

Daily Market Update



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Financial Markets

Pulling back the lens a bit, the dollar index, which measures the strength of the US dollar against a basket of six currencies, has risen approximately 2.4% for the year due to better-than-expected US economic data. However, its recent rally has paused as investors await clarity on Federal Reserve policy which we should have at the next Fed meeting on interest rates which takes place on the 20th March 2024. Investors will also be keeping a close eye on Fed Chair Powell's testimony to Congress later today.

The recent gold price surge has offered the ZAR some relief. As anticipated, the USD-ZAR broke back below the 19.0000 handle yesterday, and technicals suggest that the move could extend further. What ZAR recovery is eked out, will likely be limited as SA approaches elections, and the economic data released reflects an underperforming economy whose fiscal risks continue to grow.

Intraday, direction for the markets likely depend on what Fed Chairman Powell says in his highly-anticipated Congressional testimony today and tomorrow, although it is expected that he will stick to cautious guidance, as has been the case in recent months.

The recovery for the ZAR saw the BWP-ZAR test the 1,3750 level yesterday in the interbank market. The cross is currently marking time around 1,3775.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.322592	1.334112	1.34807945	1.431391
BWPUSD	0.069792	0.093496	0.07113695	0.075396
GBPGBP	18.023408	18.179304	17.6334785	17.130498
BWPEUR	0.06968	0.0702	0.0658275	0.06885
JPYBWP	11.3256	11.4296	10.699425	11.182325
USDZAR	18.192	19.717672	18.618375	19.29108775
EURUSD	1.041984	1.129232	1.0664055	1.1048015
GBPUSD	1.219488	1.321632	1.24806975	1.293039

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Forward Foreign Exchange

	BWPUSD
1m	-1.8915
3m	-5.25525
6m	-8.60925
12m	-8.5215

Local Fixed income

Yield curve	Close	Change
6m	4	-0.001
3y	6.00	0.42
20y	8.3	0.01

International Fixed Income

	Close	Change
SA 10y	10.1	-0.03
US 10y	4.137	-0.082
German 10y	2.32	-0.077
SA vs Bots 20y spread	412	0



DOMESTIC AND REGIONAL NEWS

African PMIs show mixed results for Feb

The S&P Global Purchasing Managers Index (PMIs) reflects the sentiment in the manufacturing sector with the neutral 50 level distinguishing between expansionary and contractionary conditions. Within Africa specifically, the PMI outcomes for February were a mixed bag. Positively, the PMIs of Kenya (up to 51.3 from 49.8), Ghana (up to 50.2 from 48.4) and South Africa (up to 50.8 from 49.2) moving into expansionary territory.

The improvement in manufacturing sentiment in Kenya was driven by an increase in new order volumes as inflationary pressures subsided. Furthermore, declining fuel prices reduced input cost inflation to a 26-month low. However, expected business conditions fell to a new low which suggests there is scepticism over whether the improvement in business activity can be sustained. Furthermore, the sustainability of the rise in the SA PMI is questionable given the myriad of crises facing that economy. While the PMI of Uganda remained in expansionary territory, it declined significantly, to 51.7 in February from 54.0 in the new year as demand showed signs of slowing. Finally, countries which saw sentiment deteriorating further into contractionary territory included Egypt (down to 47.1 from 48.1) and Zambia (down to 47.3, its lowest level since March 2023 from 49.2 in January). Risks to the outlook for PMIs in Africa include slowing global growth which will weigh on the demand for manufactured exports from these countries

GLOBAL NEWS

Fed Chair Powell to begin two-day testimony today

Federal Reserve Chairman Jerome Powell is set to testify before Congress on Wednesday and Thursday, where markets hope to gain insight into the central bank's monetary policy plans for the year. Over recent months, there has been a shift in market expectations regarding the pace and timing of interest rate cuts by the Fed, from expecting aggressive cuts to a more cautious approach. Powell faces the challenge of providing clarity without causing instability in financial markets. Market participants are particularly interested in any hints regarding the timing and extent of potential rate cuts. The Fed's stance on inflation will also be closely scrutinized, as recent comments indicate satisfaction with price trends but concerns about lingering risks. Currently, markets anticipate rate cuts starting in June, with the possibility of four quarter-point cuts throughout the year. However, the Fed has refrained from providing a clear timetable for such actions.

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

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Chart Pack

