

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar remained on the front foot yesterday with a post hot US CPI bid very much evident in trade. The USD Index cleared 105.50 hitting new highs for the year as investors pared back the timing of interest rate cuts from the US Fed. Some profit-taking may take place as we exit what has been a good week for the greenback.

It was another difficult day for the euro following the ECB hinting at a June rate cut which would place it ahead of the US Fed in terms of the easing of monetary policy, which would enforce the dollar's carry advantage.

The stronger USD took a slight toll on the ZAR through the session, although the move was more consolidatory than anything else after Wednesday's post-CPI surge. The ZAR appears to have found some technical support near its 100-session moving average around R18.8100/\$, from which it could recover some of this week's losses into the weekend. It is finding additional support from high and rising gold prices, especially as concerns over a broader Middle Eastern conflict are raised. This follows a Wall Street Journal article which reported that Israel was preparing for a direct attack by Iran or one of its proxies within the next 24 to 48 hours in retaliation to the Israeli strike on an Iranian diplomatic compound in Syria last week.

Locally, the BWP-ZAR cross has come off its lows of 1,335 reached earlier this week but is still well within the downward trend channel seen since mid-March.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.310592	1.314816	1.3358482	1.410688
BWPUSD	0.069984	0.093496	0.07133265	0.075293
GBP/BWP	17.835064	17.894032	17.44920925	16.861684
BWPEUR	0.070824	0.071032	0.06690825	0.069666
JPY/BWP	11.6168	11.648	10.974525	11.396
USDZAR	17.978496	19.485024	18.399867	19.063473
EURUSD	1.02816	1.114048	1.0522575	1.089946
GBPUSD	1.203456	1.304472	1.231662	1.27625025

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Forward Foreign Exchange

	BWPUSD
1m	-0.970125
3m	-2.89575
6m	-6.67875
12m	-10.55925

Local Fixed income

Yield curve	Close	Change
6m	3.14	0.002
3y	5.53	0.00
20y	8.25	0

International Fixed Income

	Close	Change
SA 10y	10.69	0.13
US 10y	4.576	0.016
German 10y	2.477	0.048
SA vs Bots 20y spread	463	7.5



DOMESTIC AND REGIONAL NEWS

SA mining and manufacturing sectors post growth for March

South Africa's manufacturing production data published yesterday showed that growth in the sector continued to accelerate in February to 4.1% y/y, up from the revised 2.9% y/y in January. Given the revision, February's growth was not out of line with consensus expectations of 3.7% y/y. Although growth picked up, much of this was still statistically exaggerated due to a low base a year ago (production contracted by a strong -5.4% y/y in February 2023). While strong y/y growth numbers are welcome, a gradual recovery in the industry should not be conflated with a meaningful expansion. Of the key manufacturing groups, only 'vehicles' is producing at levels greater than those seen pre-pandemic. To put this into perspective - even removing the effect of petroleum & chemical products entirely - the industry needs to record roughly 4.0% y/y growth every month for the rest of the year to reach pre-pandemic production levels.

There were also mining production data released yesterday, which showed output increased in February by 9.9% y/y compared to January's revised contraction of -2.8% y/y. February's notable y/y growth rate can partly be ascribed to statistical effects. February last year saw production bottom out well below historically normal levels - hence, the process of 'normalising' production volumes in 2024 has resulted in strong y/y growth. Accordingly, this process of normalisation shouldn't be considered true expansion. On the whole, the recent pickup in mining output is welcome, and speaks to the potential that exists should freight and port inefficiencies dissipate further. Positively, less loadshedding in the early months of the year will support mining production growth at the margin. At the same time, broader structural growth drivers remain absent. Ultimately, the industry continues to contend with state decay, high labour costs, failing infrastructure, and excessive red tape..

GLOBAL NEWS

ECB holds rates but sets the stage for June cut

The European Central Bank (ECB) maintained record-high interest rates as anticipated on Thursday but hinted at potential future cuts. Despite concerns about stubborn U.S. inflation, the ECB signalled its readiness to decrease rates, awaiting more reassuring wage indicators alongside benign inflation figures. The bank's statement emphasized the need for confidence in inflation convergence towards the target before considering policy easing. ECB President Christine Lagarde, while acknowledging the relevance of U.S. economic developments, stressed the differing conditions in the eurozone. She emphasized the ECB's data-driven approach, stating, "We are data-dependent, not Fed-dependent." Lagarde mentioned that although some Governing Council members advocated for immediate policy loosening, consensus favoured waiting for more information, with updated inflation and growth projections expected in June.

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

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Chart Pack

