

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

Yesterday's surge in the trade-weighted USD sparked some volatility in the USD-ZAR to test levels above 19.3200. This morning, the USD retreated again and helped the pair nudge back down to 19.2300. Any significant positions on the USD were likely cut ahead of today's key PCE reading (the Fed's favoured measure of inflation), which could well influence expectations on US monetary policy, which in turn could affect the performance of the USD

The recent weakness for the ZAR has seen the BWP-ZAR testing the 1,40000 level once again. This morning, the cross is trading near 1,3960 in the interbank markets and will likely hold around current levels given the risk premium being priced into the ZAR at the moment.

In the global bond markets, U.S. Treasury yields fell yesterday after fourth-quarter GDP data showed slightly lower growth than expected. The 2y dropped by 6.2 bps to 4.649%, and the 10-year yield slid by 3.5 bps to 4.404%. Investors are now awaiting key inflation data, particularly the PCE price index, today to calibrate expectations for rates going forward. Concerns are rising about inflation surpassing expectations, making it harder for the Fed to reach its 2% target. There are some in the market that suggest if inflation persists, the 10-year yield could reach 4.5% to 5.0% by year-end. Market expectations for rate cuts are aligning more closely with the Fed's stance, as the central bank appears hesitant to commit to a more optimistic rate cut path.

### 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
GBPBWP	18.089968	18.170568	17.6985985	17.122266
BWPEUR	0.069576	0.069888	0.06572925	0.068544
JPYBWP	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

### UN highlights Africa's risk of debt distress

Addressing a United Nations Commission for Africa (UNECA) conference in Victoria Falls, UN macroeconomics and governance director Adam Elhiraika said that the continent's public debt would stay above pre-pandemic levels this year and next, with many countries still at risk of falling into debt distress. Elhiraika added that eight countries were in debt distress while 13 were "expected to be at risk of debt distress." The continent has been hit by repeated economic shocks since 2020, from the pandemic to the war in Ukraine and rising interest rates, placing cash-strapped, debt-laden governments in a political and fiscal bind. Elhiraika noted that there was, therefore, a need to work with international partners to address debt distress. Meanwhile, Africa's fiscal deficit widened to 4.6% of GDP in 2023 and is expected to deteriorate further to 5% this year.

Meanwhile, Finance Minister Ipumbu Shiimi raised Namibia's economic forecast for 2023 and 2024 at yesterday's budget presentation. Specifically, Namibia estimates economic growth of 5.6% last year and 4.0% this year, up from projections of 3.5% and 2.9% given in October. According to Shiimi, "the strong growth is anchored by upbeat activities in the natural resources sector, including the residual impact of ongoing petroleum exploration on domestic economic activities and the surge in uranium production following price increases." Shiimi, however, noted that the forecast growth was not expected to address challenges such as high unemployment, poverty, and income inequality and that diversifying the economy beyond mining remained an urgent policy priority. Meanwhile, the minister noted that Namibia is seeking to retire two-thirds of its \$750mn Eurobond due next year by drawing down on a sinking fund. Shiimi added that the government plans to transfer 3.5bn Namibian dollars (\$183mn) into the fund in the year through March 2025 and 2bn Namibian dollars in 2025-26 to place it in a position to retire \$500mn of the Eurobond due October 2025 while the remaining third will be refinanced.

## GLOBAL NEWS

### US inflation data the global focal point today

The US Fed's preferred measure of inflation will draw significant market attention today as the general trend continues to point towards core inflation reaching the Fed's target of 2%. A lower reading in January will be welcomed by markets as it points towards rate cuts, which have thus far been uncertain given the resilience of the US economy. Markets have pencilled in a reading of 2.8% y/y, which would mark the closest reading to the central bank's target in 2 years. However, Fed officials continue to sing the tune of higher-for-longer interest rates, suggesting that the bank may not look towards rate cuts until it achieves 2% inflation.

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

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## Chart Pack

