

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

Botswana's bond auction will be the main event in the session ahead. Botswana will look to issue a combined BWP 433mn in 2029, 2035, and 2043 bonds. The 2029 is effectively now the benchmark 5-year bond. This should be supportive of demand. A low coupon and one of the lowest coupon/price ratios, however, are concerns and could keep demand weaker than for the other two tenors on offer.

The 2035 saw strong demand at the last auction and fairly tight bids. This should remain the theme today, given its very attractive outright coupon and coupon/price ratio. Bid-Ask spreads have remained wide, but as liquidity improves, this should tighten. The 2043 remains a popular option, being auctioned in eight of the last 13 auctions, excluding this one. Demand for longer-dated tenors has been strong in recent auctions. Investors looking for high duration will favour the 2043, although, given the outlook for stable rates over the next few months, higher coupon rates may be favoured.

Meanwhile, the ZAR sold off sharply yesterday, but remained within its broader trading range and should find some support as it approaches R19.2000/\$. This level has held up several times in recent months, making it a good entry point for ZAR bulls. There is also a lack of market movers for investors to navigate into the weekend, suggesting some consolidation and profit-booking on the USD-ZAR's move yesterday is likely today. More broadly, gyrations within its broader trading range will likely remain the order of the day until there are fresh catalysts to drive the market into a new trend.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
	BWPZAR	1.331232	1.343136	1.35688595
BWPUSD	0.069504	0.093496	0.0708434	0.074984
GBPGBP	18.037552	18.19428	17.6473165	17.14461
BWPEUR	0.069576	0.0702	0.06572925	0.06885
JPYBWP	11.336	11.4296	10.70925	11.182325
USDZAR	18.386208	19.93212	18.81713475	19.50089625
EURUSD	1.038912	1.125904	1.0632615	1.1015455
GBPUSD	1.215456	1.317264	1.24394325	1.2887655

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Forward Foreign Exchange

	BWPUSD
1m	-1.716
3m	-5.25525
6m	-8.35575
12m	-8.21925

Local Fixed income

Yield curve	Close	Change
6m	4.023	-0.227
3y	6.00	0.00
20y	8.45	0

International Fixed Income

	Close	Change
SA 10y	10.005	-0.02
US 10y	4.327	0.004
German 10y	2.435	-0.005
SA vs Bots 20y spread	386.5	0.5



DOMESTIC AND REGIONAL NEWS

BoB keeps rates unchanged, lowers inflation forecasts

In line with our expectations, the Bank of Botswana (BoB) kept its monetary policy rate unchanged at 2.4%. The BoB lowered its inflation forecast for this year. Specifically, inflation is seen as averaging 4%, lower than the 4.9% forecast in December, due to lower expected inflation in Botswana's trading partners, weaker international commodity prices, and a stronger pula against the South African rand. Upside risks to the inflation outlook include any increases in administered prices beyond current forecasts and pressure on food prices from the El Nino drought in the region. According to Governor Cornelius Dekop, Botswana's economy is expected to operate below full capacity in the short term and, therefore, not generate any demand-driven inflationary pressures.

GLOBAL NEWS

German business conditions data in focus to close out the week

The February German IFO business climate index slated for release today will offer crucial insight into the current business sentiment and expectations in the German economy. Recall that the expectations index slipped during the first month of 2024 to 83.5, the lowest it has been since October 2022, signalling that the anticipated pick-up in Europe's largest economy may struggle to materialise. However, economists surveyed by Bloomberg are pencilling in a slight rebound in the index for February amid rising optimism that the ECB could loosen monetary policy sooner rather than later as moderating inflation clears a path for cuts. This notion is supported by the ZEW expectations balance, a reliable indicator that improved for the seventh successive month in February. The improvement suggests that investor confidence is recovering, offering hope that the worst may be over for Germany..

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

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Chart Pack

