

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

U.S. Treasury yields have compressed into the start of the week while the S&P500 has rallied. The USD is weakening too to suggest that risk appetite appears to be improving following what was a reasonably successful US earnings season. The market is stabilising even with US interest rates high, with US treasuries yielding at their best levels in years. This relative market calm is ultimately before the storm of US elections, which are just six months away. A potential stifling force for sentiment has emerged in Israel-Hamas ceasefire talks, which have stalled according to reports.

Meanwhile, A perfect Doji candlestick on the daily USD-ZAR chart reflects an increasingly consolidatory outlook for the pair in the near term. While the market tested support around 18.4000 yesterday, it ultimately rejected higher levels in the absence of a new catalyst to drive trade, and is now trading closer to 18.5000 this morning. These levels are consistent with the base of a broader trading range, with the market looking somewhat uncomfortable at levels south of 18.5000. While there is scope for a further move towards another support at 18.2000, these levels offer good buying opportunities as they are unlikely to be sustained amid growing political risk ahead of this month's elections.

Note that the usual Tuesday weekly auction will take place today locally, with BWP15bn worth of 7-day certificates on offer.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.308096	1.312032	1.3333041	1.407701
BWPUSD	0.070656	0.093496	0.0720176	0.076014
GBP/BWP	17.687072	17.736472	17.304419	16.713214
BWPEUR	0.071136	0.071344	0.067203	0.069972
JPY/BWP	11.8248	11.8664	11.171025	11.609675
USDZAR	17.773344	19.259552	18.18990675	18.842879
EURUSD	1.033344	1.119872	1.057563	1.095644
GBPUSD	1.204896	1.305408	1.23313575	1.277166

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-284.4606
3m	-2.886	-1342.67558
6m	-6.049875	-3609.38064
12m	-9.75	-8557.18269

Local Fixed income

Yield curve	Close	Change
6m	3.099	-0.003
3y	5.43	0.00
20y	8.26	0.06

International Fixed Income

	Close	Change
SA 10y	10.59	-0.015
US 10y	4.489	-0.011
German 10y	2.476	-0.034
SA vs Bots 20y spread	448.5	0.5



DOMESTIC AND REGIONAL NEWS

International business exits a cause for concern for South Africa

News that major international companies such as Shell and BNP Paribas are looking to exit their investments in South Africa is cause for concern. Shell maintained that it no longer sees its service stations as a core, viable business, while BNP Paribas said that it was looking to align its 2025 strategy with more mature markets. Still, that offers cold comfort to SA Inc., which suffers more exits of important international brands due to it becoming too difficult to be profitable in the country. The fact that these companies' strategic realignment plans do not include South Africa speaks volumes about the local growth environment.

Meanwhile, according to Fidelity Gold Refinery, a unit of the country's sovereign wealth fund, Zimbabwe's gold production rose 0.4% y/y to 2,386.9kg in April. The increase follows a drop in March's gold output caused by increased rainfall. Additional information revealed that output by large-scale miners rose from 903,35kgs in April last year to 1,168.7kgs, while small-scale miners delivered 1,218.2kgs, down from 1,473.35kgs. Although marginal, the increase in gold production, coupled with elevated prices of the yellow metal, will likely bolster foreign currency reserves.

GLOBAL NEWS

Middle East ceasefire hopes dim

The chances of a ceasefire between Israel and Hamas appear to be dwindling with newswires reporting that Israel has stated that Hamas is unwilling to meet its required terms. Israel has announced fresh airstrikes in the Rafah area, suggesting that talks have not been successful. Many are facing the fact that fighting could continue for weeks if not months longer, with the two sides still broadly divided. Fighting has been practically non-stop since November last year. This risks straining the relationship with the United States, which has been putting pressure on Israel to reduce civilian casualties..

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

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Chart Pack

