

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Wednesday, July 12, 2023

Financial Markets

Financial markets focused heavily on US interest rate outlook and stimulus measures announced in China. The former will dominate trade today as investors will have US CPI inflation data to digest. The June CPI report will likely continue to show a strong disinflationary trend in the US. According to Bloomberg surveys, consensus expectations are for consumer price growth to have moderated from 4.1% y/y to 3.1% y/y in June, closing in on the Fed's 2% target. The drop in headline inflation will be driven by a notable decrease in energy prices and base effects, meaning the focus should be on core inflation as the Fed will be looking to gauge underlying price pressures

The rand continued its recovery against a broadly weaker USD yesterday and is once again trading at sub-18.5000 levels this morning. The local currency led emerging-market currency gains through yesterday's session as the market cheered stimulus measures implemented in China and positioned for a soft US CPI print today. Should the data confirm that Stateside inflationary pressures are easing towards the Fed's 2% target, the ZAR's recovery could extend into the weekend.

The BWP-ZAR has broken below the 1.3800 level on the back of the recent spate of ZAR strength. Technical analysis suggests that a break of 1.3690 is plausible in the coming sessions should the momentum to the downside continue to build. The primary driver at present remains the interest rate trajectory divergence between SA and Botswana with the SARB scheduled to hike once more while market expectations are for the Bank of Botswana to leave rates on hold. This week's local CPI figures, meanwhile, will likely confirm expectations that rates in Botswana will remain stable through the rest of the year.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.32864	1.332768	1.354244	1.429949
BWPUSD	0.072	0.093496	0.0733875	0.077456
GBP/BWP	17.92336	17.976712	17.535595	16.939594
BWPEUR	0.07072	0.070928	0.06681	0.069564
JPY/BWP	10.8784	10.9096	10.27695	10.673575
USDZAR	17.715072	19.20048	18.130269	18.785085
EURUSD	1.058784	1.147432	1.08359925	1.12260775
GBPUSD	1.244256	1.348048	1.27341825	1.3188835

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-2.09625	-1957.33108
3m	-6.7275	-5717.60276
6m	-11.466	-8129.19109
12m	-23.7705	-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	10.725	-0.08
US 10y	3.982	-0.024
German 10y	2.649	0.017
SA vs Bots 5y spread	255	-2



DOMESTIC AND REGIONAL NEWS

Botswana is firmly on the investment map

Botswana is firmly on the investment map with more than 1000 African and American business leaders in the country for the US-Africa business summit which is taking place from the 11-14 of July 2023. The country hosts the US-Africa business summit this year and it will provide the perfect platform for the country to showcase its investment credentials. This does take place against a backdrop of geopolitical tensions between South Africa and the United States over South Africa's alleged supply of weapons to Russia and the resultant fall out which threatens Botswana's Eastern neighbour's eligibility for AGOA. Botswana makes an ideal investment destination since the country's ratification of the African Continental Free Trade Area (AfCFTA) agreement which is the world's largest free trade area developed under the African Union (AU) to enable the free flow of goods and services across the continent.

In a key step marking the beginning of formal restructuring talks over \$3bn of international bonds, Zambia's overseas bondholders have reportedly entered into non-disclosure agreements with the government as of Wednesday. According to a Reuters report citing sources familiar with the matter, the Zambian government is expected to share with some of its biggest international bondholders - members of the creditor committee - detailed information that forms the basis of debt restructuring talks as early as Wednesday.

GLOBAL NEWS

Geopolitical tensions rise in East Asia

East Asia remains a hotbed of geopolitical activity. China has recently sent the highest number of warplanes into sensitive areas around Taiwan since conducting large-scale military exercises in April. This action comes after visits to Taiwan by lawmakers from the United States and Canada. According to Taiwan's Defence Ministry, a group of 32 planes crossed the median line in the Taiwan Strait or the island's air-defence identification zone. China's military has been increasing its flights across the line established by the US in 1954, which diminishes the buffer zone between the two sides and puts pressure on Taiwan's smaller armed forces. The Chinese warplanes coordinated with naval vessels for joint sea and air training, while Taiwan's military closely monitored their movements and employed shore-mounted missile systems to track and respond to them.

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

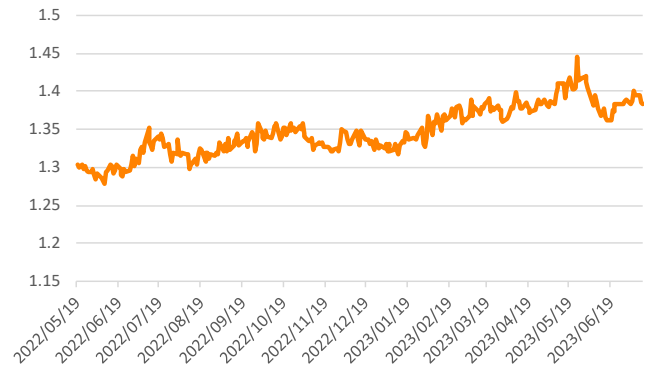
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Chart Pack

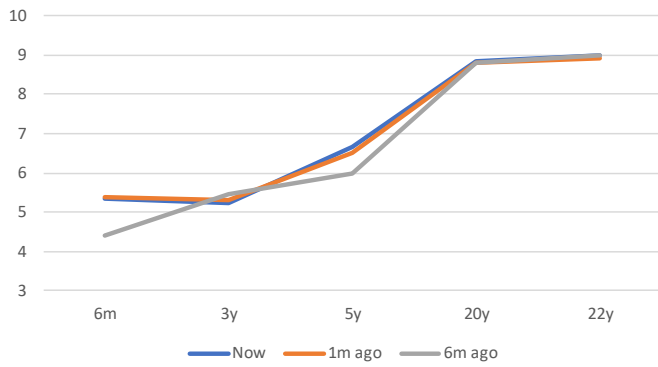
Spot BWP



BWP-ZAR



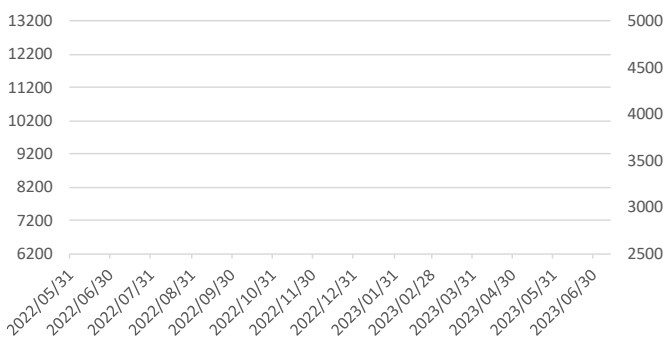
Botswana Yield Curve



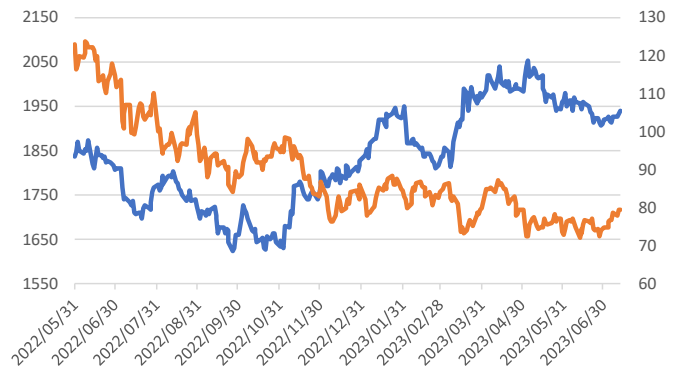
USD Index



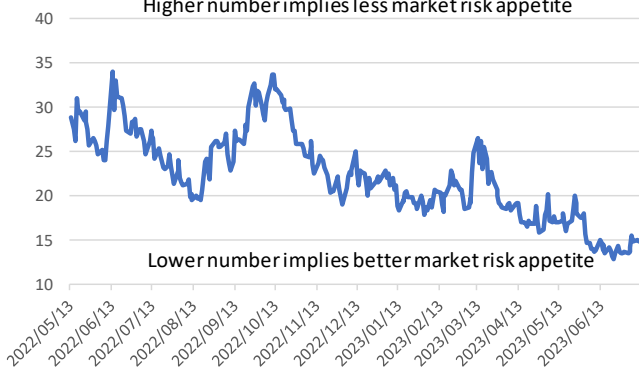
Base metals - Copper L_Hand axis LME Index R_Hand axis



Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure Higher number implies less market risk appetite



Local stockmarket performance

