

Daily Market Update



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Financial Markets

The USD has been tentative for a while. There are growing indications that the business cycle is moderating and that US economy is on the verge of slowing. Labour market data has held up reasonably well so far, but the weekly jobless claims ticked unexpectedly higher yesterday. This comes on the back of the JOLTS data that appears to be moderating as a trend and highlights some early signs that the cycle is turning.

As investors soften their expectations on the Fed's rate outlook, the USD will struggle to post further gains and may even continue to erode. Just as the Fed led DM central banks in hiking, it will likely lead them to cut. If the Fed's conservative monetary policy stance was one of the reasons behind the appreciation in the USD, then loosening monetary policy might equally weigh on its performance too. As US Treasury yields moderate, so the USD will be questioned, especially from such universally overbought levels.

Meanwhile, the BWP-ZAR cross has broken below the 1,4000 handle, and the technical support of the 50DMA at 1,4009. The cross continues to correct lower and looks to be nearing the 100DMA at 1,3861 now. We expect that there is room for further declines for the pair over the coming week's, given that the ZAR is still undervalued after the May sell-off, and that interest rate differentials will remain supportive of the South African currency.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.342272	1.351776	1.3681387	1.450343
BWPUSD	0.071232	0.093496	0.0726047	0.076941
GBPBWP	17.479488	17.598672	17.101326	16.583364
BWPEUR	0.071552	0.072072	0.067596	0.070686
JPYBWP	10.7536	10.8264	10.15905	10.592175
USDZAR	18.090432	19.60452	18.5144265	19.18038375
EURUSD	1.034304	1.120912	1.0585455	1.0966615
GBPUSD	1.20528	1.305824	1.23352875	1.277573

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.68675	-3538.67985
3m	-5.15775	-4946.95754
6m	-9.97425	-7238.0147
12m	-22.96125	-12033.7725

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	10.83	-0.1
US 10y	3.714	-0.07
German 10y	2.422	-0.021
SA vs Bots 5y spread	301.5	12.5



DOMESTIC AND REGIONAL NEWS

Botswana aims to bolster trade through AFCFTA

Phadza Butale, the chief negotiator at the Ministry of Trade and Industry, has stated that Botswana aims to make great strides with AFCFTA, following comments from the African Commission at a summit yesterday in Botswana that Africa needs to make greater utilisation of the trade agreement. *“It has been said that Botswana ratified the AFCFTA late but I’m saying we joined it at the right time and we believe that this initiative is replete with opportunities for private business. In order to accelerate the implementation, the government plans to involve the private sector in the initiative,”* Butale said. Butale also revealed that Botswana has received funding from Afrox bank of around \$1bn to be used to support businesses in the country, especially the automotive sector, which will benefit from the AFCFTA agreement.

GLOBAL NEWS

El Niño threat looms as weather phenomenon approaches

El Niño, a climate phenomenon characterized by warmer temperatures and extreme weather conditions, has arrived and is expected to strengthen during the Northern Hemisphere winter season. The US National Oceanic and Atmospheric Administration (NOAA) predicts its intensification. As a result of El Niño, certain regions in the States may experience wetter conditions, such as southern California and the Gulf Coast in the United States, while others, like the Pacific Northwest and Ohio Valley may face drier conditions. This climate pattern is also linked to higher temperatures in areas including the US and Eurasia, although its impact on global temperatures is limited.

During El Niño, trade winds weaken, warm water moves eastward, and weather patterns, as well as the Pacific jet stream, undergo shifts. Conversely, its counterpart, La Niña, strengthens trade winds and shifts the jet stream northward.

Globally, El Niño can result in drought and fire in regions like Indonesia and Australia, as well as flood damage and extreme rainfall in eastern South America. Areas north of the equator, including the US and most of Eurasia, may experience higher temperatures as a consequence of El Niño. Weather conditions across the world are expected to become more adverse, likely weighing on global crop production at a time when many supply issues still exist. Therefore, risks to the outlook for global food prices remain tilted to the upside as supply-side pressures may start to come back into play.

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

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Chart Pack

