

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

Data compiled by Bloomberg shows that emerging-market governments are selling new dollar bonds at the fastest pace in more than two decades, with borrowers stretching all the way from investment-grade Chile to high-yielding Benin. For context, sovereign issuance has reached \$57.73bn so far this year, compared with \$56.08bn in the corresponding period of 2023. Investors are snapping up the new issuance amid prospects for looser global financial conditions. Meanwhile, economic reforms and International Monetary Fund programmes are also enabling some countries to return to the market.

In Africa, recent debt sales show how investors are snapping up riskier bonds as the prospect of interest-rate cuts in the US takes benchmark yields off their peaks. Kenya, rated five levels below investment grade at S&P Global Ratings, got orders for more than three times the \$1.5bn it put on sale on February 12. A week earlier, Benin's dollar bonds were more than six times oversubscribed. It was a similar story for Ivory Coast's sale in January when it offered the first Eurobond from the continent since April 2022. It is worth noting that total sub-Saharan Africa issuance has already surpassed Goldman Sachs Group Inc.'s forecast of \$4.5bn for the entire year. Overall, with countries that are most in need of funds having already sold bonds, money managers expect the pace of new issuance to slow in the coming months. However, demand for high-quality securities is likely to remain robust.

In FX, the BWP-ZAR cross fell back toward 1,3850 yesterday as the ZAR managed a bit of a recovery. This morning, the BWP-ZAR is bid just below 1,39000 in the interbank markets ahead of the open.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.331136	1.337568	1.3567881	1.435099
BWPUSD	0.0696	0.093496	0.07094125	0.07519
GBP BWP	18.089968	18.170568	17.6985985	17.122266
BWPEUR	0.069576	0.069888	0.06572925	0.068544
JPY BWP	11.3568	11.4088	10.7289	11.161975
USDZAR	18.360192	19.90404	18.790509	19.47342375
EURUSD	1.03968	1.126736	1.0640475	1.1023595
GBPUSD	1.215648	1.317368	1.24413975	1.28886725

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Forward Foreign Exchange

	BWPUSD
1m	-1.6575
3m	-5.23575
6m	-8.35575
12m	-8.0925

Local Fixed income

Yield curve	Close	Change
6m	4.016	0.002
3y	6.00	0.36
20y	8.45	-0.02

International Fixed Income

	Close	Change
SA 10y	10.2	-0.04
US 10y	4.315	0.016
German 10y	2.455	0.025
SA vs Bots 20y spread	403.5	-6.5



DOMESTIC AND REGIONAL NEWS

Zimbabwe announces 2024 borrowing plan

Keeping with the theme of debt issuance, Zimbabwe has announced that it will issue Z\$5.8 trillion of Treasury bills and bonds to cover the budget financing gap, according to 2024 annual borrowing plan. The gross financing gap will be financed by disbursements from existing external loans amounting to Z\$367 billion, new external loan disbursements amounting to Z\$2.9 trillion, and new external loan disbursements for budget support and central government projects forecast at Z\$2.9 trillion. Note that the total budget financing gap for this year amounts to Z\$9.2 trillion, comprising of a budget deficit of Z\$4.3 trillion (1.5% of GDP) and amortisation of loans and maturing government securities estimated at Z\$4.9 trillion.

For South Africa, in a bit of positive news, SARS appears to have been stabilised under Commissioner Kieswetter, leaving three key institutions to safeguard SA's future: the SARB, National Treasury and now SARS. The combination holds SA's purse strings and are amongst SA's best run institutions. Thankfully, they resisted the temptation to be captured, although serious attempts were made, and at the very least, alongside a judiciary that has stood firm, they prevented SA from taking a more troubling turn. It is, therefore, comforting to note that Commissioner Kieswetter's term has been extended by another two years to ensure a smooth transition to a new commissioner and to ensure that the turnaround at the tax authority is ensured.

GLOBAL NEWS

US data in focus today

The international calendar takes centre stage today, with the US set to release a deluge of data. These data releases include the advance goods trade balance, personal consumption, wholesale inventories, and the second reading for Q4 GDP. Regarding the latter, Bloomberg consensus expectations are for the figure to confirm that economic growth slowed to 3.3%, as the advanced reading indicated. Despite the expected slowdown from the previous quarter, the US economy remains strong thanks to the resilient labour market, which fuelled robust job and wage gains. This, in turn, bolstered personal incomes that helped support consumer spending. With the labour market remaining resilient and supportive of consumer spending, the US economic growth could remain strong in the upcoming quarter. However, the delay in the Federal Reserve lowering interest rates could detract from the economy's performance.

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

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Chart Pack

