

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

It has been a strong start to the week for the ZAR, extending last week's recovery. The USD index softened at the start of the week, and the ZAR took some advantage of it. Market talk also confirms that investors are underhedged for the possibility of a ZAR recovery, and that the market may be positioned too strongly in favour of a bad outcome in the upcoming elections. This asymmetrically positioned market holds the potential to reverse course if the upcoming election avoids a worst-case scenario and causes a long USD squeeze as fund managers are then forced to cover some of their positions, and bonds suddenly hold tremendous value relative to the inflation picture, which would improve considerably.

The USD Index, meanwhile, slipped slightly yesterday but remained in a well-worn range of 105.50-106.00. Investors will be reluctant to take firm directional bets ahead of the FOMC on Wednesday which also marks Labour Day around the globe.

The BWP-ZAR continues to trade around 1,3100 in the interbank markets this morning following last week's drop. As noted above, the outlook for the ZAR is fairly positive if there are no shocks in the upcoming elections, which should keep the BWP-ZAR cross contained, at least for now.

Note that there is no usual weekly auction today as it was moved ahead to yesterday given the public holiday tomorrow.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.262976	1.286784	1.2873146	1.380612
BWPUSD	0.067584	0.093496	0.0688864	0.073542
GBPBWP	18.178992	18.51616	17.7856965	17.44792
BWPEUR	0.068432	0.06968	0.0646485	0.06834
JPYBWP	11.4816	11.6896	10.8468	11.4367
USDZAR	17.940288	19.442072	18.3607635	19.02145025
EURUSD	1.026912	1.112904	1.05098025	1.08882675
GBPUSD	1.203168	1.303536	1.23136725	1.2753345

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.17975	-214.011637
3m	-2.871375	-1196.92603
6m	-6.669	-3504.21324
12m	-12.012	-8388.64084

Local Fixed income

Yield curve	Close	Change
6m	3.111	-0.003
3y	5.53	0.00
20y	8.26	0

International Fixed Income

	Close	Change
SA 10y	10.655	-0.005
US 10y	4.6096	-0.0024
German 10y	2.532	0.006
SA vs Bots 20y spread	446	-1



DOMESTIC AND REGIONAL NEWS

Masisi announces new economic development board

Last week, President Mokgweetsi Masisi announced the establishment of the Botswana Economic Development Board, an entity tasked with ironing out bottlenecks to investment and business processes. *"We have set up a Botswana Economic Development Board, which I myself am heading to deal with all legal and administrative bottlenecks that stop investment,"* Masisi said on Friday, followed u by. *"This board will look and resolve all the worries on lease renewals and concessions."* The new entity has been set up in response to the tourism industry's concerns about the delays in the provision of various government services.

On Monday, the Zimbabwe statistics agency said that it would begin recording monthly inflation data based on the new currency, the ZiG from May. The agency also said it would supply blended inflation data, its current price measure, and one that is US dollar-based, its main transacting currency. Data released yesterday showed that the blended inflation rate (which combines local currency and US dollar weights) accelerated from 55.3% y/y in March to 57.5% y/y, the fastest growth since August last year. Meanwhile, annual dollar-only inflation, released by the statistics agency for the first time, was 3.2% in April and 0.8% monthly, showing the extent to which the local currency's exchange-rate volatility fuels inflation.

GLOBAL NEWS

China PMIs dip across manufacturing and services

China's manufacturing and services sectors both grew at a slower pace in April, according to official surveys released on Tuesday. The manufacturing Purchasing Managers' Index (PMI) dropped to 50.4 from 50.8 in March, just above expectations. New export orders grew slower, and employment continued to decline. The services sub-index also slowed to 50.3, the lowest since January, with some sectors like catering, capital markets, and property experiencing contraction. However, a private survey by Caixin showed manufacturing activity increasing, driven by rising new export orders. Analysts note differences between Caixin and official PMI, suggesting varying sector and geographic coverage. Overall, economic expansion momentum is mild, according to Zhou Maohua from China Everbright Bank. Investors anticipate more stimulus measures from Chinese authorities, with attention on the monthly Politburo meeting. With global interest rates stable, China may face tepid external demand for a longer period.

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

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Chart Pack

