

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar weakened against major currencies on Friday as speculation persisted about the timing of Federal Reserve interest rate cuts amid signs of cooling but persistent inflation and a softening U.S. economy. Despite April consumer prices rising less than expected, which initially boosted equity markets, cautionary remarks from various Fed officials tempered the dollar's decline.

Defying doomsday predictions that the ZAR would be a one-way bet ahead of the elections, the ZAR's bull run continues with the market looking more comfortable below R18.2000/\$ and now testing previous December lows closer to R18.1000/\$. This compares with levels around R19.2000/\$ less than a month ago, with the local unit taking advantage of broader USD weakness. Moreover, SA's improved terms of trade due to surging gold and platinum prices, together with tentative signs of sustainable improvements concerning load-shedding, stronger fiscal outcomes, and SA's carry attractiveness due to the SARB's conservatism, suggest that the ZAR could remain attractive through the months ahead. Of course, there is the election later this month that could kick up some volatility, but should a worst-case scenario outcome be avoided, the ZAR would be on a strong footing to continue unwinding its undervaluation into the end of the year.

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.970125	-395.164865
3m	-2.890875	-1658.4611
6m	-6.069375	-3951.16941
12m	-9.79875	-8922.34993

Local Fixed income

Yield curve	Close	Change
6m	2.71	-0.375
3y	5.43	0.00
20y	8.2	0

International Fixed Income

	Close	Change
SA 10y	10.37	0.005
US 10y	4.42	0.043
German 10y	2.513	0.069
SA vs Bots 20y spread	437	0

Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.285632	1.29024	1.3104072	1.38432
BWPUSD	0.070944	0.093496	0.07231115	0.076323
GBP/BWP	17.834336	17.884048	17.448497	16.852276
BWPEUR	0.070616	0.070824	0.06671175	0.069462
JPY/BWP	11.96	11.9912	11.29875	11.731775
USDZAR	17.396928	18.86248	17.8046685	18.4543975
EURUSD	1.04448	1.131936	1.06896	1.107447
GBPUSD	1.219872	1.321632	1.24846275	1.293039



DOMESTIC AND REGIONAL NEWS

Botswana targets FDI from major investors in Africa

According to sources within the Millenium Challenge Fund, Botswana has applied to be a beneficiary in order to receive foreign direct investment from the fund that has so far invested over \$17bn in African countries. Botswana needs foreign direct investment to help revive several sectors of the economy and revive state-owned enterprises. Botswana has ramped up its efforts to attract funding and turn into an international investment hub focussed on the Southern African region.

Regionally, according to a bill published on the National Assembly's website, Mauritian lawmakers will vote on a supplementary budget of MUR 6.7bn (\$142.54mn) for the fiscal year through June to boost housing and health services spending. From the supplementary budget, the Housing and Land Use Planning Ministry is set to receive MUR 1.89bn. The Ministry is overseeing the construction of 12,000 housing units across the country. Meanwhile, MUR 1.2bn is earmarked for the Health and Wellness Ministry. The Mauritian lawmakers approved a total expenditure of about MUR 227bn for the 2023/2024 fiscal year, and in the following year, it is expected to increase to MUR 265bn, based on estimates from the Treasury. Meanwhile, the IMF said that the fiscal stance in the FY2023/24 is expected to be expansionary as revenue growth has decelerated and extra-budgetary spending for social housing construction has increased. Public debt, estimated at 81% of GDP in June 2023, is expected to moderate over the medium term.

GLOBAL NEWS

China maintains benchmark rates after property stimulus

China maintained its benchmark lending rates unchanged in the latest monthly fixing, aligning with market expectations. The one-year loan prime rate (LPR) remains at 3.45% while the five-year LPR stays at 3.95%. This decision follows recent significant measures to stabilise the country's distressed property sector, including the central bank's provision of 1 trillion yuan in extra funding and relaxed mortgage regulations to stimulate housing demand. The decision to keep the loan prime rates (LPR) steady comes in the context of China's efforts to revive its property market. The property rescue plan has reduced the immediate need for further rate cuts, which could otherwise exert additional pressure on the already weakening Chinese currency..

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

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Chart Pack

