

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The USD Index has broken below the 105.00 mark ahead of the key CPI data later today. Expect a measured start to the EU session with investors consolidating positions.

The USD-ZAR is trading water just south of 18.4000 this morning. Soft US data prints would allow the pair to break towards support at 18.2000, while stronger-than-expected US inflation would likely trigger a slight retracement of recent ZAR gains. Having said that, the ZAR might enjoy some resilience, given SA's improving terms of trade as platinum prices have surged to a fresh one-year high.

Note that the local CPI data for April may be released today. Recall that the March figures showed that price growth slowed to 2.9% y/y from 3.9% y/y in February. The March print was the slowest pace of price growth in the economy since August 2023 and was primarily due to statistical base effects. A breakdown of the data showed that seven of the underlying twelve subcomponents contributed negatively to the headline figure, with transport, food, alcoholic beverages, and tobacco being the most significant contributors. The decline in Botswana's inflation was broad-based, with the core inflation rate (excluding administered prices) decelerating from 4.1% y/y in February to 3.7% y/y in March. Following the recent decline, Botswana's inflation is now below the Bank of Botswana 3.0% to 6.0% inflation threshold.

Corporate Foreign Exchange

	CUSTOMER BUY		CUSTOMER SELL	
	CASH	CASH	TT	TT
	BWPZAR	1.292064	1.299264	1.31696315
BWPUSD	0.070368	0.093496	0.07172405	0.075911
GBP BWP	17.775992	17.87864	17.39141525	16.84718
BWPEUR	0.070408	0.070824	0.06651525	0.069462
JPY BWP	11.9184	11.9808	11.25945	11.7216
USDZAR	17.624256	19.100744	18.0373245	18.68750675
EURUSD	1.039392	1.126424	1.06375275	1.10205425
GBPUSD	1.209312	1.310504	1.23765525	1.28215175

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-364.972944
3m	-2.881125	-1537.00597
6m	-6.059625	-3872.29579
12m	-9.657375	-8781.90209

Local Fixed income

Yield curve	Close	Change
6m	3.082	-0.004
3y	5.43	0.00
20y	8.2	0

International Fixed Income

	Close	Change
SA 10y	10.495	-0.02
US 10y	4.4296	-0.0154
German 10y	2.552	0.012
SA vs Bots 20y spread	452.5	-2



DOMESTIC AND REGIONAL NEWS

SA unemployment up ahead of tightly contested election

The official unemployment rate in South Africa increased to 32.9% in Q1 2024 from 32.1% in Q4 2023. Q1's outcome was weaker than consensus estimates of 32.3%. Similarly, the broad definition of unemployment, which includes discouraged work seekers, increased to a staggering +41.9% in Q1 from +41.1% in Q4 2023 (+0.8% q/q). This unfavourable outcome comes just two weeks before South Africa's most tightly contested national election since 1994. Polls suggest that the ANC's support may dip below 50% for the first time. Corruption, load-shedding, unemployment, inequality, and infrastructure failings have weighed on the ANC's support.

President Ramaphosa signed the National Health Insurance Bill into law at a signing ceremony, with the media invited yesterday to garner support ahead of the election. The signing took place even though the government can ill-afford the NHI scheme. In the February Budget, just R1.4bn was allocated to the proposed National Health Insurance (NHI) scheme when estimates suggest it will cost around R1tn. Nonetheless, by including the allocation in the Budget, the government indicated its intention to go ahead with the planned scheme in a likely effort to garner votes without sacrificing much of the budget austerity.

Overall, the latest unemployment print confirms a struggling labour market that has recovered as far as possible from the COVID-19-induced knock and is now reverting to its longer-term structural trend. The total employment level now stands at 16.7 million, surpassing the pre-virus level of 16.4 million. The private sector requires a catalyst to embark on new hiring, which may be found in a favourable election outcome, but most businesses will likely adopt a wait-and-see approach. Nonetheless, the newly elected government must address the looming fiscal crises, possibly by implementing austerity measures. Such measures would necessarily decrease public employment levels.

GLOBAL NEWS

US CPI figures in focus today

The April US CPI print will provide fresh insight into consumer price pressure in the US and possibly shed more light on the timing of possible rate cuts by the US Fed. Consensus estimates, as per Bloomberg surveys, expect inflation to slow slightly to 3.4% y/y from 3.5% y/y in March. However, a headline reading of 3.4% would see inflation remain elevated well above the Fed's goal of 2%. Recently, high core services inflation has been propping up headline inflation, while food and goods prices have turned disinflationary. However, food inflation in April could well record a jump as a 20% increase in California's fast-food minimum wage led to restaurants increasing prices. Overall, inflation is expected to remain above 3%, but a surprise to either the up or downside will likely cause a notable change in Fed rate cut expectations. As it stands, the market is only pricing in a full rate cut by November 2024. Consequently, another elevated CPI outcome will give the Fed much food for thought as they would have to weigh high inflation against recent data prints suggesting an economic turnaround might already be playing out.

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

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Chart Pack

