

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar found a footing on Thursday with dollar bears unable to push the USD Index below the 104.00 mark. The greenback has fallen aggressively this week and thus some consolidation was to be expected. That said, we are not anticipating the lows seen in March of 102.33 in the near term

The USD-ZAR, meanwhile, is trading water in a support zone around 18.2000, although technical momentum indicators suggest that the pair is highly oversold and due a bounce higher. It has moved a lot in a short space of time, meaning some consolidation and profit-booking seems likely into the weekend as the USD recovers some ground and there are no ZAR-specific catalysts that will provide additional impetus to the move. Support lines currently being tested could thus prove to be a difficult base to break, notwithstanding SA's better terms of trade and improved load-shedding prospects.

Note that the bonds for next week's auction locally were announced yesterday. Botswana will be offering BWP500mn of 2029s, BWP500mn of 2031s, and BWP600mn of 2043s.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.293216	1.297824	1.31813735	1.392457
BWPUSD	0.07104	0.093496	0.072409	0.076426
GBP/BWP	17.734704	17.792424	17.3510205	16.765938
BWPEUR	0.070824	0.071136	0.06690825	0.069768
JPY/BWP	11.9912	12.0224	11.328225	11.7623
USDZAR	17.476128	18.948072	17.88572475	18.53813775
EURUSD	1.04208	1.129336	1.06650375	1.10490325
GBPUSD	1.214688	1.31664	1.24315725	1.288155

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.970125	-385.100904
3m	-2.890875	-1634.17016
6m	-6.069375	-3924.87825
12m	-9.79875	-8894.26047

Local Fixed income

Yield curve	Close	Change
6m	3.085	0.003
3y	5.43	0.00
20y	8.2	0

International Fixed Income

	Close	Change
SA 10y	10.365	-0.025
US 10y	4.377	0.021
German 10y	2.444	0.021
SA vs Bots 20y spread	438.5	-4



DOMESTIC AND REGIONAL NEWS

Local inflation picks up, but remains well within target range

Regionally, the news is predictably centring on South Africa's political dynamics and how they might be changing ahead of the elections. Recent polls show that the ANC is regaining lost ground as they typically do before the elections. The latest signing of the NHI bill will help the governing party rebuild a more positive narrative, and it appears as though the ANC will not do as poorly as many first anticipated. Whether they will achieve an outright majority remains to be seen. Clearly, the timing of the NHI bill was aimed at giving the ANC the best chance of doing just that by swaying some undecided voters back onside.

As part of the effort to ensure the adoption of ZiG and that goods and services are priced using the official exchange rate, Zimbabwe's authorities plan to extend a crackdown targeting street currency traders to companies. Finance Minister Mthuli Ncube was quoted saying, "What should be done is an enforcement along the value chain, manufacturer, wholesaler up to retailer. I have instructed the financial intelligence to begin doing that." The bank's financial intelligence unit and police are also targeting street dealers who have been accused of currency speculation. More than 200 have been arrested and 90 bank accounts that are suspected to have been used for illicit transactions have been frozen. Finance Minister Mthuli added that the government also plans to increase the adoption of the new currency by legislating that it be used to pay some taxes and fees. However, he did not disclose which taxes would be paid only in ZiG currency.

GLOBAL NEWS

China data mixed, Eurozone CPI data coming in focus

China's factory output in April exceeded expectations, driven by improving external demand, with industrial output growing 6.7% year-on-year. This marks an acceleration from the 4.5% growth in March and surpasses the forecasted 5.5% increase. Despite this, retail sales grew only 2.3%, the slowest rate since December 2022, falling short of the anticipated 3.8% rise and down from a 3.1% increase in March. This slowdown in consumer spending, along with ongoing challenges in the property sector, is putting pressure on Beijing to implement additional measures to stimulate economic growth.

Meanwhile, April's final print of the Eurozone's CPI is up for consideration today, and according to Bloomberg consensus figures, headline inflation will remain unchanged at 2.4% y/y. Consumer price inflation eased 20bp in March from 2.6% y/y in February as price rises moderated for food, alcohol & tobacco, and non-energy industrial goods. However, service inflation held steady at 4.0%. The bloc's CPI peaked at 10.6% y/y in October 2022 and has since followed a downtrend amid tight monetary conditions, slowing economic activity and lower energy prices. That said, inflation remains above the European Central Bank's (ECB) target of 2.0%. The stickiness of service price gains should keep the monetary authorities cautious. Services inflation is a crucial indicator for the ECB, and policymakers must see further declines before cutting rates. According to Overnight Index Swaps, the market is pricing in a 94% chance of a rate cut in June; and a major topside surprise will be needed from the CPI data until then for this to change.

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

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Chart Pack

