

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The USD Index remains contained within a well-worn range ahead of key data this week. The Asian session has seen tight trading ranges with the index holding just below of 105.30 into the EU open.

The USD-ZAR closed below 18.4000 for the first time this year, potentially opening the door for a move towards previous lows of around 18.2000. The market cheered news that Eskom's Energy Availability Factor (EAF) had risen above 70%, which suggested that the recent improvement in the load-shedding schedule was not a function of Eskom burning diesel to run its open-cycle gas turbines. Whether this bullish ZAR momentum can be sustained remains to be seen as election campaigning picks up, as evidenced most recently in news that President Ramaphosa will sign the controversial NHI bill into law on Wednesday.

Technically, the USD-ZAR appears to be creating a new base on a downward-sloping support line stretching from mid-March, meaning some consolidation and a potential bounce back above 18.4000 are on the cards in the immediate short term.

The recent gains for the ZAR against the USD have seen the BWP-ZAR cross edge lower to around the 1,3520 mark in the interbank markets. A gradual downward trend is in place, and we could see it extend over the coming week, depending on the outcome of the SA elections at the end of the month.

Note that the usual local Tuesday auction will take place today, with Botswana offering BWP16bn in 7-day certificates.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.29696	1.301088	1.3219535	1.395959
BWPUSD	0.070656	0.093496	0.0720176	0.076014
GBP/BWP	17.694144	17.743544	17.311338	16.719878
BWPEUR	0.070928	0.071136	0.0670065	0.069768
JPY/BWP	11.9704	12.0016	11.308575	11.74195
USDZAR	17.622912	19.095856	18.035949	18.6827245
EURUSD	1.035264	1.121952	1.059528	1.097679
GBPUSD	1.205376	1.305928	1.233627	1.27767475

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-364.972944
3m	-2.886	-1512.71481
6m	-6.03525	-3793.42175
12m	-9.672	-8753.81235

Local Fixed income

Yield curve	Close	Change
6m	3.083	-0.005
3y	5.43	0.00
20y	8.26	0.06

International Fixed Income

	Close	Change
SA 10y	10.465	-0.05
US 10y	4.481	-0.023
German 10y	2.508	-0.012
SA vs Bots 20y spread	441	-11



DOMESTIC AND REGIONAL NEWS

SA to sign NHI bill into law this week

In South Africa, ANC President Ramaphosa will move ahead and sign the NHI bill into law on Wednesday. While this may pave the way for the NHI to come into force, it will trigger a host of legal battles with businesses, healthcare professionals, civil rights organisations and opposition parties. This bill will be legally tested at all levels for years to come and will almost certainly not look the way it currently does in its final guise. No details have been given yet on how it will be funded other than contributions to medical aid schemes via new taxes, which have already been labelled unviable.

In a bid to boost the use of its new gold-back currency, Zimbabwe's Treasury will allow the mobile money agents to start operating again in the coming weeks. According to a proposal by the Treasury, Econet Wireless Zimbabwe Ltd., state-owned NetOne and Telecel's agents will be allowed to start operating in the coming weeks to increase the use of the ZiG and curb the unofficial market. The agents, who number thousands, were banned from operating in July 2020 after those working for Econet's Ecocash, the largest mobile operator, were accused of charging premiums on transactions. Their actions were blamed for driving one of several collapses in the Zimbabwean dollar. Deputy Finance Minister Kuda Mnangagwa said that the agents will act as bureaux de change and help the public access small amounts of foreign currency for everyday use. The move is also part of the steps taken by the government to eliminate street market traders, whom it accuses of contributing to its previous currency crisis

GLOBAL NEWS

German inflation data in focus today

The final German CPI figure for April will be published today. Although the deceleration in price growth in Europe's biggest economy stalled in April, the broader picture shows that the downward trend seen since early last year remains intact. Economists surveyed by Bloomberg forecast that the final CPI print will confirm the 2.2% flash estimate, unchanged from the previous month and slightly above the ECB's 2% medium-term target. Despite the bumps on the path back to the 2% target, the market is still pencilling in that the ECB will turn dovish at the June meeting, with the OIS pricing in about 94% chance of a rate cut..

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

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Chart Pack

