

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar index experienced wild price action on Friday following unexpectedly low U.S. employment data, which caused Treasury yields to drop. However, it recovered slightly after a weak ISM services report revealed a surge in inflationary prices.

Despite the disappointing employment figures, some Federal Reserve policymakers and traders interpreted them as part of the process of returning to pre-pandemic levels rather than signaling an imminent shift towards rate cuts. Fed rate-cut expectations for the year-end initially dropped below 40 bps on Thursday but rose to 50 bps after the release of the payrolls report, before settling near 46 basis points. U.S. Treasury yields dropped to multi-week lows on Friday due to disappointing job creation data in April, suggesting the economy might be slowing down. The 10-year yield hit a two-week low, while the two-year yield reached three-week troughs.

The ZAR outperformed most of its EM peers last week, gaining more than 1.60% against the USD over the five sessions. However, the market is looking somewhat uncomfortable at levels south of 18.5000, and may need a strong catalyst to drive the USD-ZAR closer to the base of its broader trading range, which is around 18.2000. Some consolidation thus appears likely in the short term, perhaps accompanied by some dollar bids as current levels make for a good re-entry point. Still, the risk exists that the US economy will show more signs of weakness through the coming months, which will drive a further correction of a highly-overvalued USD.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.259136	1.270656	1.2834006	1.363308
BWPUSD	0.067968	0.093496	0.0692778	0.073645
GBP/BWP	18.269888	18.4262	17.874626	17.36315
BWPEUR	0.068432	0.069056	0.0646485	0.067728
JPY/BWP	11.336	11.4296	10.70925	11.182325
USDZAR	17.784	19.279	18.2008125	18.86190625
EURUSD	1.032864	1.119352	1.05707175	1.09513525
GBPUSD	1.204128	1.304576	1.23234975	1.276352

Contact Information

	Details
Phillip Masalila	masalilap@accessbankplc.com 2673674621
Kefentse Kebaetse	kebaetsek@accessbankplc.com 2673674370
Shewauya Charumbira	Shewauya.Charumbira@accessbankplc.com 2673674685
Batanani Pearl David	davidbat@accessbankplc.com 2673674382
Ntebang Magashula	magashulan@accessbankplc.com 2673674356
Keategile Segwabe	segwabek@accessbankplc.com 2673674622

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-254.268263
3m	-2.886	-1318.38409
6m	-6.03525	-3583.08887
12m	-9.667125	-8529.09252

Local Fixed income

Yield curve	Close	Change
6m	3.102	0.001
3y	5.43	0.00
20y	8.2	0

International Fixed Income

	Close	Change
SA 10y	10.605	-0.03
US 10y	4.5	-0.071
German 10y	2.51	-0.043
SA vs Bots 20y spread	453	2



DOMESTIC AND REGIONAL NEWS

Local business confidence takes a knock for Q1

The latest edition of the Bank of Botswana's (BoB) quarterly Business Expectation Survey (BES) indicates that confidence amongst firms declined in Q1 compared to the final three months of 2023. The drop in confidence was largely a result of expectations of a deceleration in the growth of exports and imports of goods and services, production, inventories, profitability as well as investment in buildings and plant/machinery, according to the survey. Expectations of weaker global demand were likely driven by a tight global monetary policy, with inflation in major economies remaining quite sticky. The adverse impact of the Ukraine and Israel-Hamas wars was also noted as a major detractor to economic optimism.

On the positive side, firms surveyed expect that business conditions will improve in the second quarter of 2024 through the 12 months to March 2025, supported by the anticipated improvement in employment and business investment. Improvement is expected in the output of sectors such as manufacturing, agriculture, and retail as well as accommodation, transport and communications.

GLOBAL NEWS

China services PMI slipped in April

A private sector survey revealed that China's services sector expansion slightly slowed due to increasing costs, but growth in new orders improved, and business sentiment strengthened, indicating hopes for a sustained economic recovery. The Caixin/S&P Global services purchasing managers' index (PMI) decreased to 52.5 from 52.7 in March but remained in expansion territory for the 16th consecutive month. Despite challenges like a prolonged property slump and weak domestic demand, China's economy exceeded expectations in the first quarter. New business reached its highest level since May last year, driven by better overseas demand and growth in tourism activity, resulting in the fastest pace of new export orders in ten months. Business confidence for the next 12 months rose to its highest level this year. While firms faced some cost pressures, they increased prices charged to customers while remaining hesitant to fill vacancies. Economists noted that the Caixin survey, which showed a more positive outlook, is biased toward smaller, export-focused firms compared to the broader official PMI, which indicated a significant slowdown in services sector activity last month. The composite PMI, tracking both services and manufacturing, rose to 52.8 in April from 52.7 in March, the quickest pace since May 2023.

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

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Chart Pack

