

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The ZAR has started the week off on the front foot, having recovered most of Friday's losses by the time of writing. The USD-ZAR market failed to sustain a break above the R19.0000 mark this time, and is trading back towards 18.8000 this morning. Against the euro, the local unit is trading closer to 20.4000, but remains stuck within a broader consolidatory trend. Similarly, there is little evidence of the ZAR unwinding its undervaluation against the pound, as the market trades just north of 23.8000. Although the ZAR is significantly undervalued on a PPP-adjusted basis, it is unlikely to recover until investors have a clear view of the political (and fiscal) landscape going forward. Volatility within a set range is thus likely to remain the order of the day in the meantime, providing plenty of opportunities for traders on both sides of the market.

Meanwhile, the rise in Eurozone bond yields on Monday was a mild correction on the strong declines seen in the previous week. Last week's bond rally was driven by increased confidence among investors regarding potential interest rate cuts by major central banks by the middle of the year. Many European Central Bank (ECB) policymakers signaled a potential start to rate cuts in June, aligning with current market pricing showing little likelihood of ECB action in April but over an 80% chance of a cut by June. Analysts suggest that data alignment with expectations, rather than lower-than-expected figures, could justify ECB cuts.

Locally, the usual Tuesday auction takes place today with BWP12bn of 7-day certificates on offer. The BWP-ZAR, meanwhile, remains rangebound at 1,3730 this morning, with little to suggest a break out of this range is coming in the near term.

### Corporate Foreign Exchange

|        | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|--------|--------------|---------------|--------------|---------------|
|        | CASH         | CASH          | TT           | TT            |
| BWPZAR | 1.318464     | 1.324992      | 1.3438719    | 1.421606      |
| BWPUSD | 0.069888     | 0.093496      | 0.0712348    | 0.075499      |
| GBPBWP | 17.994392    | 18.07         | 17.60509025  | 17.0275       |
| BWPEUR | 0.069784     | 0.070096      | 0.06592575   | 0.068748      |
| JPYBWP | 11.4608      | 11.5024       | 10.82715     | 11.25355      |
| USDZAR | 18.110976    | 19.635824     | 18.535452    | 19.2110105    |
| EURUSD | 1.04112      | 1.128296      | 1.06552125   | 1.10388575    |
| GBPUSD | 1.214208     | 1.315496      | 1.242666     | 1.28703575    |

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### Forward Foreign Exchange

|     | BWPUSD    |
|-----|-----------|
| 1m  | -1.95     |
| 3m  | -4.875    |
| 6m  | -8.775    |
| 12m | -8.740875 |

### Local Fixed income

| Yield curve | Close | Change |
|-------------|-------|--------|
| 6m          | 4.056 | -0.008 |
| 3y          | 6.00  | 0.00   |
| 20y         | 8.25  | -0.05  |

### International Fixed Income

|                       | Close  | Change |
|-----------------------|--------|--------|
| SA 10y                | 10.465 | 0.04   |
| US 10y                | 4.253  | 0.035  |
| German 10y            | 2.374  | 0.053  |
| SA vs Bots 20y spread | 455.5  | -1     |



## DOMESTIC AND REGIONAL NEWS

### Trade finance boost announced for Africa

As part of an effort to boost trade finance, farming, and food security in the region, Development lender British International Investment announced on Monday it had agreed a \$100mn finance facility with the Eastern and Southern African Trade and Development Bank (TDB). The finance facility will help trade, including importing and exporting goods, on a continent where many debt-burdened African economies face currency depreciation, rising debt, and inflation compounded by issues such as climate change. The British lender noted that by providing the financing to TDB, local companies would be able to buy essential materials such as fertilisers and machinery, helping boost output and cross-border trade, food security, job creation, and economic resilience. Meanwhile, TDB Group President and Managing Director Admassu Tadesse said the financing facility with TDB is the fourth of its kind to be struck with the lender and would help the bank address supply chain disruptions and forex shortages. Tadesse added that it would help the group play an important role, "often working counter-cyclically to contribute to the security of supply of essential commodities in high-priority sectors such as agriculture and healthcare".

Meanwhile, Zambezi River Authority (ZRA) CEO Munyaradzi Munodawafa said that Zambia and Zimbabwe were retendering a \$5bn project to build a hydropower plant they previously awarded to General Electric Co. and Power Construction Corp. of China, and expect to select new bidders by September next year. Munodawafa added that the ZRA - a joint venture between the countries that maintains the Kariba Dam complex — expects to receive bids from potential developers by April 2025 and select bidders five months after that. Work on the 2,400-megawatt Batoka Gorge project was initially scheduled to begin in 2020, but it encountered several delays, including the onset of the coronavirus pandemic and difficulties in securing funding. In June, Zambian Energy Minister Peter Kapala said the nation would exit the 2019 contract with GE and Power China because proper procurement methods weren't followed when the deal was struck.

## GLOBAL NEWS

### Japan remains concerned over currency weakness

Masato Kanda, Japan's vice finance minister for international affairs, expressed concern about the recent weakening of the yen against the dollar, which he attributed to speculation rather than underlying economic fundamentals. Kanda warned against speculators attempting to sell off the yen and stated that he was closely monitoring currency movements. Despite the yen nearing a 32-year low against the dollar, Kanda indicated that the government had not intervened in the foreign exchange market. He acknowledged both positive and negative impacts of a weak yen, such as increased costs of living but also benefits to inbound tourism and stock market performance. Kanda did not specify a particular exchange rate level for intervention, and Japan's last intervention in the currency market occurred in October 2022.

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

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# Chart Pack

