

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

As developed economy bond yields moderated again, the USD lost some of its shine and depreciated on a trade-weighted basis. The trade-weighted USD now stands at 104.00 and looks like it could dip to the lowest levels since early February, when investors first started to change their expectations on US monetary policy, following some stronger-than-expected US payroll data.

The impact on the ZAR was almost immediate, with the USD-ZAR backing away from its highs towards 19.10, trading back below 18.9000 this morning. Significant directional momentum will not materialise until after the budget is announced, and investors can digest the changes. With so much bad news already priced into the ZAR, the budget need not spur on more currency weakness if it turns out to be less bad, than was originally anticipated.

The recovery for the ZAR yesterday has pushed the BWP-ZAR lower to around 1,3720 this morning. The cross remains within a well-worn range and has shown little impetus to break out despite some recent tests of levels close to 1,4000.

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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     |

## Corporate Foreign Exchange

|        | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|--------|--------------|---------------|--------------|---------------|
|        | CASH         | CASH          | TT           | TT            |
|        | BWPZAR       | 1.317024      | 1.32816      | 1.34240415    |
| 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      |



## DOMESTIC AND REGIONAL NEWS

### SA budget announcement the main event regionally

South African Fin Min Godongwana faces a stiff challenge today as he delivers what is arguably SA's toughest budget in thirty years. Unlike the early budgets, there is no low-hanging fruit to rely on to extract efficiencies and collect more taxes. The government's overheads are bigger than ever, and the country's GDP growth is stagnant. Furthermore, the country's debt/GDP ratio is uncomfortably high and expected to rise well beyond 80% in the medium term, all of which implies that interest on debt will remain the fastest-growing line item in the budget. There is a lot of work to do and a reluctance or inability to shift from current statist ideologies. One hopes that this does not lead to acts of desperation, although in Godongwana SA enjoys a more conservative finance minister who appears to understand the challenges well and has a good grasp of the consequences of the country's fiscal choices and the decisions needed

## GLOBAL NEWS

### FOMC meeting minutes in focus

Today the US Fed will release its minutes for the first FOMC meeting of 2024. The Fed elected to keep interest rates unchanged at the meeting, though the statement offered was quite different compared to the previous meeting. Ultimately, the tone of the statement and the press conference touched on disinflationary progress, but was not as dovish as the market was expecting, and the MPC lacked confidence that imminent rate cuts were on the cards. This prompted markets to walk back rate cut expectations for a first cut in March. The minutes will offer details as to why the MPC remains cautious and follow a strong jobs report for January and a CPI print that came in above expectations, leading traders to push out the timing of the first expected cut to June..

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

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## Chart Pack

