

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

Yesterday's big news was that the higher-than-expected US inflation print sparked widespread reassessments across financial markets. At face value, it appears that the market has shifted closer to the US Fed's guidance of three rate cuts this year, with the Fed funds futures for Dec pricing in 91bp worth of cuts, implying only three, full 25bp worth of rate cuts are now priced in with a 50-60% chance of a fourth.

That is a significant departure from the six rate cuts priced-in earlier this year and dictates that global financial market expectations must adjust to compensate for the change. The USD has surged stronger on the data, and the USD index has risen to 104.80 this morning, close to the highest levels seen since mid-November.

This has resulted in a wide range of movements across the majors. Most have capitulated and lost ground. The EUR-USD has now also weakened to the lowest levels since mid-November and is threatening to break below the 1.0700 level. The GBP is also on the defensive, although not quite to the same extent. Nonetheless, it has also lost ground and traded back below 1.2600 this morning

The ZAR, meanwhile, depreciated sharply from an intraday low of R18.8000/\$ to levels north of R19.1000/\$. It has opened today's session in a strong support zone, leading to some tentative profit booking on yesterday's move. The BWP-ZAR, as a result, rose to near 1,4000 in the interbank market yesterday but has since pared some of those gains to currently trade around 1,3840 as we near the local open.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
	BWPZAR	1.328736	1.333536	1.35434185
BWPUSD	0.0696	0.093496	0.07094125	0.074881
GBPGBP	18.027672	18.078736	17.63765025	17.035732
BWPEUR	0.070408	0.070616	0.06651525	0.069258
JPYBWP	11.3464	11.3776	10.719075	11.13145
USDZAR	18.327072	19.871592	18.75661275	19.44167775
EURUSD	1.028352	1.114464	1.052454	1.090353
GBPUSD	1.209792	1.310712	1.2381465	1.28235525

Contact Information

	Details
Phillip Masalila	masalilap@accessbankplc.com 2673674621
Kefentse Kebaetse	kebaetsek@accessbankplc.com 2673674370
Shewauya Charumbira	Shewauya.Charumbira@accessbankplc.com 2673674685
Batanani Pearl David	davidbat@accessbankplc.com 2673674382
Ntebang Magashula	magashulan@accessbankplc.com 2673674356
Keategile Segwabe	segwabek@accessbankplc.com 2673674622

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-1.72575	0
3m	-5.21625	0
6m	-8.68725	0
12m	-9.594	0

Local Fixed income

Yield curve	Close	Change
6m	4.249	-0.002
3y	6.00	0.36
20y	8.45	-0.02

International Fixed Income

	Close	Change
SA 10y	10.11	0.065
US 10y	4.316	0.146
German 10y	2.392	0.026
SA vs Bots 20y spread	402.5	-2.5



DOMESTIC AND REGIONAL NEWS

SA data remains in focus with retail sales up next

Data out yesterday showed that SA's mining production growth fell sharply to 0.6% y/y in December, following a strong 6.9% y/y reading in November. The December outcome was also substantially weaker than consensus forecasts of 4.9% y/y. Unfortunately, it is difficult to see strong growth drivers for the industry through 2024. Mining is an industry that requires substantial, long-duration capital outlays. Commodity prices will always be uncertain, but instability around load-shedding, State decay, legislation, labour costs and supporting public infrastructure means any industry expansion remains unattractive in South Africa.

Today, SA's retail sales numbers for December will be in focus. The disappointing retail sales print for November, at -0.9% y/y, which contained the Black Friday sales, provided evidence that households are struggling financially. Consumer confidence remains depressed on the back of higher interest rates, a difficult labour market, load-shedding and political volatility. These factors are expected to have continued to weigh on retail sales in December. Supportive factors (not to be conflated with retail growth factors) include lower inflation and a small core group of higher-income households.

GLOBAL NEWS

US CPI higher than expected, traders shift expectations for Fed cuts

US inflation released yesterday slowed to 3.1% in January. Economists polled by Bloomberg had forecast annual consumer price inflation of 2.9%, down from 3.4% in December. Core inflation, a closely watched measure that strips out volatile food and energy prices, was 3.9% year-on-year in January, in line with the previous month. The figures come as the Federal Reserve considers when to start cutting interest rates this year from their current level of 5.25-5.5 percent. Last month, Fed chair Jay Powell said the Federal Open Market Committee expects to cut interest rates three times this year, but he signalled it is unlikely to begin doing so until more progress has been made towards its 2% inflation target. The Fed's next policy meeting is scheduled for March 19-20, at which it will release its latest "dot plot" survey showing officials' projections for interest rates, inflation and unemployment.

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

Disclaimer - The information provided herein has been prepared by ETM Analytics and is solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates, including ETM Analytics, disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.

Chart Pack

