

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The ZAR outperformed most of its peers into the weekend, appreciating more than 2% on Thursday and Friday from levels around R19.2000/\$ to R18.8000/\$. The market seemingly cheered the outcome of an Ipsos election poll, which showed higher chances of a market-friendly election outcome next month. Now, the focus shifts to major international economic data and events in the coming week, which include Eurozone GDP and CPI data tomorrow, a Fed policy update on Wednesday, and the ever-important US employment report on Friday.

Ahead of the Fed, the USD Index remains anchored just below the 106.00 level as the week gets underway. Improved risk appetite has been noted at the start of the week.

In the global rates markets, longer-dated U.S. Treasury yields experienced a decline on Friday following data indicating that inflation gains in March aligned closely with economists' forecasts. This eased concerns sparked by a prior report showing a significantly higher-than-expected price surge. The Personal Consumption Expenditures (PCE) price index rose by 0.3% last month, resulting in an annual increase of 2.7%. Economists surveyed by Reuters had predicted a 0.3% monthly increase and a 2.6% year-on-year rise. Core prices, excluding volatile food and energy components, also increased by 0.3% during the month, in line with expectations, resulting in an annual gain of 2.8%, surpassing economists' expectations of a 2.7% increase.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.259616	1.272768	1.28388985	1.365574
BWPUSD	0.067104	0.093496	0.06839715	0.072718
GBPGBP	18.469568	18.660512	18.069986	17.583944
BWPEUR	0.067808	0.068432	0.064059	0.067116
JPYBWP	11.388	11.5024	10.758375	11.25355
USDZAR	18.0216	19.52704	18.44398125	19.10458
EURUSD	1.0296	1.115816	1.05373125	1.09167575
GBPUSD	1.203648	1.304368	1.2318585	1.2761485

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	#VALUE!
3m	-2.8665	#VALUE!
6m	-5.97675	#VALUE!
12m	-8.892	#VALUE!

Local Fixed income

Yield curve	Close	Change
6m	3.114	0.001
3y	5.53	0.13
20y	8.26	-0.01

International Fixed Income

	Close	Change
SA 10y	10.785	-0.12
US 10y	4.669	-0.037
German 10y	2.574	-0.05
SA vs Bots 20y spread	453	-5



DOMESTIC AND REGIONAL NEWS

BoB keeps rates unchanged

The Bank of Botswana kept its benchmark policy rate unchanged at 2.40% on Friday amid expectations for inflation in the country to remain muted. CPI growth, currently at 2.9% (as of March), is forecast to moderate to 2.3% in April and temporarily remain below the lower bound of the central bank's 3%-6% target range before reverting back into the range from the third quarter. More specifically, inflation is expected to average 3.2% in 2024 and 5% in 2025, although the central bank maintained that risks to its projections are tilted slightly to the upside. Risks include higher international commodity prices, global supply constraints, geopolitical fragmentation, and rising food prices due to the El Nino weather phenomenon in Southern Africa. Having said that, the upside risks are partially offset by cooler domestic and global economic conditions.

The central bank also said that it was "engaging with primary dealers and investors on what instruments they would like to see in the market," noting that "the one we have seen strong demand for is inflation-linked bonds, and we are working on a plan to issue them". Bank of Botswana Deputy Governor Kealeboga Masalila stated that "that's the new instrument that will come this year, but I would not totally rule out any other instrument that the market may want or that government may want"

GLOBAL NEWS

China industrial profits declined in March

China's industrial profits declined in March, and the pace of growth for the quarter slowed compared to the first two months, according to official data released on Saturday. This raised concerns about the strength of the economic recovery in the world's second-largest economy.

The cumulative profits of China's industrial firms increased by 4.3% to 1.5 trillion yuan (\$207.0 billion) in the first quarter compared to a year earlier, as per the National Bureau of Statistics (NBS). However, this growth was slower than the 10.2% rise recorded in the first two months. In March, profits fell by 3.5% year-on-year. While the NBS did not provide monthly breakdowns for January and February, it noted in March that monthly figures had been increasing since August 2023.

This data adds to a series of economic indicators for March, including retail sales and industrial output, suggesting weak domestic demand despite solid first-quarter GDP growth. The initially observed momentum in the economy during the opening months is now being overshadowed by concerns about sluggish domestic demand.

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

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Chart Pack

