

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The USD-ZAR bounced off support just beneath the 18.6000 mark yesterday, with the market rejecting lower prices to suggest that the ZAR's recent rally might be over. Of course, this is contingent on what the US labour market data show today, as a shock print could add additional impetus to the market. Pulling the lens back slightly, the USD-ZAR is trading somewhat closer to the floor of its broader trading range after the local unit's recent recovery, meaning the market is looking increasingly ripe for re-entry on long USD-ZAR trades. Therefore, should the USD-ZAR come under pressure on the back of today's labour-market data, it would offer a good opportunity to buy the dips in anticipation of a reversion back towards 19.0000

In the metals markets, spot gold is marginally lower this morning, after reaching a record high of \$2,305.04 on Thursday. It's on track for a third consecutive weekly gain, up 2.3% so far this week. Short-term drivers of the gold market remain the timing of a rate cut by the Fed and geopolitical tensions globally. For now, investor attention is focused on U.S. March non-farm payrolls data, which could provide further insight into the timing of the Fed's first rate cut.

Base Metals: Three-month copper on the London Metal Exchange (LME) rose 1% to \$9,359 per metric ton, hitting its highest level since January 2023 with fund buying a major contributor to the rise. Commodity trading advisors (CTAs) were particularly active. The contango for cash copper over the benchmark three-month contract on the LME reached a record high of \$116.94 indicating the premium buyers are prepared to pay for immediate delivery of the red metal. Similar buying activity was seen in aluminium, with daily trading volumes reaching their highest since October 2021.

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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	1.314816	1.31952	1.3401536	1.415735
BWPUSD	0.070368	0.093496	0.07172405	0.075705
GBPBWP	17.84692	17.901312	17.46080875	16.868544
BWPEUR	0.070408	0.070616	0.06651525	0.069258
JPYBWP	11.5336	11.5648	10.895925	11.3146
USDZAR	17.937888	19.448312	18.35830725	19.02755525
EURUSD	1.039296	1.126008	1.0636545	1.10164725
GBPUSD	1.210848	1.312168	1.23922725	1.28377975

## Local Fixed income

Yield curve	Close	Change
6m	3.151	0.124
3y	5.53	-0.27
20y	8.25	0

## International Fixed Income

	Close	Change
SA 10y	10.43	-0.005
US 10y	4.3175	0.0085
German 10y	2.342	-0.016
SA vs Bots 20y spread	440.5	-0.5



## DOMESTIC AND REGIONAL NEWS

### African PMIs remain in contractionary territory

PMI data is released at the start of the month, indicating sentiment in the manufacturing sectors. Broadly, the PMIs of African countries came under pressure in the month, with many declining into contractionary territory. After a temporary improvement into expansionary territory (i.e. a level above the 50 neutral level), the PMIs of Kenya (down to 47.9 pts from 51.3 pts) and South Africa (48.4 pts from 50.8 pts) fell into contractionary territory in March once again. The PMI of Uganda declined sharply from a recent high of 54.8 pts in December 2023 to 49.3 pts in March, the lowest recorded since July 2022.

A common theme across these African countries is ongoing price pressures in the respective manufacturing sectors, partly due to currency weakness. In Nigeria, the prices component rose to a record high in March due in part to higher transportation costs. Similarly, in Ghana's case, purchase costs rose dramatically, driven by higher fuel prices to their steepest level since 2022. Fortunately, there was some softening of price pressures in Egypt to a three-month low on the back of the 600 basis points emergency rate increase by the Egyptian central bank in early March, although the recent devaluation of the pound suggests that more price pressures lie ahead. Egypt has also been hard hit by plummeting activity in the Suez Canal due to Red Sea attacks, leading to a decline in US dollar inflows. Meanwhile, input costs in Kenya rose at the slowest pace since February 2021 due to a stronger shilling, reducing import costs and lower fuel prices.

## GLOBAL NEWS

### Fed's Powell still sees rate cuts this year

The US Fed closely monitors the change in nonfarm payrolls, offering crucial insight into the labour market's dynamics and driving prospective monetary policy changes. In February, job growth rebounded, with employers adding 275k jobs, trouncing the consensus estimate of 200k and a downwardly revised 229k in January. However, the two-month net revisions stood at -167k, and the unemployment rate increased, highlighting that the labour market is starting to loosen. Forecasts of economists surveyed by Bloomberg are for the nonfarm payrolls figure to have declined in March to 216k. While this is still elevated, it would support the view that there cracks appearing in the labour market.

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

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## Chart Pack

