

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar is responding to threats of a full-on conflict in the Middle East this morning with a safe-haven bid noted following unconfirmed reports of an Israeli airstrike on a site in Iran. The yen has equally seen safe haven buying this morning which has taken the currency pair below USD/JPY154.00. FX markets are nervous as we head into the EU open.

The rand has sold off aggressively since Thursday's open, with the USD-ZAR testing 19.4000 for the first time since February. This can partly be attributed to a terror warning issued by the UK embassy to SA, while news that Israel launched a retaliatory attack on Iran is also not helping. Notably, the pair bounced off 19.4000 overnight and is trading closer to 19.2500 this morning, but the ZAR remains weak and vulnerable to more losses as war-related uncertainty persists. The local unit looks set to record an eighth consecutive session of depreciation, speaking to the lack of risk appetite in global markets at the moment.

The BWP-ZAR, meanwhile, has risen to 1,3930 this morning in the interbank markets, largely as a result of ZAR weakness amid the global risk-off sentiment. The cross neared 1,4000 in early trade but has pared some of the gains as the market makes sense of the developments in the Middle East.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.337088	1.341504	1.3628548	1.439322
BWPUSD	0.069504	0.093496	0.0708434	0.074778
GBP/BWP	17.777448	17.836624	17.39283975	16.807588
BWPEUR	0.070824	0.071032	0.06690825	0.069666
JPY/BWP	11.6168	11.6584	10.974525	11.406175
USDZAR	18.468192	20.017504	18.90104025	19.584433
EURUSD	1.020288	1.105728	1.044201	1.081806
GBPUSD	1.19136	1.291368	1.2192825	1.26342975

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Forward Foreign Exchange

	BWPUSD
1m	-0.94575
3m	-2.847
6m	-5.9475
12m	-8.877375

Local Fixed income

Yield curve	Close	Change
6m	3.128	-0.002
3y	5.53	0.00
20y	8.25	0

International Fixed Income

	Close	Change
SA 10y	10.68	-0.025
US 10y	4.647	0.062
German 10y	2.493	0.022
SA vs Bots 20y spread	466	-8



DOMESTIC AND REGIONAL NEWS

Botswana coal output declined in 2023 amid lower prices, logistical challenges

According to Africa Risk Capacity, the drought driven by the El Nino weather pattern is likely to trigger insurance payouts to four southern African countries that took out cover with an agency of the African Union. Current projections indicate that Malawi, Mozambique, Zambia, and Zimbabwe will receive payments at the end of the harvesting season. El Nino, which brings dry and hot weather to southern Africa has decimated corn harvests across the region. Zimbabwe is expected to harvest about 60% less of the regional staple this year than it did in 2023 and, together with Malawi and Zambia, has declared a national state of disaster. However, the payments are unlikely to meet regional needs as disbursements to Malawi, Zimbabwe, and Zambia in 2022 totalled \$20.9mn.

Meanwhile, Botswana's coal output reached 2.46 million tonnes in 2022, the second-highest production in a decade. However, Bank of Botswana data showed that output dropped last year as mines were impacted by lower prices and logistical challenges. Coal prices have eased as the energy crisis has dissipated, while logistical challenges, particularly around Transnet in South Africa, have had a significant impact on seaborne exports to offshore markets. These issues have forced local miners, such as Morupule Coal Mine and Minergy Limited to focus on the South African inland market, where competition is tight.

GLOBAL NEWS

Middle East conflict heightens on Israeli attack on Iran

Tensions are soaring in the Middle East. Israel launched a retaliatory attack on Iran following last week's drone and missile barrage, but Iranian media appear to be downplaying the incident. Israel's attack has dented market risk appetite amid concerns that the risk of an escalation into a broader Middle Eastern war is on the rise. Early indications are that this was again a symbolic attack that won't force Iran to respond aggressively, meaning that tit-for-tat responses between the two sides might begin to scale down.

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

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Chart Pack

