

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The ZAR recovered around 1% against the USD last week, moving back into its previous trading range that was capped at R19.2000/\$. The previous week's break out of this range was significant, however, as it raised the ceiling of the USD-ZAR's technical trading range to 19.4000. It also reflected just how weak investor sentiment towards the country is given persistent economic, political, and fiscal risks. Looking ahead, the market will likely find most of its directional inspiration from external data and events, with local releases, by and large, backward-looking and somewhat dated.

As a result of the ZAR's recovery, the BWP-ZAR cross is trading back around 1,3820 in the interbank markets. The cross is sticking to within the range seen since Q3 2023 and will likely continue to do so over the near term.

Globally, the USD Index struggled into the close of the week as the ISM Manufacturing data coupled with the Michigan Consumer confidence data disappointed sending US Treasury yields lower. The index closed the week at 103.88 and has traded at 103.84 this morning in Asia ahead of the local open.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.334112	1.345728	1.35982145	1.443854
BWPUSD	0.069792	0.093496	0.07113695	0.075808
GBPBWP	17.966624	18.11628	17.577923	17.07111
BWPEUR	0.06968	0.070304	0.0658275	0.068952
JPYBWP	11.3672	11.4608	10.738725	11.21285
USDZAR	18.350688	19.889376	18.78078225	19.459077
EURUSD	1.040928	1.127776	1.06532475	1.103377
GBPUSD	1.215648	1.317056	1.24413975	1.288562

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Forward Foreign Exchange

	BWPUSD
1m	-1.82325
3m	-5.21625
6m	-8.385
12m	-8.08275

Local Fixed income

Yield curve	Close	Change
6m	4.008	-0.004
3y	5.58	0.58
20y	8.29	-0.01

International Fixed Income

	Close	Change
SA 10y	10.13	-0.06
US 10y	4.252	-0.022
German 10y	2.404	-0.057
SA vs Bots 20y spread	410	0.5



DOMESTIC AND REGIONAL NEWS

Key South Africa data in focus this week

In its *Creating Markets in Zimbabwe* report released on Friday, the World Bank said that Zimbabwe requires the liberalisation of the foreign exchange market, adoption of foreign-exchange surrender requirements, and reform of the Reserve Bank of Zimbabwe quasi-fiscal operators to establish macroeconomic equilibrium. The Washington-based lender noted that Zimbabwe has limited access to external financing and is contending with low tax collection, a rapid depreciation exchange rate, and high inflation, adding that without the measures highlighted above, efforts to tighten monetary and fiscal policy will not be effective).

For South Africa, the focus will turn to the reserves and the latest Q4 GDP and current account figures. The former won't have changed much at all and will largely be ignored. In recent years, reserves data hasn't moved markets much, and the same will apply this time. Any changes to reserves resulting from the use of GFECRA will not be reflected in the data for at least another few months. More important will be the latest Q4 GDP and current account data and the insight into the balance of forces evident in the balance of payments. The current account has narrowed, but it will be interesting to note what the disruptions at the ports and logistical bottlenecks related to Transnet will have. The GDP data will likely make for difficult reading, although a soft base may see the data turn positive q/q.

GLOBAL NEWS

US debt surpasses \$34trn

The U.S. debt load has been increasing rapidly in recent months, with around \$1 trillion added approximately every 100 days. On January 4th, the national debt surpassed \$34 trillion, marking a significant milestone. This acceleration in debt accumulation is evident, with \$33 trillion reached on September 15, 2023, and \$32 trillion on June 15, 2023. Previously, the \$1 trillion increase from \$31 trillion took about eight months. The U.S. debt, which represents the money borrowed by the federal government for operational expenses, currently stands at nearly \$34.4 trillion. This pattern of \$1 trillion increases every 100 days is likely to continue, with the debt expected to reach \$35 trillion. Concerns about "debt debasement" are growing, reflected in high trades for assets like gold and bitcoin, with gold reaching around \$2,084 an ounce and bitcoin around \$61,443. Cryptocurrency has seen significant inflows into funds, with an annualised inflow of \$44.7 billion so far in the year.

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

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Chart Pack

