

Daily Market Update



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Financial Markets

Investors remain focused on the FOMC decision and statement tomorrow. Powell's guidance and his words will likely generate a strong market response if it appears as though the Fed is mostly done with hiking. The USD index appears to be trading on the defensive this morning and will remain that way, especially if today's US inflation data softens beyond expectations.

On that point, the latest May round of inflation data will be released today ahead of the FOMC decision tomorrow. The market is anticipating that inflation will drop to 4.1% y/y, a further sharp moderation from the 4.9% achieved previously in April. Recent inflation data has impressed to the downside, and should that happen again, the Fed will be hard-pressed to continue hiking.

Any soft reading today will likely trigger the USD to slide, and most currencies will look to extend their recoveries. The EUR-USD is set to trade back up towards 1.0800, with a break above that level, signalling a larger EUR recovery in store. The GBP is trading back above 1.2530 and is trading water, waiting for today's US inflation reading before adopting any fresh directional momentum. The JPY, for its part, is consolidative at the moment. No doubt also waiting for some guidance from the US inflation data and Powell's comments for directional.

The BWP-ZAR continued to head lower yesterday and remains marginally offered in early trade this morning. The cross is nearing the 1,3800 handle which puts it back to levels seen before the May blowout of the ZAR. The cross may, therefore, start to stabilise around current levels, with buyers likely to take advantage of any dips below.

Corporate Foreign Exchange

| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|--------|--------------|---------------|--------------|---------------|
| | CASH | CASH | TT | TT |
| BWPZAR | 1.314624 | 1.323648 | 1.3399579 | 1.420164 |
| BWPUSD | 0.070848 | 0.093496 | 0.0722133 | 0.076529 |
| GBPGBP | 17.56664 | 17.692688 | 17.1865925 | 16.671956 |
| BWPEUR | 0.071136 | 0.071656 | 0.067203 | 0.070278 |
| JPYBWP | 10.712 | 10.7848 | 10.11975 | 10.551475 |
| USDZAR | 17.812704 | 19.2998 | 18.23018925 | 18.88225625 |
| EURUSD | 1.035936 | 1.12268 | 1.06021575 | 1.09839125 |
| GBPUSD | 1.2048 | 1.30572 | 1.2330375 | 1.27747125 |

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Forward Foreign Exchange

| | BWPUSD | BWPZAR |
|-----|-----------|-------------|
| 1m | -1.90125 | -3674.97438 |
| 3m | -5.15775 | -4992.3822 |
| 6m | -9.93525 | -7290.43888 |
| 12m | -22.90275 | -12164.7742 |

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 | 10.765 | -0.055 |
| US 10y | 3.765 | 0.02 |
| German 10y | 2.382 | 0.002 |
| SA vs Bots 5y spread | 279.5 | -6 |



DOMESTIC AND REGIONAL NEWS

Botswana passes NQP plan

The Botswana government has launched its long-awaited National Quality Policy (NQP). Passed by Parliament in 2022, the policy serves as a part of a broader industrial plan for diversification and export strategies that seek the development of quality products and services to enhance trade. It is also designed to ensure that private and public enterprises comply with the highest product and services quality standards as the nation eyes taking local products to international markets. In improving the quality of its products and services, Botswana will also ensure closer cooperation with its major trading partners.

Regionally, South Africa sees the release of its latest mining output data later today. The mining sector saw a smaller contraction in production in March. However, output has contracted for 14 consecutive months and remains near record lows. In April specifically, commodity prices were a mixed bag. Gold and platinum prices increased while coal and iron ore declined. A weakening in the rand exchange rate may have boosted mineral sales in April. The sector's outlook remains challenging amid persistent structural impediments. A weaker rand helps exporters, but the flip side is uncompetitive input costs, poor public infrastructure, and an uncertain policy environment remain headwinds to the sector. Mining production is expected to have expanded on a y/y basis in April due to base effects linked to the comparison against a weak year-ago base. Bloomberg consensus has the reading pencilled in at 1.5% against a March print of -2.6%.

GLOBAL NEWS

China cuts rates to stimulate economy

The Asian session was very much focused on China today. The People's Bank of China (PBOC) announced a reduction in a key short-term policy rate in response to disappointing economic data following the reopening of the country after the Covid-19 pandemic. The PBOC has lowered its seven-day reverse repurchase rate by 10 bps, bringing it down from 2% to 1.9%. The central bank has also injected CNY2 billion (\$279.97 million) through its seven-day repos to support liquidity and thus economic activity.

In addition to the rate cut, the PBOC is expected to release its decision on the medium-lending facility interest rate on Thursday. Furthermore, the bank's loan prime rate is scheduled to be released on June 20. These announcements will provide further insights into the central bank's monetary policy stance and its efforts to stimulate the Chinese economy..

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

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Chart Pack

