

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

U.S. Treasury yields declined on Friday as traders began speculating that the Federal Reserve might initiate interest rate cuts starting in June, despite recent reports indicating stronger-than-expected inflation. The yield on 10-year benchmark notes fell to 4.215%, down 5.6 bps from the previous day's close. Similarly, two-year yields decreased to 4.595%, a decline of 3.7 bps. Market expectations for rate cuts in 2024 were revived after Federal Reserve Chair Jerome Powell suggested on Wednesday that inflation was declining in line with the central bank's forecasts. Yields had risen earlier in the week following robust inflation data for February, which surpassed expectations. Despite acknowledging higher-than-expected inflation, Powell emphasized that the overall narrative remained one of inflation gradually decreasing, albeit with some bumps along the way.

Looking at the ZAR, while it may have performed reasonably well against the major currencies other than the USD, it continues to trade at a substantial discount to fair value. It is unlikely that much of this discount will unwind before the elections, with the many outcome scenarios keeping investors on their toes, as reflected in the hedging behaviour of traders in the June IMM futures and options market. That being said, there is some value to be found in exposure to SA across most markets, especially if one holds a constructive view on the upcoming elections. For the time being, it remains a market that favours exporters that can take advantage of these levels to cover forward and secure these more profitable levels through the year ahead.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.318752	1.329984	1.34416545	1.426962
BWPUSD	0.0696	0.093496	0.07094125	0.075087
GBPGBP	17.941768	18.097456	17.55360475	17.053372
BWPEUR	0.06968	0.070304	0.0658275	0.068952
JPYBWP	11.3984	11.492	10.7682	11.243375
USDZAR	18.189408	19.710184	18.61572225	19.28376175
EURUSD	1.03872	1.125384	1.063065	1.10103675
GBPUSD	1.210656	1.312064	1.23903075	1.283678

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Forward Foreign Exchange

	BWPUSD
1m	-2.0085
3m	-5.85
6m	-11.20275
12m	-23.4195

Local Fixed income

Yield curve	Close	Change
6m	4.069	0
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	0



DOMESTIC AND REGIONAL NEWS

Big week ahead for African central banks

The main event regionally this week will be the South Africa Reserve Bank's rate decision on Wednesday. The SARB is widely expected to keep the key repo rate on hold at 8.25%. The Bank has indicated that it will only cut interest rates when inflation declines more sustainably. Furthermore, it will want to keep an attractive interest rate differential with the US to keep rand investments attractive. It is possible that the first-rate cut in South Africa will only emerge in September.

Meanwhile, Africa will see several other central bank decisions this week as well. The Central Bank of Ghana looks set to keep its interest rate on hold at 29.00%, with the first cut only likely in May at the earliest as inflation climbs (23.2% y/y in February). According to Bloomberg, the cedi was Africa's third worst-performing currency this year, which has inflationary implications.

Analysts are divided on the likely decision by Nigeria's Central Bank. Inflation is currently 31.7% y/y. There is the possibility that the bank will raise its interest rates further following its previous decision to hike interest rates by 400 basis points to 22.75%.

GLOBAL NEWS

Fitch upgrades UK credit rating outlook

Fitch, the global ratings agency, upgraded the United Kingdom's sovereign credit outlook from "negative" to "stable" on Friday, while affirming its sovereign credit rating at "AA-". The revision reflects reduced economic policy risks, particularly after the UK's economy rebounded to growth in January following a shallow recession in the latter half of 2023. This growth was driven by increases in retail sales and housing activity. Fitch's projections are cautious and anticipate a balance in policy priorities to mitigate risks to public finances sustainability. Bank of England Governor Andrew Bailey noted positive signs of economic improvement and decreasing inflation but highlighted the need for more certainty regarding inflation control. Both S&P and Moody's also maintain a stable outlook on the United Kingdom.

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

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Chart Pack

