

# Daily Market Update



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## Financial Markets

June has yielded a very impressive performance by the ZAR. It has completely reversed the losses suffered in May and has even made back a little more ground. It has recovered more than R1.50/dlr in that time in what is a colossal monthly move. It is now starting to run into some support that it encountered in Feb-April, which will be difficult to punch through. However, should it prove successful in further appreciating, it will significantly impact the inflation outlook, which in turn will encourage investors back to SA bonds. This kind of virtuous cycle can save the SA economy much pain and assist the SARB in achieving its price stability mandate.

Just as important as the individual performance of the ZAR is the performance of the USD. It suffered a blistering week of losses last week after inflation surprised to the downside, and some of the economic data, especially concerning the labour market, weakened a little more than anticipated. Investors have softened their expectations of the interest rate outlook and, following last week's FOMC statement, are still not pricing in a full 25bp rate hike in July, despite the Fed indicating that it had more work to do.

Locally, the BWP-USD closed last week just below 0,0750 but further gains are likely instore as we expect that the dollar will continue to weaken. The BWP-ZAR, meanwhile, bounced off the 200DMA at 1,3658 and is quoted at 1,3761 this morning heading into the local open. The bias remains to the downside.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.309248	1.320576	1.3344783	1.416868
BWPUSD	0.071904	0.093496	0.07328965	0.077559
GBP/BWP	17.659304	17.80636	17.27725175	16.77907
BWPEUR	0.07124	0.07176	0.06730125	0.07038
JPY/BWP	11.024	11.1176	10.4145	10.877075
USDZAR	17.479968	18.948592	17.88965475	18.5386465
EURUSD	1.050048	1.137968	1.0746585	1.1133485
GBPUSD	1.23072	1.333696	1.259565	1.304842

## Contact Information

	Details
Mogamisi Nkate	<a href="mailto:nkatem@accessbankplc.com">nkatem@accessbankplc.com</a> 2673674335
Phillip Masalila	<a href="mailto:masalilap@accessbankplc.com">masalilap@accessbankplc.com</a> 2673674621
Kefentse Kebaetse	<a href="mailto:kebaetsek@accessbankplc.com">kebaetsek@accessbankplc.com</a> 2673674336
Amogelang Themba	<a href="mailto:thembaa@accessbankplc.com">thembaa@accessbankplc.com</a> 2673674370
Shewauya Charumbira	<a href="mailto:Shewauya.Charumbira@accessbankplc.com">Shewauya.Charumbira@accessbankplc.com</a> 26771215544
Batanani Pearl David	<a href="mailto:davidbat@accessbankplc.com">davidbat@accessbankplc.com</a> 2673644382
Ntebang Magashula	<a href="mailto:magashulan@accessbankplc.com">magashulan@accessbankplc.com</a> 2673644382
Keategile Segwabe	<a href="mailto:segwabek@accessbankplc.com">segwabek@accessbankplc.com</a> 2673644382

## Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0085	-3720.40543
3m	-5.27475	-5128.65481
6m	-10.5495	-7447.70989
12m	-20.538375	-12243.3745

## 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	10.74	0.035
US 10y	3.728	-0.07
German 10y	2.505	0.06
SA vs Bots 5y spread	281.5	0.5



## DOMESTIC AND REGIONAL NEWS

### Food inflation risks in Africa remain skewed to the upside

Several African countries are currently grappling with significant challenges in their agricultural sectors, primarily due to adverse weather conditions. These nations have recognized the urgent need for grain imports to address the resulting food shortages. In their pursuit of solutions, African leaders have engaged in discussions with Russian President Vladimir Putin, aiming to establish partnerships and agreements that can ensure a stable and reliable supply of grain. By emphasizing their import requirements, these African countries hope to attract investments and support from Russia to mitigate the current food crisis.

However, it is crucial to address the concerns surrounding Russia's potential withdrawal from the Black Sea grain initiative brokered by the United Nations and Turkey in July last year. Russia has expressed its inclination to exit the pact due to obstacles faced by its own grain and fertilizer shipments. If this withdrawal occurs and the UN grain deal is not approved, there is a high likelihood of a sharp rise in international food prices. This scenario could pose severe challenges to the already vulnerable African nations.

According to UN data, over 31 million tonnes of grain have been exported under the pact, with 43% of it going to developing countries. Additionally, the UN World Food Programme has shipped more than 625,000 tonnes of grain for aid operations. These figures demonstrate the significance of the pact in meeting the food demands of nations in need.

While the Bloomberg Agriculture Index, a commonly used indicator of soft commodity prices, has experienced an 18% decline since its peak in March 2022, thus easing supply-side inflation pressures in Africa, the global food price outlook remains tilted towards potential increases. This is particularly concerning for African countries heavily reliant on food imports. If global food prices surge due to supply shortages, inflation pressures in Africa could intensify once again.

## GLOBAL NEWS

### US-China relations in the spotlight

Geopolitics took centre stage over the weekend with U.S. Secretary of State Antony Blinken visiting Beijing to address the strained U.S.-China relations. This visit marked the highest-level American official visit to China since President Joe Biden assumed office and the first trip by a U.S. Secretary of State in almost five years. During the visit, Blinken engaged in candid and constructive talks with Chinese Foreign Minister Qin Gang. The discussions covered concerns as well as opportunities for cooperation, emphasizing the importance of open communication. Blinken invited Qin to the U.S., and they agreed to schedule a visit at a later time.

The original travel plans in February were disrupted by an alleged Chinese spy balloon incident, which the U.S. claimed to have shot down. Tensions between the two countries have remained high since then. Expectations for a significant recovery in the U.S.-China relationship from Blinken's visit are low. The discussions are expected to cover bilateral issues, global and regional matters, and potential cooperation on shared challenges.

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

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## Chart Pack

