

Daily Market Update



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Financial Markets

The ZAR's strong start to the week continued on Wednesday. It appreciated to levels last seen in mid-March against the USD, while consolidating at January highs against the EUR and GBP. It is enjoying a tailwind from surging gold prices, which reached a fresh all-time high of \$2295/ounce yesterday. This has helped the ZAR capitalise on a weakening USD, with the DXY (trade-weighted dollar index) giving up nearly all of last week's gains as it slid towards the 104.00 mark yesterday.

The higher gold price will support South Africa's terms of trade. If sustained, it will have a material, positive impact on the country's trade balance, explaining the ZAR's positive reaction in recent sessions.

As for the softer USD, its impact on the ZAR is self-explanatory. It reflects a rise in expectations that the Fed's interest-rate premium over other major central banks will fade in the coming quarters once it begins to cut rates. While the US labour market remains somewhat resilient, this is, by and large, already priced in. Recent signs of emerging weakness in the US economy's services sector are thus attracting more market attention, fanning speculation that the US economy might not be on as strong a footing as previously thought and that the Fed may need to cut rates sooner than it is signalling.

Locally, the BWP-ZAR neared 1,3555 yesterday as the ZAR continued its recovery. The cross managed to recover to some degree from those lows but is still trading near 1,3670 this morning ahead of the open in the interbank markets. With the SARB looking to remain conservative, the rates differential will remain supportive of the ZAR over the BWP.

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Forward Foreign Exchange

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

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.30512	1.31088	1.33027075	1.406465
BWPUSD	0.069984	0.093496	0.07133265	0.075705
GBP BWP	17.975568	18.056584	17.5866735	17.014858
BWPEUR	0.069888	0.0702	0.066024	0.06885
JPY BWP	11.492	11.544	10.856625	11.29425
USDZAR	17.902272	19.401096	18.3218565	18.98136075
EURUSD	1.041024	1.12788	1.065423	1.10347875
GBPUSD	1.214592	1.316328	1.243059	1.28784975

Local Fixed income

Yield curve	Close	Change
6m	3.028	0.001
3y	5.80	0.00
20y	8.25	0

International Fixed Income

	Close	Change
SA 10y	10.525	-0.01
US 10y	4.3653	0.0103
German 10y	2.382	-0.018
SA vs Bots 20y spread	450	-1



DOMESTIC AND REGIONAL NEWS

Zim declares state of disaster on drought concerns

Citing the adverse weather conditions caused by the El Nino weather phenomenon, which curbed farm output, President Emmerson Mnangagwa declared a nationwide State of Disaster in Zimbabwe. The announcement follows similar declarations last month by neighbours Malawi and Zambia, where scarce rains cut production of staple corn and other grains. In a statement, President Mnangagwa emphasised the urgent need for measures and interventions to address the dire situation brought about by climate change. Declaring a state of disaster enables the government to mobilise resources and implement emergency measures to mitigate the impact of the drought on the population. The Ministry of Agriculture disclosed that Zimbabwe lost 12% of planted farmland corn after more than 80% of the country received below-normal rainfall. Zimbabwe, which consumes 2.2 million tons of grain a year, will have to import to supplement the deficit, and it needs \$2 billion to mitigate the impact of the drought, according to President Mnangagwa. .

GLOBAL NEWS

Fed's Powell still sees rate cuts this year

Fed Chair Powell was on the wires overnight, speaking at Stanford University's Business, Government and Society Forum. The main takeaway from Powell's speech was that the Fed still believes it has time to assess incoming data before deciding on when to cut interest rates. However, Powell was quoted as saying that rate cuts will come "at some point this year." He also reiterated that recent higher-than-expected inflation readings did not change the overall picture of generally cooling price growth. The overall message, therefore, is that an imminent rate cut is unlikely, but there are growing concerns among Fed members regarding moving too late. The financial market reaction to the speech was fairly muted, with UST yields remaining lower on the session, primarily driven by the miss for the ISM Services PMI figures earlier in the day. While the headline PMI dipped to 51.4 from 52.6, the prices paid component, a key focal of the markets at the moment, slumped to 53.4 from 58.6, its lowest level in four years.

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

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Chart Pack

