

# Daily Market Update



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## Financial Markets

This week, the main focus will revolve around the FOMC and what impact the guidance has on the USD. It was the Fed's hawkishness and bold hiking moves that initially supported the USD. If it now turns to become the first central bank to scale back on its monetary conservatism, it may undermine the value of the USD. That is especially true, as the data released out of the US loses some of its lustre. The labour data more recently have shown some early signs of weakness, while many of the Fed's leading indicators are also shown signs of a cyclical slowdown.

Ahead of the FOMC, the USD appears to have consolidated to some degree and will likely tread water for the next two days. The USD index has recovered marginally off its lows and although the EUR has not been able to capitalise fully on the move as it trades up to 1.0745, the GBP has surged higher and is trading just above 1.2570.

The ZAR has enjoyed a very strong start to the month of June. It has appreciated nearly 6% against the USD and around 5% against both the GBP and EUR since the start of the month. In doing so, it has outperformed all of its emerging-market currency peers barring the Colombian peso, and has recovered just about all of the losses that followed the US accusations that SA was supply weapons to Russia. Whether the ZAR bulls can sustain or build on the recent performance will depend on the outcomes of key central bank meetings this week.

Meanwhile, the BWP-USD has risen to 0,0737, according to Reuters data, gaining more than 2,75% on the month so far. However, the BWP-ZAR is down more than 2,50% on the month and the pair could return to the range seen before the US accusations made against SA within the coming sessions.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.324128	1.33344	1.34964505	1.43067
BWPUSD	0.070752	0.093496	0.07211545	0.076426
GBPBWP	17.625296	17.747704	17.2439795	16.723798
BWPEUR	0.07124	0.07176	0.06730125	0.07038
JPYBWP	10.6912	10.764	10.1001	10.531125
USDZAR	17.963616	19.469112	18.38463825	19.04790525
EURUSD	1.032096	1.118208	1.05628575	1.094016
GBPUSD	1.2072	1.308008	1.23549375	1.27970975

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### Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.95975	-3561.39575
3m	-6.391125	-4969.6699
6m	-10.4325	-7264.22682
12m	-20.826	-12059.973

### 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	10.82	0
US 10y	3.7588	0.0138
German 10y	2.385	0.005
SA vs Bots 5y spread	285.5	0



## DOMESTIC AND REGIONAL NEWS

### Major African CB decisions due this week

This week, market participants will closely monitor monetary policy decisions by central banks in Uganda, Namibia, Botswana, and Mauritius. These interest rate verdicts hold significant importance as they shape the overall monetary environment in their respective countries. For Botswana, expectations are that the central bank will opt to keep rates on hold once again at 2,65%.

In terms of inflation, while inflation risks in Africa are currently skewed to the upside, there are indications of easing inflation across the region. This easing can be attributed to softer international commodity prices and the influence of high base effects from 2022. These factors contribute to a more favorable inflationary outlook in the region. However, it is crucial to recognize the key risks that could impact inflation in Africa. One such risk is the ongoing war in Ukraine, which has the potential to disrupt global commodity prices. The outcome of this conflict will likely play a significant role in determining the direction of inflationary pressures in Africa.

Additionally, currency risk is a factor that requires careful consideration. While the base case scenario anticipates a pullback in the USD, which would provide some relief for African currencies, there remains a possibility that the greenback could retain its strength in the coming months. In such a scenario, African currencies may continue to face pressure, ultimately leading to higher inflation in the region.

## GLOBAL NEWS

### Fed may pause rate hikes, ECB expected to keep them going this week

It is also a big week globally in terms of central bank decisions. First up is the Fed and recent forward guidance has suggested that the US Federal Reserve may pause its monetary tightening in June but not call an outright end to the cycle. Consistent with this, consensus expectations as per Bloomberg surveys are for the Fed funds rate to remain unchanged at 5.00% - 5.25%, with the rates derivatives market pricing a marginal rate hike risk.

Forward guidance at the meeting will thus be key for the market's reaction, with Fed Chairman Powell expected to continue signalling determination on controlling inflation. This suggests that the accompanying policy statement will have a hawkish tone, with anything short of that likely to weigh on the USD and support risk appetite. Note that this meeting will also see the release of the latest economic projections summary, including the dot plots. Any changes to these could be market-moving.

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

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## Chart Pack

