

Daily Market Update



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Financial Markets

The USD is on the slide. Yesterday, the trade-weighted USD dipped below key support levels, taking the greenback down to its weakest levels since mid-May. The trend remains a reversal, although much will depend on today's decision and guidance when the Fed announces its decision. The Fed can afford to reach for the pause button now and wait for another one or two rounds of inflation before doing anything more.

That will count against the USD, especially if the upcoming US data alludes to a cyclical slowdown. The USD remains heavily overvalued and has room to correct weaker. As the USD loses ground, so many other central banks around the world will likely enjoy watching their currencies recover, such that it helps moderate inflation more globally.

The BWP-USD, meanwhile, seem to have found a new pivot level at 0,0735, but given the FOMC meeting tonight, we could see the pair have a slightly more volatile final few sessions of the week.

The BWP-ZAR seems to have reached a floor for now and is marginally bid this morning as the ZAR's recent recovery seems to be running out of steam. The ZAR recovery could extend into the latter half of the week if the FOMC places the USD under pressure this evening. However, it will be interesting to see how the BoB reacts tomorrow. Expectations are that the central bank will keep rates unchanged, which should keep pressure on the BWP-ZAR owing to expectations for more rate hikes from the SARB.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.318272	1.32768	1.3436762	1.42449
BWPUSD	0.070752	0.093496	0.07211545	0.076426
GBPBWP	17.667416	17.79284	17.28518825	16.76633
BWPEUR	0.071032	0.071552	0.06710475	0.070176
JPYBWP	10.7432	10.816	10.149225	10.582
USDZAR	17.887008	19.382168	18.30623475	18.96284225
EURUSD	1.03488	1.121536	1.059135	1.097272
GBPUSD	1.21008	1.311336	1.23844125	1.28296575

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.88175	-3192.8728
3m	-5.29425	-4601.12572
6m	-10.07175	-6916.68108
12m	-22.5225	-11712.3574

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	0.05
US 10y	3.8114	-0.0276
German 10y	2.455	0.029
SA vs Bots 5y spread	283	4.5



DOMESTIC AND REGIONAL NEWS

China looks to deepen cooperation with Botswana

China Ambassador to Botswana Wang Xuefeng called on Deputy Speaker of the National Assembly of Botswana Moat Lodi to exchange views on strengthening exchanges between the legislative bodies of China and Botswana. Ambassador Wang Xuefeng briefed Deputy Speaker Moatlodi on Chinese-style modernization and the whole process of people's democracy. Ambassador Wang said that in recent years, under the strong leadership of President Xi Jinping and President Masisi, cooperative relations between the two countries have flourished and practical cooperation in various fields has yielded results. China is looking to further strengthen the exchanges between the legislative bodies of the two countries so as to provide a solid legal guarantee for deepening mutually beneficial cooperation between the two.

China is once again looking to push to increase its influence in Africa at the expense of the West. Botswana is ripe for investment from the Asian superpower giving its strong mining sector with room for expansion. However, as always, one must be cautious when it comes to Chinese investments, given the strings often attached that could ultimately prove detrimental if the investment is not utilized effectively.

GLOBAL NEWS

Fed in focus today, may pause its rate hiking cycle

Internationally the undoubted highlight is the US Federal Reserve's decision on interest rates. 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 summary of economic projections, which include 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

