

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

Wall Street ended mixed on Friday, with all three major benchmark equity indices extending weekly gains ahead of crucial US inflation data due this week. The S&P 500 and the Dow Jones were up a moderate 0.16% and 0.32%, respectively, while the Nasdaq shed 0.03%. The Dow Jones rose for the eighth consecutive session and posted its best week for the year. Meanwhile, the S&P 500 and the Nasdaq marked their third winning week. These moves came as investors digested the latest comments from Fed officials amid data on Friday that provided further evidence that inflation remains elevated.

The USD Index finished the Friday session below the 105.50 mark and remains contained within a well-worn range. The Asian session has seen tight trading ranges with the index holding just ahead of 105.30 into the EU open. While US bond yields remain subdued and the Fed funds futures reflect a reasonably high probability of a rate cut or two, the USD will struggle to gain significant traction. However, this week's inflation reading will be important in galvanising inflation expectations that have recently ticked higher.

The USD-ZAR is testing support at 18.4000 at the start of the new week, following an unsuccessful break north of 18.6000 last week. A sustained move below 18.4000 would open the door for a continuation towards the 18.2000 support line, which held up well at the end of last year. This would, however, require the USD to weaken in the coming days, meaning all eyes will be on US economic data and what it suggests about the Fed's policy outlook. Pulling the lens back slightly, it is worth bearing in mind that the USD remains highly overvalued, and the ZAR is poised to capitalise on any would-be correction given its own undervaluation.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.298976	1.301952	1.32400835	1.396886
BWPUSD	0.07056	0.093496	0.07191975	0.075808
GBPBWP	17.702568	17.732312	17.31957975	16.709294
BWPEUR	0.070928	0.071032	0.0670065	0.069666
JPYBWP	11.908	11.9288	11.249625	11.670725
USDZAR	17.673696	19.163768	18.08792325	18.74916725
EURUSD	1.034112	1.120704	1.058349	1.096458
GBPUSD	1.202592	1.303224	1.23077775	1.27502925

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-324.716873
3m	-2.881125	-1488.42362
6m	-6.030375	-3767.13031
12m	-9.637875	-8725.72256

Local Fixed income

Yield curve	Close	Change
6m	3.088	-0.006
3y	5.43	0.00
20y	8.2	0

International Fixed Income

	Close	Change
SA 10y	10.515	-0.015
US 10y	4.504	0.055
German 10y	2.52	0.023
SA vs Bots 20y spread	453	1



DOMESTIC AND REGIONAL NEWS

SA elections continue to dominate focus, Zim cracks down on new exchange rate

The Zimbabwean government will fine businesses using inflated exchange rates as it battles to maintain the value of its newly introduced gold-backed currency. In a notice, the government said that any business using an exchange rate higher than the official rate of 13.5 ZiG (Zimbabwe Gold) per US dollar would be liable for a fine of 200,000 ZiG (\$14,815). The notice comes as some businesses, such as supermarkets, have been charging a premium above market rate for customers paying in the new currency while informal traders reject the ZiG. The fine follows a clampdown on illegal foreign currency traders last month as part of the effort to keep the ZiG afloat. The new rule also scraps the previous requirement for retailers to price their goods within 10% of the official exchange rate for profits.

In SA, electioneering is in full swing and that politics is now dominating the narrative, as one would expect ahead of the upcoming elections. There is still no obvious outcome, but the ANC has stepped up its door-to-door campaign and is using its well-known and popular veterans to help drum up support. History tells us that this typically generates an increase in support for the ANC, and if more polls are conducted just ahead of the election outcome, they will probably reflect that. The popular narrative is that they have and that the first two weeks in June will trigger some intense negotiations as the ANC looks to retain its position of power and influence over the country while relinquishing as little as possible. Should the ANC just miss out on its 50% target, it could still team up with a smaller party and rule as it has. If not, that is when the negotiations will become interesting and where there is room for some significant change to SA's political dynamic

GLOBAL NEWS

China inflation accelerated in April

China's consumer prices experienced a third consecutive monthly increase in April, while producer prices continued to decline. This trend indicates a potential improvement in domestic demand, amidst Beijing's efforts to stabilize the economy amid challenges. Consumer prices rose by 0.3% year-on-year in April, compared to a 0.1% increase in March and exceeding the forecasted 0.2% rise. Core inflation, excluding volatile food and fuel prices, also grew slightly, reaching 0.7% in April, up from 0.6% in March. Overall, the consumer price index (CPI) increased by 0.1% from the previous month, defying expectations of a 0.1% decrease. This rebound suggests a resurgence in demand, particularly in the services sector.

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

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Chart Pack

