

Daily Market Update



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Financial Markets

The Debt ceiling bill passed through the House of Representatives yesterday and today will head to the Senate. It is also likely to sail through there to remove any doubt that the US will not be defaulting on its debt any time soon. This will reduce the degree of risk aversion and potentially trigger a move back towards riskier investment destinations. The JPY is off its worst levels against the USD, suggesting that carry trades may be considered again, although at best, the move in the JPY is tentative. Notably, the EUR-USD remains on the defensive, and the trend remains on the downside as it trades back down to 1.0675 this morning. Signs that inflation in the EZ is cooling have investors positioning for an ECB that may not have to do as much as the Fed. The Fed, by contrast, is still expected to lift rates by a further 25bp at the meeting in July.

The USD-ZAR appears to have stabilised this week, albeit at higher levels. News flow out of SA has remained overwhelmingly negative, and the ZAR has underperformed most other EMs. However, it has resisted the temptation to blow off further on three separate occasions in the past trading week. That offers some encouragement that it need not be just one-way traffic, although it is fair to characterise the ZAR as being extremely vulnerable and sensitive to more bad news. The remaining data scheduled for release this week is not market-moving, and so through the last two trading sessions of the week, expect the ZAR to take guidance from the behaviour of the USD and how it responds to the latest economic data

The BWP-ZAR has also stabilised at higher levels as a result. The cross has held steady near 1,4320 through the week, resisting any moves higher.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.364352	1.377984	1.3906442	1.478462
BWPUSD	0.06912	0.093496	0.070452	0.074881
GBPBWP	17.784416	17.958824	17.399657	16.922738
BWPEUR	0.070096	0.070824	0.0662205	0.069462
JPYBWP	10.4624	10.5664	9.88395	10.3378
USDZAR	18.949344	20.533448	19.39346925	20.08921475
EURUSD	1.02528	1.110928	1.04931	1.0868935
GBPUSD	1.193472	1.293032	1.221444	1.26505775

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.6575	-2966.39648
3m	-5.06025	-4765.25661
6m	-9.789	-7028.31544
12m	-22.8345	-11824.1665

Local Fixed income

Yield curve	Close	Change
6m	5.335	-0.005
3y	5.23	-0.37
5y	6.65	-0.15
20y	8.85	0
22y	9	0

International Fixed Income

	Close	Change
SA 10y	11.3	-0.015
US 10y	3.637	-0.059
German 10y	2.269	-0.071
SA vs Bots 5y spread	323	13



DOMESTIC AND REGIONAL NEWS

S&P expects slower growth in SSA this year

In a report released on Wednesday, S&P Global forecast economic growth in key Sub-Saharan African economies to slow this year as weaker global growth makes the backdrop less favorable and high-interest rates deter investment. The agency said it now forecasts GDP growth of eight Sub-Saharan economies it tracks would expand 2.9% this year, down from 3.4% in 2022. The report included economic forecasts for Angola, the Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, and South Africa. S&P now forecasts South Africa's economy will grow 0.7% this year, down from a 1.6% forecast in June 2022 because of an intensifying electricity crisis. Meanwhile, the Democratic Republic of Congo and Ethiopia are poised to be the growth leaders in 2023, with GDP expansions of 6% this year, supported by mining in Congo and a recovery in investment in Ethiopia after a ceasefire between the government and Tigray forces.

Note that for Botswana, consensus figures according to Bloomberg are for growth of 3,9% this year and 3,3% in 2024.

GLOBAL NEWS

China's slow recovery a headwind for Africa

China's economic recovery showed signs of weakening in May, causing concerns about future growth and prompting calls for additional measures from the central bank. Data released on Wednesday revealed a contraction in manufacturing activity and a slowdown in services expansion, indicating a loss of momentum in the post-Covid rebound.

A strong recovery in China depends on a turnaround in the property market, which accounts for a significant portion of the economy. However, the rebound in the property market has slowed, and real estate developers continue to face financial challenges. The uncertain economic conditions in China have caused turbulence in financial markets. Commodity prices, including copper and iron ore, have been negatively affected.

The question investors will be asking themselves is what will a slower-than-expected recovery Chinese economy mean for Africa? China is Africa's leading trading partner. For context, China imports more than \$100 billion from Sub-Saharan Africa. To put this in context, the second biggest trading partner is the UAE, which only accounts for around \$46 billion of SSA exports.

Therefore, the slower recovery in the Chinese economy will result in softer demand for exports from Africa, which will weigh on Africa's economic growth prospects and will impact foreign currency flows into the continent. Africa is a resource-dependent continent; therefore, it is highly sensitive to international commodity prices and global demand for commodities.

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

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Chart Pack

