

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar had an uneventful start to the week with the market waiting on guidance from the Fed later in the week. Fed minutes are due this Wednesday and will provide further insight into the timing of the first rate cut by the Fed. Interest rate differentials remain a key driver of FX markets given the need for yield, and thus the markets focus on the Fed minutes is certainly warranted.

The rand has been on quite a run over the past few weeks, from levels around R19.2000/\$ to touching R18.1100/\$ in less than a month. This advance has been consistent with the broader EM currency performance as the USD has corrected lower through the month of May, but the ZAR's performance has been remarkable given obvious political risk ahead of the upcoming elections. With this in mind, it is worth highlighting factors such as South Africa's improved terms of trade as gold and platinum prices have surged, a much better load-shedding schedule with Eskom's EAF sitting around 70%, and SA's carry attractiveness due to the SARB keeping interest rates high while other EM central banks have started to cut. However, with the elections now in sight, the ZAR might struggle for further gains. The USD-ZAR is currently trading in a strong support range between 18.1000 and 18.2000, with momentum indicators suggesting that the pair might be due a slight bump in the immediate short term.

Note that the local weekly Tuesday auction will take place today, with Botswana offering BWP18bn in 7-day certificates.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.290048	1.297824	1.3149083	1.392457
BWPUSD	0.070944	0.093496	0.07231115	0.076529
GBPGBP	17.787744	17.888312	17.402913	16.856294
BWPEUR	0.070824	0.071136	0.06690825	0.069768
JPYBWP	12.012	12.0848	11.347875	11.82335
USDZAR	17.456544	18.922488	17.86568175	18.51310725
EURUSD	1.042272	1.129336	1.06670025	1.10490325
GBPUSD	1.219968	1.321944	1.248561	1.29334425

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.970125	-425.356673
3m	-2.886	-1682.75201
6m	-6.040125	-3977.46051
12m	-9.66225	-8950.43933

Local Fixed income

Yield curve	Close	Change
6m	2.697	-0.013
3y	5.43	0.00
20y	8.26	0.06

International Fixed Income

	Close	Change
SA 10y	10.3	-0.07
US 10y	4.437	0.017
German 10y	2.532	0.019
SA vs Bots 20y spread	425.5	-11.5



DOMESTIC AND REGIONAL NEWS

Southern Africa looks for assistance in dealing with drought impact

Yesterday, the Southern African Development Community (SADC) made a regional humanitarian appeal for at least \$5.5bn in assistance to deal with the impact of severe droughts and floods caused by the El Niño weather pattern. In a statement, SADC said that the severe weather had affected more than 61mn in the region. The extreme weather has caused major electricity shortages in Zambia and Zimbabwe, which rely on hydroelectric dams. It has also pushed the need for food imports and fanned consumer price inflation.

Meanwhile, South Africa's Constitutional Court has barred former President Jacob Zuma from running for parliament because of his 2021 conviction related to an inquiry into state capture during his presidency. The decision by the Constitutional Court follows the recently overturned disqualification of Zuma by the Electoral Court. The Constitutional Court's decision raises the risk of potential unrest from MK supporters in the run-up to the election. Recall that in 2021, Zuma's arrest triggered riots and severe looting that claimed at least 354 lives, and party leaders have vowed to destabilise the ballot if Zuma is barred from competing.

GLOBAL NEWS

RBA meeting minutes affirm rate hike was considered

Australia's central bank opted to keep interest rates unchanged at its May meeting, citing a desire to avoid "excessively fine-tuning" monetary policy. However, the Reserve Bank of Australia (RBA) acknowledged that a rate hike might become necessary if inflation forecasts surprised to the topside. The minutes from the RBA's May 6-7 Board meeting revealed that while the bank considered raising its 4.35% cash rate due to stronger-than-expected domestic economic data and rising inflation risks, they ultimately decided to hold steady. This decision was influenced by the central bank's economists predicting weak consumption growth and a continued moderation in inflation, which is expected to return to target by late 2025. The board deemed these forecasts "sound," with balanced risks. They noted that inflation expectations remained well-anchored and, given the higher than usual level of uncertainty about the economic outlook, decided it was reasonable to look through short-term variations in inflation to avoid excessive policy adjustments.

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

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Chart Pack

