

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

Hot inflation numbers drove the USD higher across the board yesterday. The USD Index hit an intra-day high of 105.100 after starting the day at 104.090. Market reaction to the Fed minutes later in the session was measured, as the Fed confirmed that they had yet to believe that the inflation pressures were suitably contained so that tight monetary conditions could be trimmed. The euro broke below the EUR/USD1.0750 mark in yesterday's New York morning session but found a base around EUR/USD1.0730 and rebounded off this level as bargain hunters entered the market. All eyes are going to be on the European Central Bank decision on rates today, any hawkish speak will support the euro bulls at a time when inflation remains robust in the United States.

The ZAR weakened to 18.8000/\$ yesterday, more than unwinding its advance at the start of the week. The higher-than-expected US CPI print came as a shock to the market, with the ZAR already vulnerable after a new poll suggested that a left-wing governing coalition was more likely after next month's local elections. The reaction was likely somewhat overblown, suggesting some consolidation could be on the cards into the weekend. However, it highlighted just how concerned the market is about an adverse election outcome. This is also reflected in the options market, where the spread of implied volatility between the two-month contract (which captures the elections) and the one-month contract has widened considerably in recent weeks, confirming the risk being factored into the ZAR.

## Contact Information

	Details
Phillip Masalila	<a href="mailto:masalilap@accessbankplc.com">masalilap@accessbankplc.com</a> 2673674621
Kefentse Kebaetse	<a href="mailto:kebaetsek@accessbankplc.com">kebaetsek@accessbankplc.com</a> 2673674370
Shewauya Charumbira	<a href="mailto:Shewauya.Charumbira@accessbankplc.com">Shewauya.Charumbira@accessbankplc.com</a> 2673674685
Batanani Pearl David	<a href="mailto:davidbat@accessbankplc.com">davidbat@accessbankplc.com</a> 2673674382
Ntebang Magashula	<a href="mailto:magashulan@accessbankplc.com">magashulan@accessbankplc.com</a> 2673674356
Keategile Segwabe	<a href="mailto:segwabek@accessbankplc.com">segwabek@accessbankplc.com</a> 2673674622

## Forward Foreign Exchange

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

## Corporate Foreign Exchange

	CUSTOMER BUY CASH	CUSTOMER SELL CASH	CUSTOMER BUY TT	CUSTOMER SELL TT
BWPZAR	1.313088	1.319328	1.3383923	1.415529
BWPUSD	0.07008	0.093496	0.0714305	0.075499
GBP BWP	17.793464	17.87656	17.40850925	16.84522
BWPEUR	0.070616	0.070928	0.06671175	0.069564
JPY BWP	11.6064	11.6584	10.9647	11.406175
USDZAR	17.988	19.498544	18.40959375	19.0767005
EURUSD	1.031232	1.117584	1.0554015	1.0934055
GBPUSD	1.203936	1.304992	1.23215325	1.276759

## Local Fixed income

Yield curve	Close	Change
6m	3.138	-0.002
3y	5.53	0.00
20y	8.25	0

## International Fixed Income

	Close	Change
SA 10y	10.56	0.07
US 10y	4.56	0.194
German 10y	2.429	0.061
SA vs Bots 20y spread	455.5	10



## DOMESTIC AND REGIONAL NEWS

### SA political landscape shifting ahead of elections

The latest Social Research Foundation poll showed that Zuma's MK party had grown significantly and impacted heavily on the ANC and EFF. According to the survey for April 2024, the ANC's support has fallen to just 37% as support for Zuma's MKP has grown. Through 2022-2023, historical polls by the Foundation have shown ANC support near 50% with a 66% voter turnout. However, that number has fallen to 37%, with the MK party, led by former President Jacob Zuma, taking the other 13%. Other significant players, consisting of the DA, EFF, and the IFP, achieved 25%, 11% and 5%, respectively. Interestingly, the MKP polled above the EFF. The MK's rapid rise since its birth last year could damage the ANC in KZN, South Africa's second-most populous province, and overtake the EFF for the third-largest player

Zimbabwe's biggest platinum producer (Zimplats) announced that it would reduce its headcount by 1% of the total labour complement of 8,000 as it implements broad cost cuts to survive the sharp plunge in platinum group metal (PGM) prices. The move comes after the mining giant announced in March that it was offering voluntary job cuts in an attempt to contain costs amid declining profits. In addition to the job cuts, Zimplats CEO Alex Mhembere told the PGM mining conference in Johannesburg that job cuts were not the only lever that could sustain the business. He added that the company wanted to maintain its annual output of around 600,000 PGM ounces per year and was targeting improving productivity as a way of containing costs. Other cost-reduction measures mentioned by Mhembere include curtailing spending under its 10-year \$1.8 billion expansion project announced in 2021, making the company "capital light" in its next financial year, which starts in July, and deferring some projects, including sulphur abatement and the second phase of the solar power plant. Mhembere also stated that Zimplats would be spending less and will only be focusing on replacement capital expenditure, stay-in-business capex, and very little growth capex

## GLOBAL NEWS

### US CPI beat sees traders pare Fed rate cut expectations

The US inflation data surprised to the upside yesterday, with prices increasing 3.5% y/y in March compared to 3.2% in February while beating expectations of a 3.4% y/y increase. Core inflation similarly beat expectations, holding at 3.8% y/y as opposed to an expected drop to 3.7%. The reaction in the markets was as expected with a topside surprise, with US yields and the USD spiking. The data has seen traders further price out expectations for Fed rate cuts for this year. Fed Funds Futures have repriced to show less than two full 25bp cuts priced in for 2024, a sharp adjustment from the nearly six cuts priced in at the start of the year.

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

**Disclaimer** - The information provided herein has been prepared by ETM Analytics and is solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities or instruments mentioned or to participate in any particular trading strategy. These materials have been based upon information generally available to the public from sources believed to be reliable. No representation is given with respect to their accuracy or completeness, and they may change without notice. Access Bank on its own behalf and on behalf of its affiliates, including ETM Analytics, disclaims any and all liability relating to these materials, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, these materials.

## Chart Pack

