

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar remained on the front foot into the close last week with the USD index breaching 106.00. Investors now turn their focus to rising tensions in the Middle East following Iranian's retaliation to Israel over the weekend and the impact this has on risk on/off dynamics.

Surprisingly, the weekend's events have not had a massive impact on Asian trade. Although the USD-ZAR traded above 18.9000 this morning, that move was not sustained. Furthermore, it is notable that the pair traded even higher on Friday in response to the surge in the USD index. For now, this weekend's developments have not been material to the USD-ZAR, which is trading almost 10 cents off this morning's highs. That does not mean that developments in the Middle East are not important. Only that they have not morphed into something more serious because Israel has been put under pressure not to respond.

Locally, the BWP-ZAR cross is trading near 1,3650 in the interbank markets this morning, still off the lows of near 1,335 reached last week. The cross is entering more of a consolidatory trend now, but given the levels the USD-ZAR is trading at, we should see the bias turn bearish once again when global risk-off conditions ease.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.310592	1.31472	1.3358482	1.410585
BWPUSD	0.069696	0.093496	0.0710391	0.074984
GBPBWP	17.79856	17.857632	17.413495	16.827384
BWPEUR	0.070824	0.071032	0.06690825	0.069666
JPYBWP	11.6168	11.648	10.974525	11.396
USDZAR	18.05184	19.563648	18.47493	19.140396
EURUSD	1.022688	1.108328	1.04665725	1.08434975
GBPUSD	1.196064	1.296464	1.22409675	1.2684155

Contact Information

	Details
Phillip Masalila	masalilap@accessbankplc.com 2673674621
Kefentse Kebaetse	kebaetsek@accessbankplc.com 2673674370
Shewauya Charumbira	Shewauya.Charumbira@accessbankplc.com 2673674685
Batanani Pearl David	davidbat@accessbankplc.com 2673674382
Ntebang Magashula	magashulan@accessbankplc.com 2673674356
Keategile Segwabe	segwabek@accessbankplc.com 2673674622

Forward Foreign Exchange

	BWPUSD
1m	-0.950625
3m	-2.87625
6m	-6.001125
12m	-9.540375

Local Fixed income

Yield curve	Close	Change
6m	3.138	-0.002
3y	5.53	0.00
20y	8.25	0

International Fixed Income

	Close	Change
SA 10y	10.745	0.055
US 10y	4.499	-0.077
German 10y	2.359	-0.118
SA vs Bots 20y spread	478.5	15.5



DOMESTIC AND REGIONAL NEWS

Regional CPI data in focus this week

Inflation data takes centre stage at the start of the week, with Botswana and Nigeria set to release their March CPI prints. In Nigeria, the data is likely to reflect that inflation increased at a slower pace, helped by an appreciating currency in March. The stronger naira in March will likely temper the impact from higher energy costs and security challenges in food-growing areas.

Botswana's inflation rate was unchanged at 3.9% in February and within the central bank's target range. While a firmer pula in March could help to ease price pressures, upside risks in the coming months include pressure on food prices from the El Nino drought in the Southern African region.

Meanwhile, US senators have introduced a bill to extend the Africa trade pact AGOA, which allows 40 sub-Saharan African nations duty-free access to the US until 2041. The extension comes as the current iteration of AGOA is due to expire next year. According to a statement from the Senate Foreign Relations Committee, the extension will offer businesses the certainty needed to increase investment in sub-Saharan Africa at a time when many firms are looking to diversify their supply chains away from China. Moreover, the bill will update how the US evaluates and enforces nations' eligibility to benefit from AGOA. In summary, the committee said the new legislation would reduce the frequency from annual reviews of all sub-Saharan African nations' eligibility to every two years – freeing resources to focus on the act's implementation and enforcing its rules. Furthermore, it will modify AGOA's rules of origin to allow inputs from North African nations that are members of the African Continental Free Trade Area (ACFTA) and ensure that if a country is classified as high-income based on World Bank measures of GDP per capita, they would only lose access to the pact if they maintain high-income status for five years.

GLOBAL NEWS

Geopolitical tensions flare as Iran attacks Israel

Over the weekend, Iran launched an attack against Israel. . . Iran was well aware of Israel's ability to protect itself against the attack but did so as a show of force to give Israel something to think about when attacking regional targets. The ante has risen, and while Iran has declared that its attack is over, had it not been for Israel's defences, there would have been mass casualties from this weekend's attack. One should, therefore, not dismiss it as a minor development. That it ended as quickly as it started and was ultimately benign is something the world can be grateful for. It has, however, raised temperatures to boiling point and highlighted how one misstep in this highly charged climate could set off a regional war, with vast consequences for the global economy

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

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Chart Pack

