

# Daily Market Update



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## Financial Markets

The USD is off its best levels, and that is telling given that it comes off the back of stronger-than-expected non-farm payrolls data on Friday. However, while the US may have added more jobs than anticipated, the unemployment rate still ticked higher, and wage pressures moderated. In short, there is little obvious reason for the Fed to hike aggressively, and it is important to note that there is only 20bp of a 25bp hike now priced in for July. In other words, expectations of another rate hike have moderated recently. That will weigh on the USD, given that the Fed's hawkish guidance has helped the USD perform as it has. Technically, the trade-weighted USD now appears to be topping out or, at the very least, has lost momentum.

The ZAR recorded its third consecutive session of gains against the USD on Monday, and its largest in more than two weeks. This advance is likely a relief rally more than anything, with the currency still very vulnerable to bad news and shifts in market sentiment. However, its stretched undervaluation renders it very attractive in times of improved market sentiment, as has been the case into the end of last week and the beginning of this week.

Locally, the BWP-USD remains flat around 0,0720 according to Reuters data, failing to hold any breaks above the 0,0725 level. The BWP-ZAR, meanwhile, fell to just over 1,4075 yesterday and remains offered this morning with the bears eyeing the 1,4000 handle. Given that we expect a further correction for the ZAR, this level should be tested in the coming sessions.

Note that the usual Tuesday auction will take place today, with Botswana looking to sell BWP8bn in 7-day certificates.

## Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.328352	1.35264	1.35395045	1.45127
BWPUSD	0.06912	0.093496	0.070452	0.075499
GBP/BWP	17.662944	17.986176	17.280813	16.948512
BW/PEUR	0.069784	0.071032	0.06592575	0.069666
JPY/BWP	10.4312	10.6288	9.854475	10.39885
USDZAR	18.448704	19.990568	18.8810955	19.55807975
EURUSD	1.029696	1.115712	1.0538295	1.091574
GBPUSD	1.195104	1.295008	1.22311425	1.266991

## Contact Information

	Details
Mogamisi Nkate	<a href="mailto:nkatem@accessbankplc.com">nkatem@accessbankplc.com</a> 2673674335
Phillip Masalila	<a href="mailto:masalilap@accessbankplc.com">masalilap@accessbankplc.com</a> 2673674621
Kefentse Kebaetse	<a href="mailto:kebaetsek@accessbankplc.com">kebaetsek@accessbankplc.com</a> 2673674336
Amogelang Themba	<a href="mailto:thembaa@accessbankplc.com">thembaa@accessbankplc.com</a> 2673674370
Shewauya Charumbira	<a href="mailto:Shewauya.Charumbira@accessbankplc.com">Shewauya.Charumbira@accessbankplc.com</a> 26771215544
Batanani Pearl David	<a href="mailto:davidbat@accessbankplc.com">davidbat@accessbankplc.com</a> 2673644382
Ntebang Magashula	<a href="mailto:magashulan@accessbankplc.com">magashulan@accessbankplc.com</a> 2673644382
Keategile Segwabe	<a href="mailto:segwabek@accessbankplc.com">segwabek@accessbankplc.com</a> 2673644382

## Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.78425	-3459.56877
3m	-5.148	-4833.39489
6m	-10.36425	-7106.95314
12m	-23.07825	-11955.1707

## 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	11.12	-0.13
US 10y	3.693	0
German 10y	2.374	0.066
SA vs Bots 5y spread	295	-2



## DOMESTIC AND REGIONAL NEWS

### Khoemacau copper mine up for sale

According to new sources, South32 is preparing an indicative bid for the Khoemacau mine, owned by Global Natural Resources Investments. RBC Capital has reportedly been hired to prepare the bid, with the non-binding indicative offer to be made in a few weeks, with the process then expected to be concluded in the second half of the year. GNRI put the mine up for sale in the middle of last month according to labour unions. Estimates put the mine's value at around \$1,5bn.

Meanwhile, South Africa's GDP figures for Q1 are due today. SA's economy lost momentum through 2022, largely on the back of domestic own-goals such as load-shedding and the Transnet strike, which crippled exports. Meanwhile, factors that likely weighed on growth in Q1 2023 include load-shedding, higher interest rates, softer global commodity prices, and the country's lingering structural issues. These headwinds open the possibility of South Africa entering a recession in Q1. Consensus expectations have shifted from another q/q contraction – which would have brought about an official recession – to marginal growth (following a contraction of -1.3% in Q4' 22). However, risks are to the downside and the possibility of a downside surprise and contraction cannot be ruled out. High-frequency production and sales data (on which most estimates are based) do not cover the full economy, so there is always an 'invisible element' to the release.

## GLOBAL NEWS

### RBA delivers surprise rate hike

The Reserve Bank of Australia (RBA) has unexpectedly increased its key interest rate and left the possibility open for further hikes. This decision comes as inflation remains higher than the target range and labour costs experience a notable jump. The RBA raised its cash rate by a quarter-percentage point to 4.1%, the highest level since April 2012. This marks a total increase of 400 bps since May 2023. Bloomberg consensus showed only 10 out of 30 economists surveyed had predicted this rate rise, while money markets had estimated a one-in-three chance of a hike. RBA Governor Philip Lowe mentioned that additional tightening of monetary policy may be necessary to ensure inflation returns to the target range within a reasonable timeframe, but this will depend on how the economy and inflation progress.

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

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## Chart Pack

