

Daily Market Update



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Financial Markets

The USD is ending the week on a firmer footing. After showing some signs of selling off, the USD is now recovering, albeit off a much softer base. Fed Chairman Powell's comments were the principal reason for this as he committed the Fed to hike further and then adopt a hawkish stance until inflation is brought back under control. It means that any expectations of a strong sell-off in the USD must be tempered. Investors may need to be patient before that happens, and the Fed's monetary policy moderates sustainably.

It has been a bad end to what started out as a consolidative week for the ZAR. Comments from Fed Chairman Powell were a factor that helped to support the USD as the Fed remains committed to lifting rates again. It believes that the fight against inflation is far from over and that more work is needed. This comes from strong hikes by both the ECB and, yesterday, the BoE. Most of the SARB's 50bp hike announced at the previous meeting has therefore been eroded, and while the major central banks are still hiking, the SARB will most likely be forced to do the same

Locally, the BWP-USD has declined below 0,0745, amid a strong performance for the USD in recent sessions. The BWP-ZAR, meanwhile, is bid this morning and rising toward 1,3855 according to Reuters data. Given the ZAR's high beta status, it could remain under a bit of pressure now until global risk sentiment stabilises and improves. Until then, the BWP-ZAR cross may gradually make its way toward 1,4000. .

Note that the bonds for next week Friday's auction have been announced. Botswana will be looking to sell BWP200mn of 2027s, BWP100mn of 2043s and BWP500mn of 2035s.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.329888	1.33584	1.35551605	1.433245
BWPUSD	0.07152	0.093496	0.07289825	0.077044
GBP/BWP	17.666064	17.742816	17.2838655	16.719192
BWPEUR	0.070824	0.071136	0.06690825	0.069768
JPY/BWP	11.1072	11.1488	10.4931	10.9076
USDZAR	17.850336	19.34712	18.26870325	18.9285525
EURUSD	1.049184	1.137032	1.07377425	1.11243275
GBPUSD	1.219776	1.32184	1.2483645	1.2932425

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.74525	ssCurrency : In
3m	-5.187	ssCurrency : In
6m	-9.81825	ssCurrency : In
12m	-21.8595	ssCurrency : In

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	10.69	-0.03
US 10y	3.799	0.076
German 10y	2.486	0.057
SA vs Bots 5y spread	270.5	-0.5



DOMESTIC AND REGIONAL NEWS

Namibia GDP growth accelerated to 5,00% y/y in Q1

Economic growth in Namibia accelerated to 5.0% y/y in Q1 from an upwardly revised 2.1% y/y (prior:1.9% y/y) in Q4. The Q1 GDP reading, however, compared with a growth rate of 7.3% in the corresponding quarter of 2022. According to the GDP report from the Namibia statistics agency, the softer growth rate in comparison to Q1 2022 was largely attributable to contractions observed in sectors of financial services activities, manufacturing activities, and public administration and defence. The agriculture and forestry, and health sectors also experienced notable slowdowns. However, sectors such as mining and quarrying, electricity, and water witnessed an increase in economic activities during the period under review. Furthermore, activities picked up in the sectors of administrative and support services, transport and storage, wholesale and retail trade, and hotels and restaurants. While growth in Namibia slowed, it has remained in positive territory for eight straight quarters, pointing to a resilient economy. It is worth noting that for 2023 the central bank projects growth to slow to 3.0% from 4.6% in 2022 on account of slower growth in the primary and secondary industries.

GLOBAL NEWS

Bank of England surprises with 50bp rate hike

The Bank of England (BoE) surprised markets by raising its policy rate by 50bps to 5.00%, with seven of the nine MPC members electing to hike. Ahead of the MPC meeting, OIS markets were fully pricing in a 25bps hike, with an outside chance of a 50bps hike. At the meeting, hawkish forward guidance led markets to price in an additional 25bps worth of rate-hike risk, implying that there is still more than 100bps worth of hikes to be potentially delivered during the cycle. Given sticky inflation and a tight labour market, the BoE has reaffirmed its priority on bringing down price pressure to ensure price stability. Additionally, the bank expects second-round inflationary effects to continue for longer than initially anticipated and that the increase in the policy rate to not be felt for some time due to a greater share of fixed-rate mortgages.

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

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Chart Pack

