

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

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## Financial Markets

Comments by San Fran Fed President Daly that the Fed was nearing the end of its phase of monetary tightening, coupled with a consumer expectations survey by the NY Fed which showed that near-term inflation expectations had dropped, helped US Treasuries gain ground. Lower US Treasury yields have undermined the USD, which is on the defensive this morning, helping the USD-ZAR retreat back towards 18.7100 at the time of writing.

The fact that the USD has now slipped to its weakest levels since May 2023 implies that the ZAR will enjoy some reprieve. Should global risk appetite levels also improve slightly, the prospects for the ZAR improve further. One eye will turn to SARB Governor Kganyago's comments this morning, although they are likely more academic and may not move markets. Technically, the USD-ZAR could nudge back down towards the 18.0000 handle if the USD's slide extends for much longer.

The BWP-ZAR, meanwhile, remains just below 1,4000 this morning according to Reuters data, with the recent rebound for the ZAR helping the cross come off its highest since the start of June. As we noted yesterday, expectations for SA interest rates to rise further continue to support the ZAR against the BWP. This week's local CPI figures, meanwhile, will likely confirm expectations that rates in Botswana will remain stable through the rest of the year.

Note that Botswana will be selling BWP7,5bn of 7-day certificates in the usual Tuesday auction today.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.337184	1.34352	1.36295265	1.441485
BWPUSD	0.071424	0.093496	0.0728004	0.076941
GBPGBP	17.9348	18.012696	17.5467875	16.973502
BWPEUR	0.0702	0.070512	0.06631875	0.069156
JPYBWP	10.8784	10.9304	10.27695	10.693925
USDZAR	17.972736	19.484712	18.393972	19.06316775
EURUSD	1.057824	1.146392	1.08261675	1.12159025
GBPUSD	1.236672	1.340144	1.2656565	1.3111505

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## Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.145	-1997.79432
3m	-6.552	-5638.95494
6m	-11.47575	-8129.19109
12m	-23.79975	-12872.156

## 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	10.805	0.035
US 10y	4.006	-0.042
German 10y	2.632	-0.004
SA vs Bots 5y spread	277	1.5



## DOMESTIC AND REGIONAL NEWS

### Trade surplus narrows on weaker diamond sales

Statistics Botswana reported yesterday that the country's trade balance remained in a surplus in April as exports outweighed imports despite registering a decline in diamond sales for the month. The trade surplus came in at BWP135,9mn but narrowed from the BWP155,5mn registered in March. Imports fell from BWP7,2bn in March to BWP6bn while exports dropped from BWP8,4bn to BWP6,2bn as a result of the weaker diamond sales for the month. Nevertheless, Botswana's trade account remains positive, and we expect diamond sales to have rebounded from April onwards, which should see the surplus widen once again as imports will have also lowered owing to globally declining fuel prices.

## GLOBAL NEWS

### Sweden joins NATO, ramping up pressure on Putin

News has broken that Sweden has joined NATO which strengthens the alliance against Russia, raising pressure on Russian President Putin. It gradually looks like an unwinnable war for Putin that may even risk Crimea if it drags on for too much longer. In the background, NATO is already planning to allow Ukraine to join the bloc once the war is over, completely isolating Russia militarily from the rest of Europe.

Meanwhile, Chinese authorities announced more policies aimed at supporting cash-strapped developers and shoring up the country's ailing property sector, although support remains relatively timid and short of what's needed. China's property sector remains a source of financial risk and a drag on economic recovery. Following the most recent round of support measures, more stimulus lies ahead as Chinese authorities aim to support the country's ailing economic recovery; however, they are walking a tightrope as they are wary of creating more bubbles in the property sector

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

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## Chart Pack

