

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The USD Index held above the 103.00 mark into the close on Friday following data out of the US which suggested that the Fed may hold off on easing monetary policy too soon. Meanwhile, the euro continued to struggle into the close of the week following Thursday's steep losses. The single currency closed the week at EUR/USD1.0887 sharply lower than the highs of the week marked at EUR/USD1.0963. This week will be crucial for euro bulls who are growing weary, a break below EUR/USD1.0850 could result in mass capitulation of longs with a pullback towards EUR/USD 1.0800 not ruled out. Moving over to cable, the GBP/USD is still focused to the downside in the short term with no signs of a reversal in trend yet evident. Investors prefer to sell the upticks with a target of 1.2700 the short-term goal. All eyes are on the yen at the moment with the Bank of Japan expected to end negative rates tomorrow following its 2-Day meeting. Speculators will be reluctant to take excessive risk in the run up to the announcement.

After bouncing higher on Thursday, the USD/ZAR starts the new week off with a consolidatory bias in the market. This is consistent with broader dollar moves, which continue to provide the ZAR with directional cues for the time being. In this context, monetary policy decisions in the developed world will likely be the main drivers of ZAR movements this week, with local economic data set to be relegated to the back burners. Technically, the USD/ZAR is now trading closer to the midpoint of its broader trading range, pointing to some two-way risk ahead of this week's major central bank policy updates

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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	4.088	-0.004
3y	5.58	-0.42
20y	8.29	-0.01

International Fixed Income

	Close	Change
SA 10y	10.24	0.03
US 10y	4.298	0.106
German 10y	2.418	0.063
SA vs Bots 20y spread	438.5	5.5

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.323168	1.330752	1.34866655	1.427786
BWPUSD	0.07056	0.093496	0.07191975	0.07622
GBPBWP	17.926272	18.02528	17.538444	16.98536
BWPEUR	0.070304	0.070616	0.066417	0.069258
JPYBWP	11.336	11.3984	10.70925	11.1518
USDZAR	18.002016	19.508528	18.42393825	19.0864685
EURUSD	1.044096	1.13152	1.068567	1.10704
GBPUSD	1.222848	1.324856	1.2515085	1.29619325



DOMESTIC AND REGIONAL NEWS

Local CPI unchanged, S&P affirms its rating for Botswana

Data published on Friday showed that consumer price inflation stood at 3.9% y/y in February, unchanged from the previous month. Month-on-month inflation accelerated from -0.3% in January to 0.1% in February. The Central Statistics Office Botswana report showed that six of the underlying twelve subcomponents fell, two were unchanged, and four rose. With Botswana's headline inflation firmly contained within the Bank of Botswana's inflation target of 3%-6%, it suggests that the central bank has room to keep monetary policy unchanged to continue to support the economy.

On Friday, S&P Global Ratings affirmed its 'BBB+' long-term and 'A-2' short-term foreign and local currency sovereign credit ratings on Botswana. The outlook is stable. The rating agency said that Botswana's ratings are supported by the country's comparatively strong institutional framework, which has underpinned the prudent management of the country's natural resource wealth, its strong external balance sheet, and low government debt burden. However, the ratings are constrained by the country's narrow economic base--it still relies heavily on the diamond sector and is therefore vulnerable to external shock. Meanwhile, the stable outlook reflects that S&P expects Botswana's GDP growth will remain relatively resilient and that this will, in turn, support export receipts and fiscal revenue

GLOBAL NEWS

Expectations for BoJ rate hike rising

Major Japanese firms have announced larger-than-anticipated pay raises, raising expectations that the Bank of Japan (BOJ) will abandon its negative interest rate policy this week. The preparations for this policy shift have been ongoing since Kazuo Ueda assumed office as BOJ governor in April last year. The outcome of annual wage negotiations, resulting in a 5.28% pay increase, the highest in 33 years, solidified the likelihood of the BOJ ending negative rates. Analysts predict the BOJ will cease negative rates and yield curve control, setting a new overnight call rate target and discontinuing asset purchases. While economists expect the BOJ to end negative rates, attention now shifts to the pace of interest rate hikes thereafter. Governor Ueda has reinforced maintaining accommodative monetary conditions post-policy shift. This move signifies a significant departure from the ultra-loose monetary policy introduced by former Governor Haruhiko Kuroda in 2013, with the aim of reflating growth and achieving a 2% inflation target.

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

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Chart Pack

