

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The U.S. dollar index could not hold above the 105.00 mark as investors lacked the conviction to add to dollar longs. Technically the market is overbought in the short term and a correction may be required to rebalance, especially after the Easter holidays.

Despite weaker-than-expected manufacturing PMI and vehicle sales prints yesterday, the ZAR outperformed its EM peers at the start of the new week. It advanced more than 1% against a slightly softer USD, recording its best close since mid-March (R18.7600/\$). This was due to rising expectations for the SARB to keep monetary policy tight for longer, as well as news of fiscal progress in the form of better-than-anticipated tax collections in SA.

In the rates markets, two Federal Reserve policymakers, Cleveland Fed Bank President Mester and San Francisco Fed Bank President Daly, both indicated on Tuesday that they believe it would be "reasonable" to cut U.S. interest rates three times this year, despite recent stronger economic data causing uncertainty among investors. Daly highlighted that the economy and policy are in a good position, with inflation decreasing slowly, a strong labour market, and robust growth, suggesting no urgency to adjust interest rates. While projections from the Fed's March meeting suggested that the typical policymaker expected three quarter-point interest rate cuts this year, nearly half of officials see two or fewer cuts. Daly, considered dovish, sees three cuts as a reasonable baseline but acknowledges the risk of cutting rates too soon and fuelling higher inflation. Mester, typically more hawkish, also considers three rate cuts reasonable but sees it as a close call.

## Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.315104	1.320768	1.34044715	1.417074
BWPUUSD	0.069984	0.093496	0.07133265	0.075396
GBPBWP	17.864704	17.943952	17.478208	16.908724
BWPEUR	0.070408	0.070616	0.06651525	0.069258
JPYBWP	11.492	11.544	10.856625	11.29425
USDZAR	18.040416	19.547008	18.46323825	19.124116
EURUSD	1.034304	1.1206	1.0585455	1.09635625
GBPUSD	1.207104	1.308112	1.2353955	1.2798115

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## Forward Foreign Exchange

	BWPUUSD
1m	-1.95
3m	-4.875
6m	-8.775
12m	-8.740875

## Local Fixed income

Yield curve	Close	Change
6m	4.031	-0.001
3y	6.00	0.42
20y	8.3	0.01

## International Fixed Income

	Close	Change
SA 10y	10.605	-0.025
US 10y	4.3592	-0.0058
German 10y	2.403	-0.008
SA vs Bots 20y spread	454	-4



## DOMESTIC AND REGIONAL NEWS

### SARS surprises with tax collections

The South African Revenue Service reported that tax collection in South Africa beat estimates by about R10bn during the fiscal year through March 31. Consequently, SA's budget deficit as a percentage of GDP for the past fiscal year should be better than National Treasury's February projection of 4.9%. For investors, this is welcome news, given how much fiscal risk is being priced into SA assets. It tentatively points to some progress in fiscal consolidation efforts, even though inefficient state expenditure remains too high and economic growth too weak at this time for SA not to be considered fiscally vulnerable.

Meanwhile, PMI data yesterday showed that price pressures in SA are likely to remain. The data rose substantially to highlight the effects of administrative price increases, the weakness in the ZAR, the cost of load shedding and the general rise in fuel and energy prices. That will keep bonds on the defensive, ensuring that any ZAR appreciation is constrained.

## GLOBAL NEWS

### US and Eurozone data in focus today

There are two key data releases on tap globally today, the latest Eurozone CPI print and the US ADP employment figures. The Eurozone's CPI estimate for March will provide an update on consumer price pressures in the bloc. According to Bloomberg's survey, the market expects CPI growth to ease to 2.5% y/y in March from 2.6% the previous month. The bloc's headline inflation matched market expectations and remained steady at 2.6% y/y in February. February's consumer prices in the Euro Area were the lowest in three months; however, the rate still exceeds the European Central Bank's (ECB) target of 2%. Energy prices declined, while the pace of price rises moderated for food, alcohol and tobacco, and non-energy industrial goods.

United States: The latest ADP employment reading will be released this week and will provide insight into the labour dynamics of the US economy. According to Bloomberg's market consensus, the reading is expected to rise to 150k in March from 140k in February. US companies increased hiring in February at a moderate pace, indicating a resilient demand for workers across industries. The private payrolls increase to 140k in February from a 111k gain in January. According to the chief economist at ADP, Nela Richardson, the job gains remained solid. Looking at the overall trend, the employment change has remained relatively stable since August 2023, falling from a peak of 543k private payrolls in June 2023. The US job growth accelerated in February, but unemployment increased to a two-year high of 3.9%...

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

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## Chart Pack

