

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar took it on the chin yesterday as the US CPI number printed softer and US Retail Sales missed expectations. Many viewed this as the turn that they had been waiting for in terms of the US economy which up until now remained remarkably resilient. The USD Index pierced 104.50 overnight and is currently trading at 104.16.

As a result of the USD weakness, the ZAR recorded its strongest close since December, with the bulls still in control of the market as they test previous USD-ZAR support levels between 18.2000 and 18.3000. These support lines could prove to be a difficult base to break, however, meaning some profit booking is likely on the cards into the end of the week.

The BWP-ZAR, meanwhile, is trading just below 1,3500 in the interbank markets this morning. The cross continues its downward trend and we should see a move below 1,34000 in the coming sessions.

In equities, Wall Street's three major benchmark equity indices boasted record closes on Wednesday after a smaller-than-expected rise in US consumer inflation bolstered investors' hopes for interest rate cuts by the Fed. The S&P 500 rose 1.17%, the Dow Jones gained 0.88%, and the Nasdaq advanced 1.40%, its second record close this week. All three indices hit intraday record highs, with tech stocks leading the charge. The last time the S&P 500 and the Dow Jones registered record closing prices was on 28 March.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.291008	1.296672	1.3158868	1.391221
BWPUSD	0.070656	0.093496	0.0720176	0.076117
GBP/BWP	17.84744	17.925856	17.4613175	16.891672
BWPEUR	0.070304	0.070616	0.066417	0.069258
JPY/BWP	11.7832	11.8352	11.131725	11.57915
USDZAR	17.540928	19.00912	17.9520435	18.597865
EURUSD	1.044576	1.131832	1.06905825	1.10734525
GBPUSD	1.217472	1.319344	1.2460065	1.2908005

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.970125	-364.972944
3m	-2.91525	-1609.87917
6m	-6.07425	-3872.29579
12m	-9.85725	-8866.17096

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	10.39	-0.125
US 10y	4.356	-0.089
German 10y	2.423	-0.117
SA vs Bots 20y spread	442.5	-12



DOMESTIC AND REGIONAL NEWS

Local inflation picks up, but remains well within target range

According to Statistics Botswana, consumer price inflation accelerated year-on-year and month-on-month in April. Specifically, headline inflation rose from a seven-month low of 2.9% y/y in March to 3.1% y/y in April, while the m/m print came in at 1.3% versus 0.1% in March. A breakdown of the data from the statistics office showed that transport costs were the main driver of the annual price increase, which is unsurprising given the surge in global crude oil prices during the period as tension in the Middle East escalated. For context, transport inflation jumped from 0.7% y/y in March to 2.6% y/y, the fastest growth rate in two months. Miscellaneous goods and services also contributed to the annual price growth. Despite the acceleration in inflation, it remains within the 3%-6% target range, suggesting that the Bank of Botswana could consider easing monetary policy to support the economy. At the April meeting, Deputy Governor Kealeboga Masalila said inflation was expected to remain muted.

Meanwhile, President Ramaphosa signed South Africa's NHI bill into law yesterday, which has triggered little in the way of a market reaction as investors evidently don't believe this NHI bill will proceed in its current form. It has already been met with strong legal challenges, with more on the way as civil society aims to reject it as unconstitutional, unaffordable, and unimplementable.

GLOBAL NEWS

Benign US CPI supports global risk rally

US headline and core inflation eased in line with consensus expectations, coming in at 3.4% y/y (prior: 3.5%) and 3.6% y/y (prior: 3.8%), respectively. Core inflation declined for the first time in six months, lifting optimism for rate cuts this year. Keeping the headline CPI figure from falling lower was an increase in menu prices in California. A 20% minimum wage hike in for Californian fast-food workers led to a rise in menu prices during the month. Food away from home currently makes up approximately half of all US food baskets. While the overall inflation picture was more promising, there are some risks to the Fed's preferred measure of inflation, the PCE core print. The PCE data could show stubborn inflation as the core and supercore PCE inflation data include food away from home. The tide of US demand and inflation looks to be turning lower, but the market will require further data to confirm that outlook.

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

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Chart Pack

