

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar remains underpinned at the start of the week. The USD Index is anchored above the 106.00 mark with rising US Treasury yields supporting the greenback. June remains the month that we expect the first rate cut from the ECB but there has been a paring of the magnitude of rate cuts pencilled in for 2024. ECBWatch is pricing 71 bps of cuts for 2024 versus 83 bps a week earlier and this is supporting the single currency in what has been a rather uneventful open to the week. The Euro is currently marking time around the EUR-USD1.0660 level as the EU open beckons.

The USD-ZAR tested 19.4000 for the first time since February on Friday, but rejected these higher levels to close the week closer to 19.1000. The market thus remains comfortably within its broader trading range, but is a passenger to external developments and USD moves at the moment. The rejection of higher levels on Friday suggests that the market is more comfortable trading closer to the 19-handle for now, with plenty of idiosyncratic risk and a high-for-longer rates outlook in the US already priced in to a large degree.

The BWP-ZAR is off the highs seen of late. The pair pulled back from levels north of 1.40 on Friday and is currently quoted at 1.3650 as we head into the local open. The de-escalation of tensions in the Middle East has perked risk appetite

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.32192	1.32672	1.3473945	1.42346
BWPUSD	0.069216	0.093496	0.07054985	0.074469
GBPGBP	17.803656	17.861792	17.41848075	16.831304
BWPEUR	0.070304	0.070512	0.066417	0.069156
JPYBWP	11.596	11.6272	10.954875	11.37565
USDZAR	18.334272	19.879808	18.7639815	19.449716
EURUSD	1.023264	1.108952	1.04724675	1.08496025
GBPUSD	1.188192	1.287832	1.21604025	1.25997025

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.94575	#VALUE!
3m	-2.847	#VALUE!
6m	-5.952375	#VALUE!
12m	-8.887125	#VALUE!

Local Fixed income

Yield curve	Close	Change
6m	3.124	-0.004
3y	5.53	0.00
20y	8.27	0.02

International Fixed Income

	Close	Change
SA 10y	10.775	0.095
US 10y	4.615	-0.032
German 10y	2.505	0.012
SA vs Bots 20y spread	470.5	4.5



DOMESTIC AND REGIONAL NEWS

Botswana expresses doubts over backlash to Russian sanctions on diamonds

Weak demand and oversupply have led to a decline in rough and polished diamond prices in recent years. While sanctions on Russian diamonds, effective since March, may provide temporary relief, doubts arise regarding their effectiveness and potential backlash. Although Russia and Botswana are the top global diamond producers, the ban may not solely benefit Botswana due to complications. The World Federation of Diamond Bourses warns of significant harm to the diamond market, with Botswana opposing the new export requirements. The regulations mandate self-declaration of diamond origins and routing all 1-carat or larger rough diamonds through Antwerp, Belgium, when entering the EU.

However, doubts persist regarding enforceability, with concerns raised about discrimination against New York traders and African miners. Antwerp traders also cite delays and increased costs due to the ban. Analogous to refined Russian oil reaching Germany via India, a similar process may unfold in the diamond trade. Meanwhile, markets in Asia, Africa, and Latin America could remain open to Russian gems, potentially leading to Western traders paying higher prices for uncut diamonds while cutters in India and traders in Dubai profit from importing discounted Russian stones.

GLOBAL NEWS

China leaves rates on hold

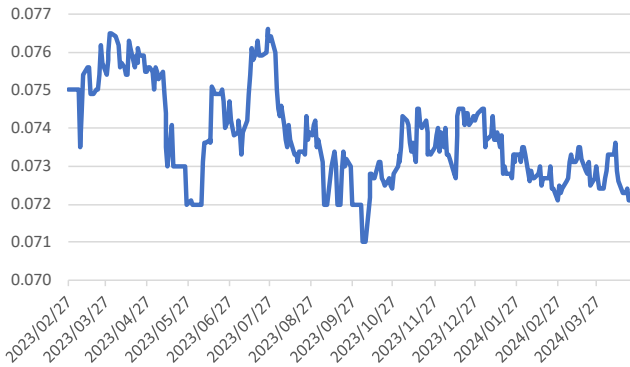
China maintained its benchmark lending rates at a monthly fixing, aligning with expectations amidst encouraging first-quarter economic data. With GDP growth surpassing the annual target, policymakers may keep the policy stance unchanged at the upcoming Politburo meeting. The one-year and five-year loan prime rates remained steady at 3.45% and 3.95%, respectively. Despite a surge in new yuan loans in March, uncertainties such as a weakening yuan and declining net interest margins constrain easing efforts. The medium-term lending facility rate, serving as a guide to lending benchmarks, was left unchanged, reflecting the cautious approach to monetary policy adjustments..

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

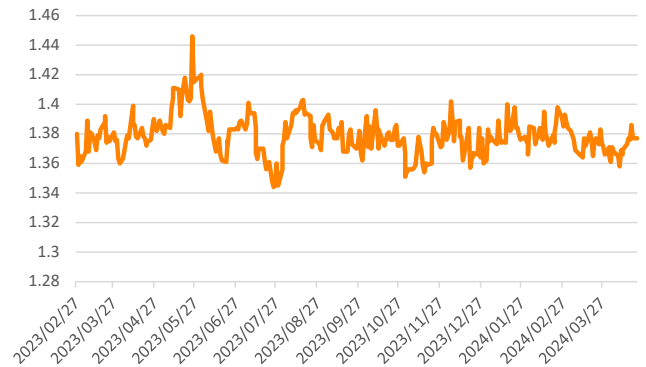
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Chart Pack

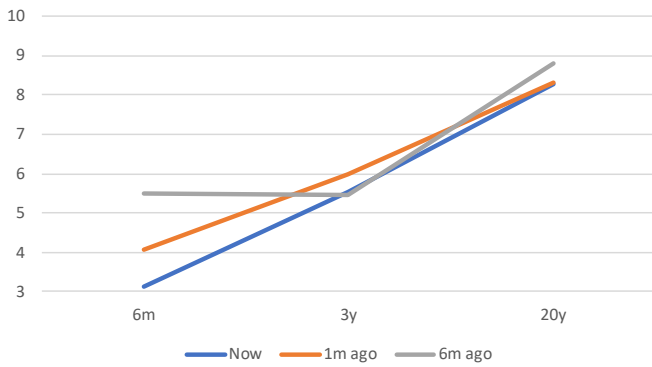
Spot BWP



BWP-ZAR



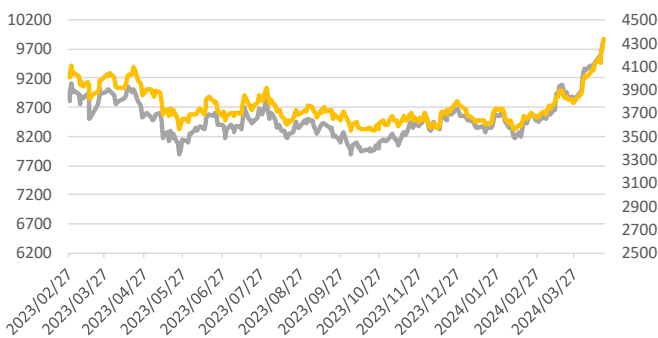
Botswana Yield Curve



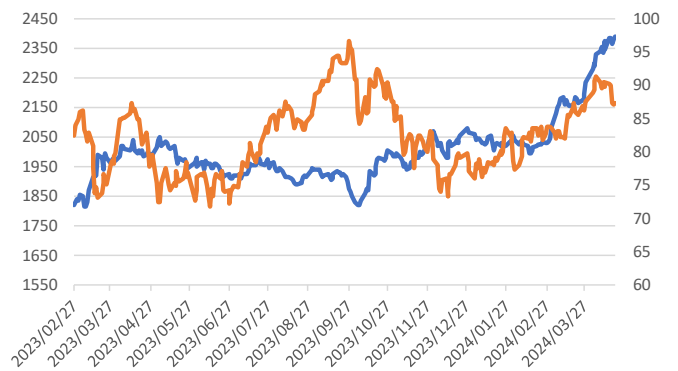
USD Index



Base metals - Copper L_Hand axis LME Index R_Hand axis

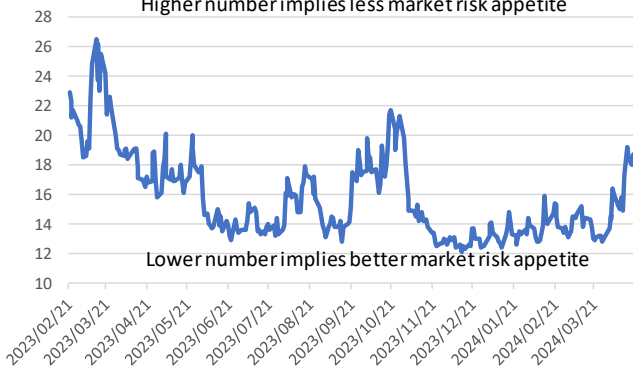


Oil R_Hand Axis - Gold L_Hand Axis



VIX Index - Risk appetite measure

Higher number implies less market risk appetite



Lower number implies better market risk appetite

Local stockmarket performance

