

# Daily Market Update



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## Financial Markets

The selling pressure on African bonds appears to be easing. This is reflected by the Bloomberg Africa Local Currency Bond Index, which has bottomed out after falling sharply in the 12 months to March 2023. Specifically, the Index, which tracks local currency sovereign bonds of Egypt, Nigeria, Kenya, Botswana, Ghana, Zambia, Morocco and Mauritius, fell by 28% over the 12-month period as risk-off conditions, the aggressive monetary policy tightening, significant currency weakness and increased fiscal risks saw investors dump African local bonds.

While the headwinds facing African bonds continue to blow hot, the Bloomberg Africa Local Currency Bond Index has climbed more than 2% from the lows recorded in March. The recovery comes on the back of signs that the global pivot in monetary policy is now in sight and increased fiscal support from major international creditors to African countries and multilateral lenders such as the IMF and World Bank, which has helped to ease fiscal concerns amongst investors.

Moreover, the USD is assessed to be significantly overvalued, prompting speculators to turn net bearish on the greenback. A pullback in the USD would provide some much-needed reprieve for African currencies, which have been a sea of red over the past year.

Meanwhile, the BWP-ZAR cross seem to have found support at the 1,4000 handle, which currently coincides with the technical support of the 50DMA. We still, however, expect that the cross will continue to correct lower, with the ZAR performing well against the USD this week so far and interest rate differentials remaining in favour of it.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.340736	1.350528	1.3665731	1.449004
BWPUSD	0.070272	0.093496	0.0716262	0.075911
GBPGBP	17.564248	17.691336	17.18425225	16.670682
BWPEUR	0.071032	0.071552	0.06710475	0.070176
JPYBWP	10.6496	10.7224	10.0608	10.490425
USDZAR	18.315552	19.852144	18.74482275	19.4226505
EURUSD	1.028064	1.114152	1.05215925	1.09004775
GBPUSD	1.194912	1.295008	1.22291775	1.266991

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## Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.6965	-3515.9639
3m	-5.1675	-4924.24512
6m	-10.50075	-7211.80252
12m	-21.01125	-12007.572

## Local Fixed Income

Yield curve	Close	Change
6m	5.34	0.005
3y	5.23	0
5y	6.65	0
20y	8.85	0.04
22y	9	0

## International Fixed Income

	Close	Change
SA 10y	10.91	-0.02
US 10y	3.7934	0.0094
German 10y	2.436	-0.007
SA vs Bots 5y spread	288	-1



## DOMESTIC AND REGIONAL NEWS

### Botswana sets up new entity to drive SMME growth

The Botswanan government has launched an association for Small, Medium and Micro Enterprise (SMMEs) through the Local Enterprise Authority. The association is expected to improve skills training, the sourcing of capital and technical assistance for SMMEs. One of the major support measures will be helping smaller firms gain access to finance. This is one of the key constraints facing business in Botswana, with smaller firms being the most affected. Therefore, the LEA has called on commercial banks to look into developing new products to help improve the access to finance. How effective this program will be remains to be seen, as it will need the involvement of other stakeholders such as these banks to really drive progress.

Meanwhile, the main story regarding SA this morning is the outcome of the meeting business leaders held with President Ramaphosa and members of his cabinet on Tue. The business leaders expressed their concerns about SA's ties to Russia and load shedding, which risked turning SA into a failed state. The meeting apparently ended with business leaders agreeing to collaborate with the government, providing it with skills and resources. It appears that the private sector is now going to take active roles in setting up workstreams targeting the implementation of reforms in energy, transport and logistics, crime and corruption. However, given the tenuous relationship between the government and business in the past and the ANC's ideological disposition against privatisations and shrinking the size of government, one questions how successful any of these laudable efforts will be.

## GLOBAL NEWS

### Japanese economy stronger than expected in Q1

Japan's economy grew at an annualised rate of 2.7% in the first quarter of 2023 according to data released this morning, surpassing the prior quarter which printed 1.6%. Economists surveyed by Bloomberg had anticipated growth of 1.9%. On a quarter-on-quarter basis, the economy expanded by 0.7%, exceeding Reuters' estimate of 0.5%. Private non-residential investment, or capital spending, rose by 1.4%, higher than the initial government estimate of 0.9%. Private demand increased by 1.2%, domestic demand rose by 1%, while exports of goods and services dropped 4.2%. Imports also fell 2.3% according to revised government data. The positive growth surprise in Japan's economy coincides with the stock market reaching new three-decade highs, driven by a weak yen and plans for structural reforms.

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

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## Chart Pack

