

# Daily Market Update



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## Financial Markets

The USD gained ground following the FOMC minutes that pointed to more monetary tightening to come. Although the Fed funds futures have not changed from what was originally priced in, US Treasury yields headed higher and equity markets sold off. This apparent rise in risk aversion has prompted rotation back to the USD, even before the latest US labour market data has been released.

It will, however, be the US labour data that will have the final say. If the data shows any signs of weakness, Fed funds futures may moderate slightly from pricing in a second rate hike beyond July and trigger some profit-taking on USD long positions. Investors are waiting for any sign that the US economy is softening. The durable goods orders released yesterday missed expectations, but the real resilience in the economy has been evident in the labour market, and this is the data that needs to soften if the USD is to come under pressure.

The ZAR, meanwhile, gave up all of Tuesday's gains yesterday as market sentiment soured after weak economic data out of China. Being a bellwether for emerging-market sentiment, the ZAR underperformed most of its peers through the session as it retreated 0.55% against the USD, 1.05% versus the JPY, 0.25% against the EUR, and 0.55% against the GBP. Technically, the USD-ZAR remains stuck between its 50-session and 100-session moving averages, and could continue to consolidate within this range as the market awaits fresh directional inspiration.

The same can be said for the BWP-ZAR, which is stuck between its 50DMA above at 1,4023 and the 100DMA below at 1,3917. This consolidation may continue over the near term until global market risk appetite improves.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.333152	1.344864	1.35884295	1.442927
BWPUSD	0.070944	0.093496	0.07231115	0.076529
GBPBWP	17.740008	17.885504	17.35620975	16.853648
BWPEUR	0.070824	0.071448	0.06690825	0.070074
JPYBWP	11.0448	11.1384	10.43415	10.897425
USDZAR	18.039936	19.555848	18.462747	19.13276475
EURUSD	1.04112	1.128088	1.06552125	1.10368225
GBPUSD	1.219968	1.321736	1.248561	1.29314075

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## Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.0865	-2166.99823
3m	-6.54225	-5560.17121
6m	-11.2905	-7971.93002
12m	-23.31225	-12741.1629

## 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	10.515	0.005
US 10y	3.945	0.087
German 10y	2.479	0.047
SA vs Bots 5y spread	252.5	-51



## DOMESTIC AND REGIONAL NEWS

### FDI flows into Africa slowed last year

The United Nations published its 2023 World Investment Report on Wednesday. The UN highlighted that the rising inflation, fears of a recession and turbulence in financial markets put many investment plans on hold at the beginning of the year. Global foreign direct investment (FDI) declined by 12% last year to \$1.3trn. Concerningly, FDI flows to Africa declined to \$45bn in 2022 from the record \$80bn in 2021. Africa accounts for around 3.5%.

Regionally, North Africa had the strongest FDI inflows in 2022, with investment more than doubling from the previous year to \$15.0bn. Announced greenfield projects more than doubled in the region in 2022 to 161. International project finance deals meanwhile increased in value by more than 60% to \$24bn. The FDI inflows into North Africa were mostly driven by Egypt, which received an impressive \$11.4bn in inflows. Flows to Morocco decreased by 6% to \$2.1bn.

FDI inflows to other regions on the continent were modest in comparison. East Africa received \$8.7bn in FDI in 2022. Despite a 14% y/y drop in FDI to \$3.7bn, Ethiopia remained the second largest FDI recipient on the continent. Uganda meanwhile witnessed a 39% increase in FDI to \$1.5bn on the back of investment into the resource sector. FDI inflows to Southern Africa returned to normal levels following the spike in 2021, with flows coming in at \$6.7bn for the year. FDI in South Africa came in at \$9bn, well below the 2021 level but double the average of the last decade. Angola meanwhile recorded a net outflow of FDI of -\$6.1bn in 2022.

In conclusion, the FDI landscape in Africa displayed a mix of positive and negative trends across different regions. While some countries experienced significant growth and project announcements, others encountered declines or fluctuations. These findings underscore the importance of understanding regional dynamics and implementing effective policies to attract and retain foreign investment, fostering economic growth and development

## GLOBAL NEWS

### FOMC minutes show more Fed hikes likely

The focus overnight was centred on the FOMC meeting minutes. Fed officials reached a tentative agreement to pause interest-rate increases at their June meeting but plan to hike rates again later in the month to combat stubborn inflation. While most officials supported keeping rates unchanged, some favoured a quarter-point increase. This reveals a divergence of opinions within the committee, contrary to the initial portrayal of a unanimous decision. The minutes also indicated a majority agreed that more tightening would likely be needed this year. Chair Jerome Powell emphasized the unanimous decision and the necessity of at least two more rate increases. Market expectations have adjusted accordingly. However, some officials, including Atlanta Fed President Raphael Bostic, have expressed caution about further tightening. The decision to pause in June marked a slowdown in the rapid rate hikes of 2022. Policymakers cited tight labour markets and sticky core inflation as reasons that support further rate hikes.

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

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# Chart Pack

