

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar recorded a drop for the month of May with the US index opening the month at 106.315 and closing on the 31st of May at 104.671. Softer US data throughout the month coupled with a recalibration of the timing of other major central bank rate cuts has compressed the yield spreads between the US and its compatriots and this has been the primary driver of price action for the dollar.

Election uncertainty was not kind to the ZAR, as it led EM currency losses with a 2% decline last week. Elevated implied vols suggest the market remains extremely concerned over what ongoing coalition negotiations might yield, with a potential, albeit unlikely, shift to radical parties on the left a major risk for the ZAR's outlook. Having said that, there is a fair amount of risk already priced into the ZAR that would need to be unwound if the ANC turns to the DA to form a coalition government. Either way, as the market awaits the outcome of ongoing talks, speculation will continue to drive the ZAR for the most part, meaning heightened volatility is expected to remain the order of the day in the immediate short term.

In the metals markets, Gold prices remained steady on Monday as investors awaited more U.S. economic data to gauge when the Federal Reserve might start easing its monetary policy. Spot gold held at \$2,326.86/oz, while U.S. gold futures rose 0.1% to \$2,347.40/oz. The personal consumption expenditures (PCE) price index increased by 0.3% last month, indicating potential progress towards the Fed's 2% inflation target. This led traders to speculate on a possible rate cut by September, with a 54% chance currently priced in. Gold serves as an inflation hedge, but higher rates raise the opportunity cost of holding it.

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-625.882354
3m	-2.861625	-1998.52994
6m	-5.962125	-4292.95008
12m	-8.96025	-9315.59661

Local Fixed income

Yield curve	Close	Change
6m	2.596	0.003
3y	5.19	0.00
20y	8.75	-0.04

International Fixed Income

	Close	Change
SA 10y	10.7	0.12
US 10y	4.512	-0.042
German 10y	2.648	-0.007
SA vs Bots 20y spread	408	0

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.31616	1.320864	1.3415235	1.417177
BWPUSD	0.070176	0.093496	0.07152835	0.075499
GBPBWP	18.067296	18.12668	17.676417	17.08091
BWPEUR	0.070096	0.070304	0.0662205	0.068952
JPYBWP	11.96	12.0016	11.29875	11.74195
USDZAR	18.00528	19.521216	18.42727875	19.098882
EURUSD	1.041696	1.128608	1.06611075	1.104191
GBPUSD	1.222464	1.325064	1.2511155	1.29639675



DOMESTIC AND REGIONAL NEWS

Debswana rough diamond sales slumped in Q1

On Friday, five Southern African countries (Angola, Botswana, Namibia, Zambia, and Zimbabwe) agreed to expand the use of a special common visa to allow easier movement of tourists as the region seeks to boost arrivals. Officials from the country that make up the Kavango-Zambezi (KAZA) Transfrontier Conservation Area pledged in principle to broaden the use of the special visa, called a univisa, which allows entry into multiple countries. KAZA member states also resolved to urge the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) to lift a ban on the trade of elephants and ivory. KAZA noted that it holds \$1bn worth of ivory stockpiles, which it wants to trade to fund conservation programmes. The 184-member inter-governmental CITES regulates wildlife trade to protect certain species from over-exploitation. It banned trade in African elephant ivory in 1989 after the animal's population had declined sharply in the previous decade.

Meanwhile, data released by the Bank of Botswana showed that Debswana Diamond Company's rough diamond sales fell 48.3% in the first three months of 2024 as the sluggish market conditions faced in 2023 persisted at the start of the year. In Q1, Debswana sold diamonds worth \$560.9mn, from \$1.085bn registered in the same period last year. In local currency terms, the decrease in Debswana sales was lower, falling 45.6% to BWP 7.676bn (\$560.35mn). The global diamond market struggled in 2023 due to global macroeconomic uncertainty and competition from lab-grown gems, leading to major industry players in the last quarter of the year taking measures to ease a supply glut in the pipeline caused by sluggish consumer demand. The market has, however, started to see green shoots of an upturn, although the pace of recovery is expected to be gradual through the rest of this year.

GLOBAL NEWS

ECB's Panetta suggests more ECB easing to come after June

Fabio Panetta, a member of the European Central Bank's (ECB) governing council and governor of the Bank of Italy, indicated that the ECB is poised to ease monetary policy in the coming months if data aligns with its forecasts. Speaking at his annual keynote speech in Rome, Panetta conveyed a dovish outlook, highlighting expectations of continued easing in eurozone inflation and slowing salary increases. Panetta stated that even after several rate cuts, the ECB's monetary stance would remain restrictive. He pointed out that the ECB aims to avoid overly restrictive policy to prevent inflation from falling below its 2% target. The ECB's current record-high rate on bank deposits is 4%, and policymakers have suggested a potential rate cut in June, though future actions remain uncertain. Despite eurozone inflation rising slightly to 2.6% in May from 2.4% in April, Panetta noted that this increase was anticipated and not particularly concerning.

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

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Chart Pack

