

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The ZAR remains a passenger to broader USD moves to a large degree. Accordingly, today's local mining and manufacturing production prints will likely be shrugged off as the market instead focusses on US retail sales and PPI data releases that will provide fresh clues into prospective Fed policymaking. The ZAR has made a material recovery over the past two weeks and is increasingly ripe for consolidation as the market moves towards the lower end of its broader trading range (seen since mid-2023). The USD-ZAR is looking less overbought at current levels despite its broader overvaluation on a PPP-adjusted basis, making for a good short-term re-entry point for dollar bulls. Further out, the market is keeping one eye on this year's local elections, with hedging activity suggesting there are some concerns over significant depreciation risk after the vote.

The BWP-ZAR remains in its downward trend and is currently just below 1,37000 ahead of the local open.

The currency markets remained subdued this morning as investors awaited the next round of data namely U.S. retail sales data, the producer prices index (PPI) report, and jobless claims from the United States for insights into Federal Reserve policy direction. Although market participants still perceive a 65% probability of a rate cut in June, down from 71% earlier in the week, the likelihood of a rate cut in July stands at around 83%, according to LSEG's rate probability app. As the Fed is widely anticipated to maintain steady rates at its upcoming meeting, focus will be on the bank's updated economic projections. Analysts suggest that a more hawkish tone from the Fed could potentially reduce expectations of rate cuts to two this year and delay the first cut until September, which could bolster the U.S. dollar.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.315104	1.320864	1.34044715	1.417177
BWPUSD	0.070656	0.093496	0.0720176	0.076117
GBPGBP	17.995224	18.075616	17.60590425	17.032792
BWPEUR	0.069992	0.070304	0.06612225	0.068952
JPYBWP	11.3256	11.3672	10.699425	11.121275
USDZAR	17.868288	19.362616	18.287076	18.94371325
EURUSD	1.050048	1.137968	1.0746585	1.1133485
GBPUSD	1.227552	1.330368	1.25632275	1.301586

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### Forward Foreign Exchange

	BWPUSD
1m	-1.86225
3m	-5.35275
6m	-8.775
12m	-9.1065

### Local Fixed income

Yield curve	Close	Change
6m	3.993	-0.001
3y	6.00	0.00
20y	8.3	0

### International Fixed Income

	Close	Change
SA 10y	10.165	0.06
US 10y	4.155	0.051
German 10y	2.326	0.028
SA vs Bots 20y spread	427	6.5



## DOMESTIC AND REGIONAL NEWS

### SARB sees SA exiting FATF grey list

Speaking at a Financial Sector Conduct Authority conference yesterday, SARB Governor Kganyago expressed confidence that South Africa would be removed from the Financial Action Task Force's (FATF) grey list by the next review date in 2025. Inclusion on the list since 2023 has meant that financial transactions with SA have had to be subject to enhanced due diligence, effectively raising the cost of doing business with SA. It is one example of how SA's risk profile has deteriorated in recent years, which has repelled foreign investment and forced the SARB to keep interest rates higher than they otherwise would have been.

Another example is SA's fiscal decline due to persistent inefficient state spending. With this in mind, Public Enterprises Minister Gordhan's announcement yesterday that the state had terminated a deal to sell a controlling stake in South African Airways (SAA) to the Takatso group after three years of negotiations is somewhat disappointing. The deal could have been an example of much-needed privatisation ambitions and a way to rid the tax base of another unfunded liability. Gorhan's promise that SAA would not require further taxpayer bailouts ring hollow, given the number of times this has been said in the past and proven to be untrue. ...

## GLOBAL NEWS

### US retail sales data in focus today

The February US advance retail sales data today will provide valuable insight into consumer behaviour and economic trends, serving as an important key indicator for policymakers monitoring the health of the US economy. Retail sales growth broadly declined in January to -0.8%, weaker than market expectations of a -0.2% downturn and marking its steepest drop in nearly a year as consumers took a breather after the festive solid shopping season. However, given the robust labour market and easing inflation boosting the real income of households, the decline in sales growth could be short-lived, with economists surveyed by Bloomberg expecting a modest rebound through February. However, a sustained improvement in domestic consumptive dynamics remains challenging, with the latest Fed Beige Book highlighting that consumers have become more cautious about discretionary spending, given the uncertain economic outlook.

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

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# Chart Pack

