

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

U.S. Treasury yields declined yesterday as investors continued to digest the Federal Reserve's less aggressive stance post-Wednesday's policy meeting, which hinted at potential interest rate cuts despite persistent inflation above the 2% target. Initially, yields rose earlier in the session due to stronger-than-expected labor market data, suggesting a potential delay in Fed interest rate cuts to later in the year. However, the benchmark 10-year yield fell to a more than one-week low, while the yield on the 30-year Treasury bond slightly increased. The two-year Treasury yield, which typically reflects interest rate moves, decreased. The initial boost in Treasury yields followed a report indicating a sharp rise in unit U.S. labour costs in the first quarter, which had been unchanged in the previous three months. However, these gains faded in the afternoon as investors awaited today's U.S. nonfarm payrolls report for April.

The dollar is steady this morning after yesterday's pullback took the USD Index below 105.50. All eyes are now set on the all-important US Non-Farm Payrolls data later today. Technically, the USD-ZAR is now running into tough support towards or just below 18.5000. However, a sustained break of that support could open the door for a new trading range as the month of May unfolds.

The BWP-ZAR, meanwhile, is testing the 1,3000 support in the interbank markets. A rally in risk assets today if the payrolls data is soft will see this level breached given the ZAR's higher beta.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.248768	1.261536	1.2728328	1.353523
BWPUUSD	0.067392	0.093496	0.0686907	0.073027
GBP BWP	18.40904	18.603	18.0107675	17.52975
BWPEUR	0.068016	0.06864	0.0642555	0.06732
JPY BWP	11.1592	11.2736	10.542225	11.0297
USDZAR	17.7888	19.276296	18.205725	18.85926075
EURUSD	1.03056	1.116856	1.05471375	1.09269325
GBPUSD	1.2048	1.305928	1.2330375	1.27767475

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## Forward Foreign Exchange

	BWPUUSD	BWPZAR
1m	-0.96525	-244.204126
3m	-2.890875	-1294.09256
6m	-5.967	-3556.79704
12m	-8.809125	-8501.00229

## Local Fixed income

Yield curve	Close	Change
6m	3.101	-0.004
3y	5.43	0.00
20y	8.2	-0.06

## International Fixed Income

	Close	Change
SA 10y	10.635	-0.04
US 10y	4.571	-0.113
German 10y	2.553	-0.028
SA vs Bots 20y spread	451.5	1



## DOMESTIC AND REGIONAL NEWS

### Weather continues to hamper SSA crops

To cater for rising offshore exploration activities, energy technology company Baker Hughes will construct a new liquid mud plant and a separate assembly, maintenance and repair base at Namibia's Walvis Bay. Tokunbo Azeez, executive director of Baker Hughes Sub-Saharan Africa, told Reuters that the project will help Namibia cope with an influx of drill rigs and support vessels that threatens to overwhelm its only two commercial ports, Walvis Bay and the smaller Luderitz, as they battle congestion and inadequate facilities. Azeez added that the company will be drilling fluids made in Namibia for Namibian wells, an important step in building the oil and gas industry. According to Azeez, liquid mud plants (LMP) are a vital cog in offshore exploration work, producing, storing and delivering synthetic oil-based "mud" and brines used during drilling to help prevent dangerous blow-outs and friction. Currently, oil companies in Namibia are importing drilling fluids from Angola and can wait weeks for delivery, inflating costs and risk at their operations.

Due to the impact of drought caused by the El Nino weather phenomenon, the Grain Millers Association of Zimbabwe aims to import 1.4mn metric tons of maize between now and July 30, utilizing all frontiers. The chairman of the grain millers association, Tafadzwa Musarara, told reporters that the association would increase the number of source countries to about five, including Brazil, Mexico, Russia, Argentina, and America. The El Nino weather phenomenon has triggered a dry spell in southern Africa that has slashed South Africa's corn crop by at least 20% and Zimbabwe's by about 60%. Malawi, Zambia and Zimbabwe have declared states of national disaster because of the agriculture failures.

## GLOBAL NEWS

### US payrolls figures in focus today

Front and centre of global financial markets today will be the April US jobs report. The market will focus on the latest nonfarm payroll figures to get a read on hiring activity in the US after March's 303k outcome marked the highest nonfarm payroll print since May 2023. As has been the trend through 2023, recent job additions in the education & health services, government, and leisure & hospitality sectors have been the main drivers of monthly increases in hiring across the US. Consequently, the US labour market has remained tight through the early months of 2024. However, the pace of hiring is expected to slow in April as the labour market gradually starts to loosen, with consensus estimates foreseeing the addition of 250k jobs, 47k less than March's outcome. Labour market weakness in excess of what is anticipated could possibly see the Fed implement rate cuts sooner than it is currently signalling, especially given that business survey data have included more mentions of layoffs.

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

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## Chart Pack

