is notable that after the initial appreciative reaction to the budget that the ZAR has retreated back to yesterday's opening levels. Initial market reactions that the accessing of the R150bn from the GFCRA account at the SARB could lead to USD selling quickly died down, after it became clear that the SARB would access the rest of the profits to neutralise the effects of the R150bn and would take care in not disrupting market dynamics.

Furthermore, there was not a whole lot of good news in this budget that will assist in supporting the economy. It was more a case of the budget being less bad than what was originally feared, rather than being classified as good. What rallies have followed should be classified more as relief rallies than they should be considered proof that this was a well-received budget. Financial markets have certain realities that they have been positioned for. Bonds were positioned for a debt/GDP ratio that would rise to 80% and beyond, which won't materialise for a few more years and the ZAR is always on the lookout for a nasty surprise given its sensitivity to bad news.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.317024	1.32816	1.34240415	1.425005
BWPUSD	0.069792	0.093496	0.07113695	0.075293
GBPBWP	17.922632	18.07624	17.53488275	17.03338
BWPEUR	0.069888	0.070512	0.066024	0.069156
JPYBWP	11.336	11.4296	10.70925	11.182325
USDZAR	18.10944	19.636032	18.53388	19.211214
EURUSD	1.038336	1.124968	1.062672	1.10062975
GBPUSD	1.212672	1.314144	1.241094	1.285713

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Forward Foreign Exchange

	BWPUSD
1m	-1.72575
3m	-5.17725
6m	-8.502
12m	-8.90175

Local Fixed income

Yield curve	Close	Change
6m	4.249	-0.002
3y	6.00	0.36
20y	8.45	-0.02

International Fixed Income

	Close	Change
SA 10y	10.105	0.01
US 10y	4.275	-0.02
German 10y	2.37	-0.03
SA vs Bots 20y spread	388.5	-6

DOMESTIC AND REGIONAL NEWS

BoB likely to keep rates unchanged today

Monetary policy takes centre stage today, with central banks in Botswana and Rwanda set to meet to decide on their respective policy rates. At the meeting in December, the Bank of Botswana (BoB) cut its monetary policy rate to 2.4% from 2.65%, the first reduction since it revamped the system it uses to manage interest rates. Given the recent uptick in inflation, the BoB is likely to keep its monetary policy rate unchanged. Recall that inflation in January accelerated to 3.9% y/y from 3.5% y/y in the month prior. That said, inflation remains within the 3%-6% target range of the central bank.

In SA, Looking at the initial reaction of the market to the budget, one would be forgiven for thinking that this was a good budget. After all, the ZAR strengthened on the initial headlines and bond yields dropped. One of the early focal points was National Treasury gaining access to R150bn worth of the country's reserves managed by the SARB. The funding is being used to reduce its debt accumulation and reduce the anticipated cost of borrowing through the medium term. At face value, this sounds like a plausible idea. In reality, and unless this government stabilises the source of its many unfunded liabilities, they have simply pushed out the timeline of fiscal distress.

National Treasury are entitled to access those funds, just as they would be encumbered with topping the reserves account up if the ZAR was to appreciate significantly. However, that is unlikely to happen in a country that is plagued with so many challenges and facing structural decline. For too long, the government has neglected repeated warnings that the country was headed for fiscal difficulties, and it has led the country to the point where National Treasury felt obliged to dip into the country's savings pot to buy itself more time. This would not have been considered had the government been running a tight fiscal ship and that point should not be lost on readers.

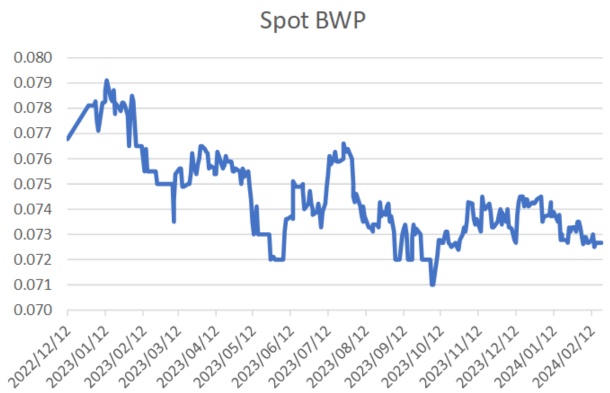
GLOBAL NEWS

PMI numbers up for release with US numbers in focus today

The preliminary February manufacturing PMI will provide some insight into the US economic outlook in the near term. At the start of 2024, the manufacturing sector swung back into expansionary territory after the PMI reading jumped to 50.7, the most in sixteen months. The rebound came after a two-month downturn, with the recovery driven by the expansion in business activity, led by stronger order growth that left manufacturers more confident about the demand outlook. However, a sustained improvement in the manufacturing sector's performance remains questionable at present, with expectations for the index to drop slightly through February. With US central bankers pushing back against imminent rate cuts, meaning the high interest rates will continue to weigh on investments and consumption, the outlook for the manufacturing sector remains challenging.

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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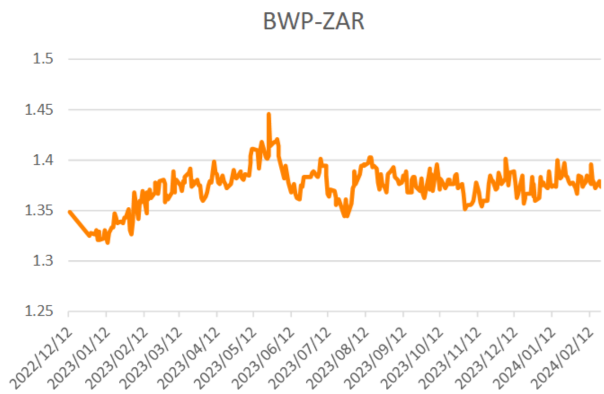
2024/01/12
2024/02/12


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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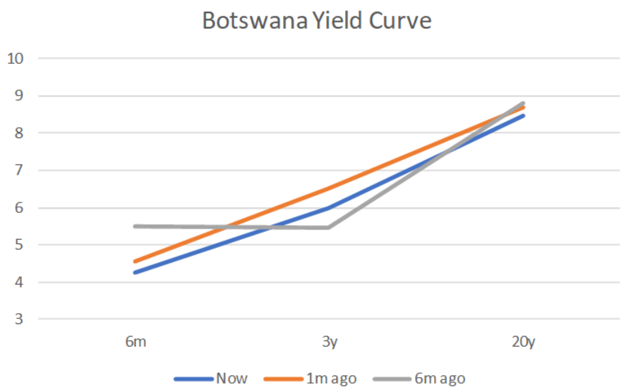
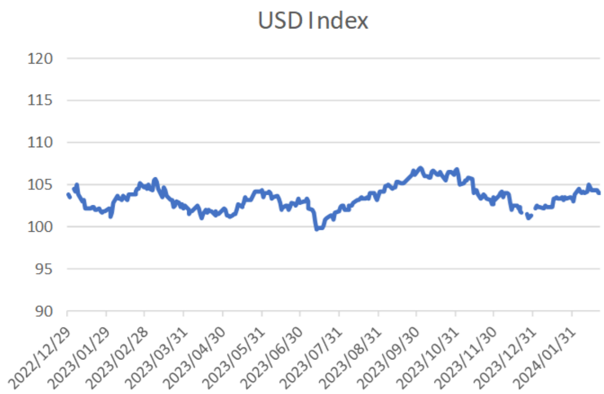
2024/01/12
2024/02/12


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
2022/12/29
2023/01/29
2023/02/28
2023/03/31
2023/04/30
2023/05/31
2023/06/30
2023/07/31
2023/08/31
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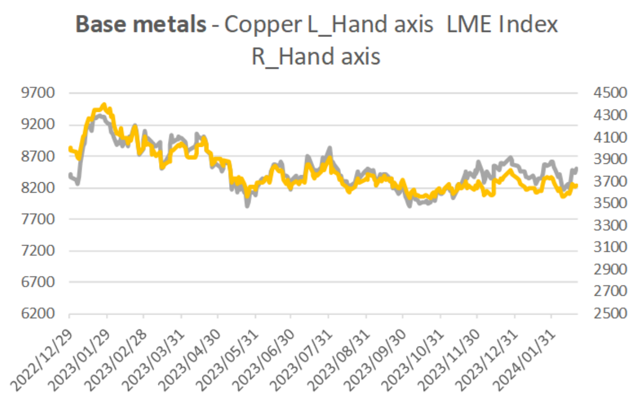
2023/11/30
2023/12/31
2024/01/31


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
2022/12/29
2023/01/29
2023/02/28
2023/03/31
2023/04/30
2023/05/31
2023/06/30
2023/07/31
2023/08/31
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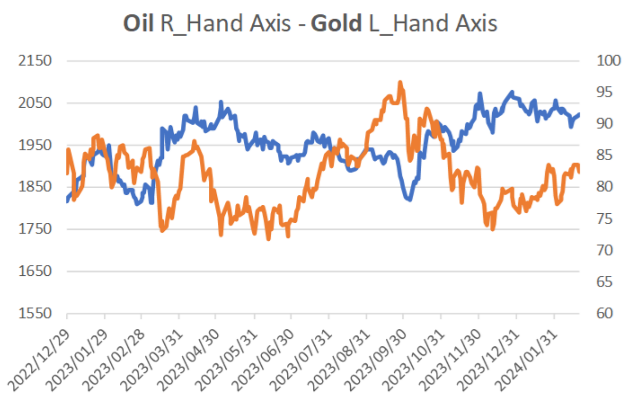
2023/12/31
2024/01/31


Oil R_Hand Axis - **Gold** L_Hand Axis
2150
2050
1950
1850
1750
1650
1550
100
95
90
85
80
75
70
65
60
2022/12/29
2023/01/29
2023/02/28
2023/03/31
2023/04/30
2023/05/31
2023/06/30
2023/07/31
2023/08/31
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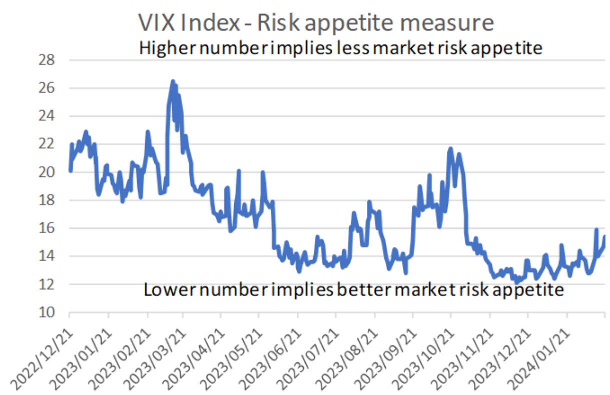
2023/12/31
2024/01/31


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
2022/12/21
2023/01/21
2023/02/21
2023/03/21
2023/04/21
2023/05/21
2023/06/21
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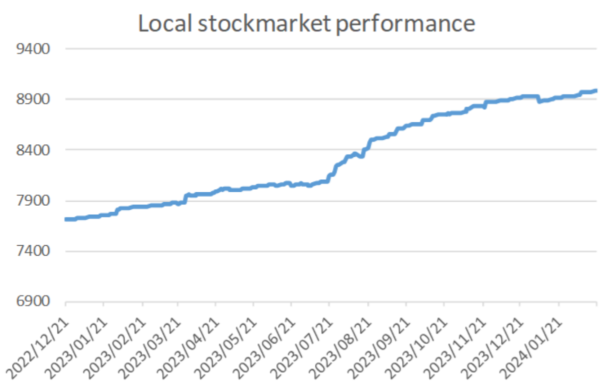
2023/12/21
2024/01/21


Local stockmarket performance
9400
8900
8400
7900
7400
6900
2022/12/21
2023/01/21
2023/02/21
2023/03/21
2023/04/21
2023/05/21
2023/06/21
2023/07/21
2023/08/21
2023/09/21
2023/10/21
2023/11/21
2023/12/21
2024/01/21