

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The dollar is steady this morning after yesterday's pullback in thin trading conditions. The USD Index is currently marking time around the 105.70 level into the local open with most of yesterday's losses driven by the retreat in the USD/JPY. Japan's suspected yen-buying intervention on Wednesday, if confirmed, could mark a surprising continuation of Monday's actions, potentially slowing down the currency's decline and even reversing its downward trend. This intervention aligns with Japan's recent commitment to addressing foreign exchange issues continuously and suggests a willingness to employ innovative strategies for maximum impact. The timing of this purported intervention coincides with Japan's strategy of engaging in currency matters around the clock.

Throughout yesterday's public holiday, the ZAR remained close to Tuesday's closing levels, and this morning, it is trading even stronger as it nudged below the 18.6000 mark overnight. If it were not for SA's risk profile, the ZAR would be trading closer to the 18.0000 handle or below. However, the risk element remains a permanent feature of the SA economic landscape, and that will only moderate slightly once the elections are completed, have been declared free and fair, and all parties accept the outcomes.

For the remainder of the week, all eyes will remain on the US and the upcoming non-farm payroll data that is scheduled for tomorrow. Although the data earlier this week was a bit of a mixed bag, any indications that the US economy is slowing will only ensure that the USD comes under even greater pressure and that the ZAR is able to sustain the move back down towards the 18.5400 prior low support level.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.236864	1.260384	1.2606994	1.352287
BWPUSD	0.066624	0.093496	0.0679079	0.072512
GBPBWP	18.437536	18.78448	18.038647	17.70076
BWPEUR	0.067288	0.06864	0.06356775	0.06732
JPYBWP	11.232	11.4504	10.611	11.202675
USDZAR	17.822784	19.312592	18.2405055	18.8947715
EURUSD	1.028736	1.11488	1.052847	1.09076
GBPUSD	1.203264	1.30364	1.2314655	1.27543625

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### Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-214.011637
3m	-2.890875	-1269.80099
6m	-5.967	-3504.21324
12m	-8.809125	-8472.91201

### Local Fixed income

Yield curve	Close	Change
6m	3.105	0
3y	5.43	0.00
20y	8.2	-0.06

### International Fixed Income

	Close	Change
SA 10y	10.675	0.015
US 10y	4.684	0.072
German 10y	2.581	0.055
SA vs Bots 20y spread	456.5	6



## DOMESTIC AND REGIONAL NEWS

### SA budget numbers remain a concern despite March surplus

A day after the Monetary Policy Committee (MPC) kept interest rates unchanged, the Reserve Bank of Zimbabwe (RBZ) started circulating ZiG notes and coins among the public on Tuesday. Recall that in another attempt to address exchange-rate instability, the Reserve Bank of Zimbabwe (RBZ) introduced the ZiG, short for Zimbabwe Gold, as legal tender. It was announced on April 5 and transacting in the unit has been done electronically since trade started three days later. The RBZ held the benchmark interest rate at 20% after receiving positive market reaction to the new currency, Governor John Mushayavanhu said in a statement on Monday. According to Mushayavanhu, the MPC expects the currency reforms to help provide "stability, certainty, and predictability in the exchange rate and inflation." That will be put to the test with the physical notes now in circulation. The largest denomination of the new local currency is 200 ZiG, worth \$15, and authorities hope widespread uptake of the ZiG will help to reverse the local dominance of the US dollar.

In South Africa, Tuesday's release of the government finance stats was a bit concerning, even though the data points to the budget deficit shrinking to 4.6% of GDP vs expectations of 4.7%. The budget balance remained at a surplus of +R2.1bn in March, although this was weaker than the +R20.8bn seen in February. The March surplus was well down on consensus forecasts for a surplus of +R11.8bn. March closes off the fiscal year with a budget deficit of -R324.4bn (higher than last year's -R310bn, but better than the -R347.4bn forecast in the Budget). This outcome equates to a budget deficit of roughly -4.6% of GDP, slightly improved on the -4.9% of GDP forecast in the Budget. More concerning, however, there has been an explosion in the total borrowing requirement. Although budget deficits have seemingly stabilised, total borrowing requirements continue to raise the spectre of severe fiscal risk.

## GLOBAL NEWS

### Fed holds, rules out any possible rate hikes

The big news overnight was the Fed's decision to leave rates unchanged but signal fresh concerns about inflation. It has hinted that interest rates will remain higher for longer as opposed to lifting them. Concerning inflation, Fed Chairman Powell indicated that "So far this year, the data have not given us the greater confidence in particular," suggesting that the economy has been stronger than anticipated and that there was no clear evidence that inflation would subside along the Fed's expectations. That being said, Powell added that the FOMC sees no evidence that interest rates are not high enough to eventually result in inflation declining towards the central bank's 2% target. Interestingly, the market response has been relatively muted, but the USD index did retreat from its intra-day highs. Analysis of the Fed funds futures shows that expectations have not changed much, suggesting that there will be one 25bp rate cut this year towards the November reading, with a 40% chance of a second in December

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

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## Chart Pack

