

Daily Market Update



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Financial Markets

In the absence of any meaningful data releases yesterday, the USD remained consolidative. Today, the USD will turn its attention to the release of the latest trade figures, where a deficit of approximately \$75bn is anticipated. The market will likely take this in its stride, with direction still dominated by expectations for interest rates. Nonetheless, it is instructive to note the cross-boarder flow related to the trade account. Technically, the trade-weighted USD appears to be topping out, although underlying momentum is still subdued.

The ZAR's recovery against the majors continued yesterday, although it does appear to have lost some steam. Market sentiment towards SA has nevertheless improved at the margin, likely due to a better load-shedding schedule and recent attempts from the government's side to avoid further geopolitical backlash over its relationship with Russia. The latest on that front is that the cabinet is reportedly considering moving the BRICS summit to China to avoid having to arrest Russian President Putin on an ICC warrant. Should this be confirmed, it would likely ease geopolitical risk surrounding the ZAR and help the local unit recover further. However, for now, the USD-ZAR has run into technical support around 19.2000, while the EURZAR is trading comfortably just north of 20.5000 and the GBPZAR around 23.9000..

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 below 1,4050 yesterday as the ZAR continues with its recovery. The BWP-ZAR bears are still eyeing the 1,4000 handle which coincides with the 50DMA currently. Given that we expect a further correction for the ZAR, this level should be tested in the coming sessions.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.330944	1.35552	1.3565924	1.45436
BWPUSD	0.06912	0.093496	0.070452	0.075499
GBPBWP	17.616144	17.941456	17.2350255	16.906372
BWPEUR	0.070096	0.071344	0.0662205	0.069972
JPYBWP	10.4208	10.608	9.84465	10.3785
USDZAR	18.484992	20.033416	18.918234	19.60000075
EURUSD	1.025568	1.111448	1.04960475	1.08740225
GBPUSD	1.191936	1.291784	1.219872	1.26383675

Contact Information

	Details
Mogamisi Nkate	nkatem@accessbankplc.com 2673674335
Phillip Masalila	masalilap@accessbankplc.com 2673674621
Kefentse Kebaetse	kebaetsek@accessbankplc.com 2673674336
Amogelang Themba	thembaa@accessbankplc.com 2673674370
Shewauya Charumbira	Shewauya.Charumbira@accessbankplc.com 26771215544
Batanani Pearl David	davidbat@accessbankplc.com 2673644382
Ntebang Magashula	magashulan@accessbankplc.com 2673644382
Keategile Segwabe	segwabek@accessbankplc.com 2673644382

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.74525	-3459.14819
3m	-5.265	-4901.53265
6m	-10.05225	-7185.59027
12m	-23.03925	-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	10.97	0.005
US 10y	3.6621	-0.0379
German 10y	2.364	-0.006
SA vs Bots 5y spread	284	0



DOMESTIC AND REGIONAL NEWS

IMF warns SA of recession risk

The IMF released its annual report on SA and warned that the country was at risk of recession if it reverses some of its economic reforms. The IMF urged SA to formalise its 4.5% inflation target and embark on stronger fiscal consolidation to stabilise the economy. It highlighted that SA's economic and social challenges are building and that the near-term priority must be to safeguard macro-financial stability using monetary and fiscal policies. The comments from the IMF mirror those of SARB Governor Kganyago, who has indicated many times previously that targeting lower inflation would be helpful and that the government needs to play its part in promoting macroeconomic stability.

Meanwhile, although the World Bank released its latest forecasts for developed nations (see below), it did not provide an update on its growth forecasts for Botswana. Recall that the World Bank projects economic growth to moderate to 4.0% in 2023 amidst waning global growth and the projected stabilization of diamond prices. The positive growth will be driven by the diamond sector and the non-mining sector largely through services as increments in public sector wages drive demand in the retail sector.

GLOBAL NEWS

World Bank lowers global growth outlook

According to the World Bank, the global economy is facing significant challenges and is expected to experience a substantial slowdown in economic growth. Advanced economies, including the U.S., Japan, and euro area countries, are projected to grow by only 0.7% in 2023, down from 2.6% in 2022. The U.S. is expected to grow by 1.1%, while the euro area and Japan will likely see GDP growth of less than 1% in 2023. The World Bank estimates that overall global growth will decelerate to 2.1% in 2023, down from 3.1% the previous year. Emerging and developing economies are forecasted to experience a slight uptick in GDP to 4%, but excluding China, growth in these economies would be less than 3%. The reduced growth forecasts are attributed to various factors, including the recent banking crisis and its spillover effects, increasingly restrictive credit conditions, and fiscal weakness in low-income countries. Central banks worldwide are raising interest rates to combat persistent inflation. The World Bank describes the current state of the global economy as hobbled, with many countries facing high inflation, tight financial markets, and record debt levels..

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

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Chart Pack

