

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Wednesday, June 21, 2023

Financial Markets

Yesterday's US housing data was much stronger than anticipated, boosting the USD. The data comes ahead of Fed Chairman Powell's testimony to Congress and the possibility that he will allude to the need for another rate hike. Although the market appears far from convinced that another rate hike is needed, hawkish talk from the Fed Chairman will likely support the USD.

Technically, the USD-ZAR was long overdue a bounce, which appears to have begun. A basic 38.2% Fibo retrace would return the pair to 18.80, although much will depend on the market reaction later today and overnight. Any hawkish comments from the Fed and the 18.80 target could be tested before the end of the week. Whether investors buy into the Fed's view is debatable. So far, they have not, with the Fed funds futures still struggling to price in another full 25bp rate hike. So, the pair is taking a breather for now, and investors are awaiting a fresh catalyst. It implies that further ZAR strength will need to wait. The best case scenario is for domestic inflation to fall and surprise to the downside and some less hawkish guidance from the Fed. The combination would raise the possibility of more bond market inflows, which would help boost the performance of the ZAR.

Locally, the BWP-USD remains just below 0,0750, running into a bit of resistance after the recent gains. The BWP-ZAR, meanwhile, continued with its bounce after the ZAR's weakness yesterday. As noted above, the ZAR was due a correction which drove the bid tone for the BWP-ZAR yesterday.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.320672	1.332	1.34612245	1.429125
BWPUSD	0.071808	0.093496	0.0731918	0.077662
GBPBWP	17.595864	17.742608	17.21518425	16.718996
BWPEUR	0.07124	0.071864	0.06730125	0.070482
JPYBWP	11.024	11.1176	10.4145	10.877075
USDZAR	17.655456	19.13808	18.06925575	18.724035
EURUSD	1.047264	1.134952	1.07180925	1.11039775
GBPUSD	1.224672	1.327144	1.25337525	1.29843175

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.872	-3788.55158
3m	-5.265	-5242.21376
6m	-10.729875	-7604.9786
12m	-20.60175	-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	10.825	0.085
US 10y	3.727	-0.001
German 10y	2.406	-0.099
SA vs Bots 5y spread	288.5	1.5



DOMESTIC AND REGIONAL NEWS

Botswana to use new rice varieties to increase yields

Botswana's National Agricultural Research and Development Institute (NARDI) and African Agriculture PTY LTD (AA), an agricultural trading company based in Gaborone, signed a Memorandum of Understanding (MoU) earlier this week to introduce new drought-tolerant rice varieties. The aim of this is to help increase yields in the face of potential drought conditions. Rice is a major import for Botswana and contributes significantly to the average consumer's monthly food bill. The introduction of these new varieties will hopefully lower Botswana's import bill and help contribute to greater food security and lower prices.

Regionally, focus will be on the South African CPI numbers today, given their implications for monetary policy in the region. Although the worst of the inflationary cycle has passed both domestically and internationally, the decline in domestic inflation is slower than initially anticipated. Factors such as a weaker rand, the costs associated with mitigating against load-shedding and other infrastructure challenges, as well as high electricity tariffs, are contributing to the slower decline in inflation. Fortunately, the recent decline in oil prices will help alleviate pressure on South Africa's key input costs. Consensus expectations suggest that headline inflation will have decreased in May. However, core inflation, which excludes volatile food and energy prices, remains elevated as delayed price increases permeate the broader economy. From a monetary policy perspective, if the rand continues to strengthen, the South African Reserve Bank (SARB) may be able to limit the July interest rate hike to 25 basis points, assuming inflation continues to cool as anticipated.

GLOBAL NEWS

China continues to implement stimulus measures

U.S.-Sino relations are once again in the spotlight as U.S. President Joe Biden referred to Chinese President Xi Jinping as a dictator, highlighting the delicate challenge of managing relations with a powerful global rival while appealing to domestic audiences during his re-election campaign. Biden's comment was made during a fundraising event in California yesterday, following Secretary of State Antony Blinken's recent visit to Beijing aimed at repairing strained relations between the two nations. The visit took place after a February incident where the U.S. claimed to have shot down a surveillance balloon off the coast of South Carolina, which China denies. Biden mentioned that Xi Jinping became upset because he was unaware of the presence of the balloon and described it as an embarrassment for dictators when they are caught off guard.

Secretary of State Antony Blinken's visit to Beijing was postponed following the stray balloon incident in February. However, his recent trip marked a significant step in resuming high-level government meetings between the two countries after a tense period of over four months. While the visit was generally viewed as successful in reestablishing communication channels between the global powers, Blinken was unable to revive military-to-military talks with China. President Joe Biden acknowledged the challenges and expressed that it would take time to rebuild the relationship, praising Blinken's efforts during his visit. The event marked the first rally of Biden's 2024 presidential campaign, and we can expect more political pondering going forward as the campaigns on both sides gain momentum.

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

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Chart Pack

