

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dovish Fed gave the euro bulls a reason to celebrate overnight with the single currency launching higher post the central bank's announcement on rates overnight. The single currency cleared the EUR/USD1.0900 level and has continued to climb this morning in Asia, currently, EUR/USD1.0950 looks to be the next target as the EU open beckons.

Sterling rose sharply overnight clearing GBP/USD1.2750 with the stronger upside momentum continuing this morning in Asia. The currency pair has already breached GBP/USD1.2800 this morning and continues to pivot around this handle. All eyes will be on the Bank of England who is scheduled to deliver their verdict on rates later today.

The yen has strengthened this morning breaking below the USD/JPY151.00 mark driven by a weaker dollar and lower US Treasury yields. Trading in Asia has been choppy following announcements by the Fed and BoJ with investors seeking equilibrium post both events.

The ZAR revelled in the risk-on trading post the Fed and is currently trading near 18,6675 to the USD after briefly breaking through the 19,000 handle earlier this week. A combination of a slightly dovish Fed and yesterday's higher-than-expected local CPI mean that the rates differential between SA and the US will remain ZAR supportive, while local bond yields are attractive to support SA's carry potential

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.308096	1.319712	1.3333041	1.415941
BWPUSD	0.07008	0.093496	0.0714305	0.075705
GBPWP	18.075616	18.229952	17.684557	17.178224
BWPEUR	0.069472	0.069992	0.065631	0.068646
JPYBWP	11.4504	11.544	10.817325	11.29425
USDZAR	17.918688	19.42512	18.33865725	19.004865
EURUSD	1.04976	1.137344	1.07436375	1.112738
GBPUSD	1.228128	1.33068	1.25691225	1.30189125

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Forward Foreign Exchange

	BWPUSD
1m	-1.95
3m	-5.85
6m	-8.775
12m	-8.55075

Local Fixed income

Yield curve	Close	Change
6m	4.069	-0.004
3y	6.00	0.00
20y	8.3	0

International Fixed Income

	Close	Change
SA 10y	10.425	-0.055
US 10y	4.271	-0.025
German 10y	2.435	-0.014
SA vs Bots 20y spread	441.5	-6.5



DOMESTIC AND REGIONAL NEWS

Botswana raises debt ceiling, SA inflation accelerates

On Wednesday, Botswana raised its borrowing ceiling and announced plans to issue new debt instruments. Specifically, lawmakers approved an increase in the domestic borrowing ceiling to BWP 55bn from BWP 30bn. According to Finance Minister Peggy Serame, the government plans to fund the expected budget deficit through special fund proceeds and domestic borrowing through the issuance of new instruments, including inflation-linked bonds and green bonds. Serame, however, highlighted risks associated with raising the bond-ceiling. These include interest rate risk, refinancing risk, and inflation risk. The increase will, however, still keep the government debt level below the statutory limit of 40% of GDP.

Meanwhile, South Africa's headline CPI accelerated to +5.6% y/y in February from +5.3% y/y in January. February's outcome was broadly in line with consensus forecasts of +5.5% y/y. Unfortunately, inflation remains elevated across a broader range of components other than fuel. Housing & utilities (+5.8% y/y in February) is a good example and has been rising consistently since 2021, pushed higher by electricity (+15.2% y/y in February) and water (+7.9% y/y in February). This broader inflationary pressure is evident in the rise of core inflation (+5.0% y/y in February, from +4.6% y/y in January), which excludes volatile food and energy prices. Fortunately, food inflation continues to slow (+6.0% y/y in February from +7.0% y/y in January)

Given this backdrop and a higher-for-longer US Fed posture, domestic interest rates are unlikely to move before the SARB's September meeting, with risks biased for further delays rather than earlier cuts

GLOBAL NEWS

Fed leaves rates unchanged, signals three cuts to come in 2024 still

The Fed left rates unchanged at the March FOMC meeting, as was expected. The vote was unanimous, and the statement accompanying the decision was largely unchanged from the January meeting. Of interest this time around was the latest Summary of Economic projections and the Dot Plots. The Fed upgraded its growth and inflation figures for 2024, predicting that the economy would expand by 2.1% this year, up from 1.4%. The PCE core estimate was also upgraded to 2.6% for 2024 from 2.4% previously. As a result, there were some changes to the Dot Plots, but the median estimate still points to three rate cuts for 2024. Before the meeting, the market had priced in just less than three cuts, but has now revised its outlook to match the FOMC projections. Officials did, however, lift their forecasts for longer-term rates, boosting the median estimate to 2.6% from 2.5%.

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

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Chart Pack

