

Daily Market Update



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Financial Markets

The USD-ZAR is trading back below the 19-handle after some softer-than-expected US jobs data forced the market to scale back expectations of how much further US interest rates would rise in the current cycle. Official labour market data published on Friday showed that US payrolls increased by 209,000 in June, undershooting market expectations for the first time in more than a year. Still, while the deceleration in hiring activity and downward revisions of past months' payrolls data are welcome, they aren't enough to put the Fed at ease.

The USD has had a whipsaw ride over the past two trading sessions, with last week's US labour market data initially supporting the USD and helping the trade-weighted USD grind higher, only for the non-farm payroll data to reverse those gains very quickly.

This morning, the USD is on the front foot, forcing the majors to give up some of Friday's gains. Although they continue to trade at much stronger levels than at the start of last week, some of Friday's USD losses are reversing.

The BWP-ZAR has dipped to 1,3855 according to Reuters data this morning, with Friday's rebound for the ZAR helping the cross come off its highest since the start of June. Expectations for SA interest rates are rising again and this will support the ZAR against the BWP.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.331424	1.343232	1.35708165	1.441176
BWPUSD	0.070368	0.093496	0.07172405	0.076117
GBPBWP	18.017792	18.17088	17.627984	17.12256
BWPEUR	0.069576	0.0702	0.06572925	0.06885
JPYBWP	10.8888	10.9824	10.286775	10.7448
USDZAR	18.164448	19.691256	18.59017725	19.26524325
EURUSD	1.051392	1.139216	1.076034	1.1145695
GBPUSD	1.229088	1.331928	1.25789475	1.30311225

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.07675	-2037.35938
3m	-6.52275	-5612.73887
6m	-11.2515	-8024.35063
12m	-23.088	-12793.5603

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	10.77	0
US 10y	4.0758	0.0278
German 10y	2.652	0.016
SA vs Bots 5y spread	275.5	0



DOMESTIC AND REGIONAL NEWS

CPI to headline local data card this week

The local CPI data will headline the data card this week. The data will be released on Friday and traders will be looking to see if the disinflationary trend has continued. Recall that inflation slowed to 5,7% y/y in May from 7,9% y/y the month earlier as favourable base effects from higher administered prices instituted in 2022 continued to play out. Price growth among the key contributors to inflation (being transport, utilities as well as food and non-alcoholic beverages) have dropped significantly since the start of the year. The transport index came down from 15.4% y/y in January to 4.3% in May. The suspension of tariff hikes by both the Botswana Power Corporation and the Botswana Housing Corporation this year has seen the utilities index drop to 1.4% y/y in May from 4.6% in January. Disinflation within the food and non-alcoholic beverages index was more moderate, coming down from 17.2% y/y to 14.3% y/y as prices for breads and cereals, oils and fats as well as vegetables remained sticky.

GLOBAL NEWS

Concerns rise on Chinese deflation prospects

On the international front, the week kicked off with inflation data out of China. China's headline inflation reading came in flat in June vs +0.2% y/y in May, raising concerns about monthly deflation risks and fueling speculation about potential economic stimulus. Core inflation, which excludes volatile food and energy costs, also slowed. Furthermore, producer prices fell by 5.4% y/y in June, marking the sharpest decline since December 2015. The inflation data out this morning bolsters the notion that policy easing may be necessary to support the economy. However, given the lingering risks to the inflation outlook, this would need to be done in a measured manner. Lower commodity prices and weak demand have already been affecting producers for months, and if consumers and businesses continue to hold back on spending or investment in anticipation of further price drops, it could create a self-fulfilling downward economic spiral. The stock market showed some positive movement, with the Hang Seng rising. However, the offshore yuan lost its gains following the release of the inflation data.

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

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Chart Pack

