

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar index tested levels below the 106.00 mark yesterday, but any weakness was quickly pared, and the world's reserve currency finished the Monday session almost unchanged. Today April's preliminary PMI has some market-moving potential but the markets will almost squarely be focused on Thursday's big release namely Q1 GDP, and following that PCE on Friday. Meanwhile, Gold remained near one-week lows as investors monitored developments in the Middle East conflict and weighed these up against US Treasury yields that remain stubbornly high which is keeping the greenback buoyed. Gold has decoupled from the traditional strong dollar weak gold narrative as central banks ramp up purchases and investors seek alternatives in what is seen as an increasingly uncertain global geopolitical and macro backdrop.

Looking at the rand, the leading indicators data scheduled for release today will likely confirm that the SA economy is struggling on account of multiple headwinds, while the SARB's MPR will also highlight many of the challenges that the SA economy is facing. The only positive for the ZAR that may come from the MPR is more SARB conservatism. However, while that may help on the monetary policy front, it detracts from fiscal policy, given the inability of the economy to generate any tax revenues. It is SA's fiscal position that is the biggest constraint on the rand.

The pula continues to trend weaker against the dollar which is for the most part a function of dollar strength currently rather than local factors. Expect a measured start to today's trading session.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.325184	1.33008	1.3507214	1.427065
BWPUSD	0.06912	0.093496	0.070452	0.074366
GBP BWP	17.793776	17.844632	17.4088145	16.815134
BWPEUR	0.0702	0.070512	0.06631875	0.069156
JPY BWP	11.5856	11.6168	10.94505	11.365475
USDZAR	18.405216	19.957808	18.83658825	19.5260285
EURUSD	1.02288	1.108536	1.04685375	1.08455325
GBPUSD	1.185888	1.284816	1.21368225	1.2570195

Contact Information

	Details
Phillip Masalila	masalilap@accessbankplc.com 2673674621
Kefentse Kebaetse	kebaetsek@accessbankplc.com 2673674370
Shewauya Charumbira	Shewauya.Charumbira@accessbankplc.com 2673674685
Batanani Pearl David	davidbat@accessbankplc.com 2673674382
Ntebang Magashula	magashulan@accessbankplc.com 2673674356
Keategile Segwabe	segwabek@accessbankplc.com 2673674622

Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.94575	-113.369189
3m	-2.842125	-978.298897
6m	-5.9475	-3214.99894
12m	-8.896875	-8163.91531

Local Fixed income

Yield curve	Close	Change
6m	3.122	-0.002
3y	5.53	0.00
20y	8.27	0

International Fixed Income

	Close	Change
SA 10y	10.755	-0.02
US 10y	4.623	0.008
German 10y	2.491	-0.014
SA vs Bots 20y spread	471	0.5



DOMESTIC AND REGIONAL NEWS

ZiG hurts stock market investors in Zimbabwe

Zimbabwe's new currency, ZiG (Zimbabwe Gold), has erased more than a 330% gain on the stock market this year, causing significant fallout for investors. Since its introduction on April 5, the Zimbabwe Stock Exchange All Share Index plummeted by 99.95%. ZiG, which is gold-backed, replaced the Zimbabwean dollar, which had already lost 80% of its value this year. The conversion from the old currency to the new has led to a sharp decline in trading volume and transaction value on the stock exchange. Investors previously flocked to stocks as a hedge against the local dollar's collapse and high inflation, reaching 55.3% in March. However, the surge in stock prices is now viewed with concern, signalling potential future currency crises. Justin Bgoni, CEO of the bourse, attributes the poor performance to factors such as delays in currency conversion and tight liquidity conditions. The decline in trading volumes has severely impacted brokerages, with revenues falling by at least 50% and a significant knock-on effect across the stock market architecture.

Imara Asset Management, overseeing \$100 million in assets, anticipates upheaval in the coming month as share prices, converted to ZiG, are yet to stabilize. Some industry experts suggest that converting to US dollars, like the Victoria Falls Stock Exchange, would have been a more sensible option, especially given that many listed businesses report in US dollars and pay US dollar dividends. Finance Minister Mthuli Ncube had previously expressed hopes that ZiG would end market volatility and stabilize asset prices, with the currency strengthening 2% against the dollar since its debut.

GLOBAL NEWS

Japanese authorities send a strong message to currency markets

Japanese Finance Minister Shunichi Suzuki emphasized that last week's meeting with his U.S. and South Korean counterparts has set the stage for Tokyo to address excessive movements in the yen, issuing the strongest warning yet on the possibility of intervention. Suzuki expressed concerns about the impact of a weak yen on import costs and stated that these concerns were shared during trilateral discussions involving the United States. While he refrained from specifying the nature of potential actions, Suzuki indicated that recent developments have provided a basis for Japan to take appropriate measures in the currency market. The warnings followed the dollar's rise to its strongest level against the yen since 1990, prompting heightened vigilance for intervention signals from Tokyo. The three countries agreed to closely consult on foreign exchange markets during their inaugural trilateral finance dialogue, acknowledging Tokyo and Seoul's concerns over their currencies' sharp declines.

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

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Chart Pack

