

# Daily Market Update



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## Financial Markets

Yesterday, the USD staged a mini-recovery from its recent lows. This is most likely related to investors squaring off positions ahead of Fed Chairman Powell's testimony before Congress later this week. His comments and guidance will ultimately decide the direction of the USD, which will spill over into most other currency markets. The USD took a beating last week and remains vulnerable to any guidance that suggests the Fed may reach for the pause button. Any anticipated loosening in monetary policy when other central banks are still hiking will likely weigh on the USD and trigger a change of bias in FX markets.

For South Africa, the opposite applies. It has enjoyed a stellar two weeks. Whether the ZAR's appreciation extends depends on whether the CPI data later this week helps promote portfolio inflows back into bonds and whether the USD remains defensive. If it does, then the ZAR could enjoy one last attempt at breaking the 18.00 handle, although technically, the pair has moved so far already that it is overdue a correction of sorts.

Locally, the BWP-USD remains just below 0,0750 but further gains are likely in store as we expect that the dollar will continue to weaken. The BWP-ZAR, meanwhile, bounced off the 200DMA at 1,3658 last week and is quoted at 1,3782 this morning heading into the local open. The bias remains to the downside.

Note that the usual 7-day certificates auction will be taking place today, with Botswana offering up BWP7bn of the securities.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.3104	1.321632	1.3356525	1.418001
BWPUSD	0.071904	0.093496	0.07328965	0.077765
GBP/BWP	17.604288	17.750824	17.223426	16.726738
BWPEUR	0.071344	0.071864	0.0673995	0.070482
JPY/BWP	11.0656	11.1592	10.4538	10.917775
USDZAR	17.495424	18.96388	17.905473	18.55360375
EURUSD	1.048416	1.135992	1.07298825	1.11141525
GBPUSD	1.22688	1.329536	1.255635	1.300772

## 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	-2.01825	-3788.55158
3m	-5.45025	-5151.36672
6m	-10.179	-7473.9215
12m	-22.581	-12321.9742

## 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	286	5



## DOMESTIC AND REGIONAL NEWS

### Botswana mulls issuance of inflation-linked bonds

The Botswanan government and the Bank of Botswana are reportedly mulling the issuance of inflation-linked bonds. The central bank's monthly auctions of treasury bills and bonds have nearly all missed their issuance targets since Parliament doubled the note issuance programme to P30bn in September 2020. Issuance of ILBs could help to improve this by offering up a new and attractive option for a local capital market that has largely snubbed the state's existing debt programme. While the issuance of ILBs opens up a potential new pool of demand, especially to annuity investors, it does come with risks. The first concern is that local capital markets may not be deep enough to absorb the issuance of both vanilla bonds and ILBs. The second is that while inflation is slowing now and expected to be fairly contained over the near term, the risk of a surge in price growth and subsequent surge in debt servicing costs cannot necessarily be ignored.

## GLOBAL NEWS

### China continues to implement stimulus measures

The People's Bank of China (PBOC) has cut key lending rates for the first time in 10 months in an effort to boost economic growth. The one-year loan prime rate was reduced by 10 basis points to 3.55%, and the five-year loan prime rate was lowered to 4.2%. While the rate cuts themselves may have a limited impact on monetary conditions, they serve as a signalling tool, indicating that the PBOC will likely use other measures such as reserve requirements and loan quotas to stimulate the economy.

The decision to cut rates comes after disappointing economic data, including indicators like industrial production and retail sales, which fell short of expectations. Investment banks have also lowered their GDP forecasts for China and warned of potential challenges ahead. In response, the Chinese government has pledged to implement "more forceful measures" to support economic development. Overall, the rate cuts and policy signals from the PBOC indicate a growing concern about the Chinese economy and a shift towards prioritising economic growth over other considerations. The government is expected to deploy additional measures to support the economy and ensure a sustained recovery.

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

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## Chart Pack

