

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The yen lost ground following the Bank of Japan's (BOJ) decision to end its negative interest rate policy, a move that was widely expected. The yen declined nearly 0.4% against the dollar touching an intra-day high of USD/JPY149.92, while the euro also pencilled in gains against the yen.

Meanwhile, the Australian dollar slid after the Reserve Bank of Australia (RBA) maintained its interest rates and shifted its previously hawkish bias to neutral. The Aussie fell by nearly 0.4% against the dollar following to the RBA's decision and is currently trading at AUD/USD 0.65415. The euro remained relatively unchanged against the dollar, hovering around \$1.0873 ahead of the ZEW data later today.

The recent uptick in the dollar follows resilient U.S. economic data suggesting ongoing inflationary pressures, prompting investors to reconsider their expectations of Federal Reserve rate cuts with less than three rate cuts now priced from the US Fed.

The ZAR started the new week off on the defensive, depreciating back above the R19.0000/\$ handle overnight.. Following the ZAR's strong advance at the start of the month, it was always looking less oversold from a technical point of view and, in turn, more vulnerable to a reversal in the short term. The move has legs to run back towards late-February levels should the US Federal Reserve come out more cautious than expected later this week.

Meanwhile, the usual Tuesday auction takes place today locally, with Botswana offering BWP12bn in 7-day certificates.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.329216	1.341024	1.3548311	1.438807
BWPUSD	0.069984	0.093496	0.07133265	0.075602
GBPGBP	17.977128	18.135104	17.58819975	17.088848
BWPEUR	0.069784	0.070408	0.06592575	0.069054
JPYBWP	11.3984	11.492	10.7682	11.243375
USDZAR	18.233664	19.76624	18.6610155	19.338605
EURUSD	1.042944	1.12996	1.067388	1.10551375
GBPUSD	1.21968	1.322048	1.24826625	1.293446

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### Forward Foreign Exchange

	BWPUSD
1m	-1.95
3m	-4.875
6m	-8.775
12m	-7.970625

### Local Fixed income

Yield curve	Close	Change
6m	4.084	0
3y	5.58	-0.42
20y	8.29	-0.01

### International Fixed Income

	Close	Change
SA 10y	10.495	0.13
US 10y	4.34	0.036
German 10y	2.457	0.021
SA vs Bots 20y spread	457.5	11



## DOMESTIC AND REGIONAL NEWS

### S&P predicts rebound in Botswana GDP growth

Following on from Friday's rating confirmation, S&P Global has forecast a rebound in Botswana's economic growth in 2024. In a statement issued by the BoB, S&P Global Ratings analyst Ravi Bhatia said that Botswana will maintain a strong net external asset position and report further current account surpluses over 2023-2027. Bhatia also noted that although they expect an increase in the fiscal deficit this year, they anticipate that the government will aim to reduce the deficit in its budgets for the following years.

Zimbabwe has struggled to feed its population since 2000 when former President Robert Mugabe's land reforms disrupted agricultural production, leading to food shortages. The situation has been worsened by an El Nino-induced drought affecting several southern African countries. The government estimates that 2.7 million people may face hunger this year, with the real figure possibly higher.

There are discussions within the government about declaring a state of emergency due to the crisis. El Nino, a weather phenomenon causing warmer ocean temperatures and disrupting wind patterns, has led to extreme weather conditions such as prolonged droughts, impacting crop yields.

The World Food Programme (WFP) has been providing assistance to drought-affected regions, but more funds are needed to reach additional people in need. In Buhera, residents like Mary Takawira are facing the harsh reality of failed crops, with many uncertain about how they will cope through the year ahead.

## GLOBAL NEWS

### BoJ hikes rates in historic shift

The Bank of Japan (BOJ) made a historic shift by ending eight years of negative interest rates and other unconventional policies, marking Japan's first interest rate hike in 17 years. Despite this, rates remain close to zero due to a cautious approach amid a fragile economic recovery. This move makes Japan the last major central bank to exit negative rates and marks the end of an era of unconventional monetary stimulus aimed at boosting growth. The BOJ ditched policies such as a 0.1% charge on excess reserves and yield curve control (YCC), which capped long-term interest rates around zero. Instead, it set the overnight call rate as its new policy rate, aiming to guide it in a range of 0-0.1%. The central bank also discontinued purchases of risky assets like exchange-traded funds (ETFs) and Japanese real estate investment trusts. With inflation exceeding the BOJ's 2% target for over a year, the decision to end negative rates was widely anticipated. The decision carries significant implications, as a spike in bond yields could increase the cost of Japan's large public debt and potentially impact global financial markets as Japanese investors repatriate funds.

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

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## Chart Pack

