

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The dollar remained close to a one-week high on Thursday after experiencing its strongest day this month against major currencies. This surge followed the release of the Federal Reserve's meeting minutes, which revealed some officials' openness to raising interest rates. During the April 30-May 1 meeting, Fed officials expressed confidence that inflation would gradually decrease but also discussed potential tightening measures.

After a strong recovery from levels around R19.2000/\$ to R18.0000/\$ in less than a month, the ZAR finally experienced some profit-taking. The market ran out of downside momentum and predictably backed away from the 18-handle yesterday. The catalyst for this bounce was the hawkish tone in the Fed's May meeting minutes, which supported the USD overnight. Technically, the USD-ZAR now looks set to drift higher towards 18.5000 in the immediate short term, which would be consistent with a move to the pair's 38.2% Fibonacci retrace level. Still, the factors that drove the ZAR's recent rally remain, meaning it could continue to unwind its undervaluation after the elections should a negative outcome be avoided.

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## Forward Foreign Exchange

|     | BWPUSD    | BWPZAR      |
|-----|-----------|-------------|
| 1m  | -0.970125 | -425.356673 |
| 3m  | -2.910375 | -1779.9152  |
| 6m  | -6.045    | -4056.33355 |
| 12m | -9.68175  | -9090.88554 |

## Local Fixed income

| Yield curve | Close | Change |
|-------------|-------|--------|
| 6m          | 2.685 | -0.006 |
| 3y          | 5.43  | 0.00   |
| 20y         | 8.2   | 0      |

## International Fixed Income

|                       | Close | Change |
|-----------------------|-------|--------|
| SA 10y                | 10.29 | 0.02   |
| US 10y                | 4.434 | 0.02   |
| German 10y            | 2.534 | 0.026  |
| SA vs Bots 20y spread | 430.5 | 0      |

## Corporate Foreign Exchange

|        | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|--------|--------------|---------------|--------------|---------------|
|        | CASH         | CASH          | TT           | TT            |
| BWPZAR | 1.300416     | 1.304448      | 1.3254761    | 1.399564      |
| BWPUSD | 0.070944     | 0.093496      | 0.07231115   | 0.076323      |
| GBPBWP | 17.8568      | 17.906616     | 17.470475    | 16.873542     |
| BWPEUR | 0.071032     | 0.07124       | 0.06710475   | 0.06987       |
| JPYBWP | 12.0432      | 12.0744       | 11.37735     | 11.813175     |
| USDZAR | 17.596512    | 19.070688     | 18.00893025  | 18.658101     |
| EURUSD | 1.039104     | 1.125904      | 1.063458     | 1.1015455     |
| GBPUSD | 1.221408     | 1.323296      | 1.25003475   | 1.294667      |



## DOMESTIC AND REGIONAL NEWS

### El Niño weather cycle is coming to an end, but effects will be longer lasting

While the El Niño weather cycle is coming to an end, the effects of the extreme weather conditions will persist in the medium term. According to a report by the World Food Programme, the worst hit was Zambia, Zimbabwe and Malawi, which declared the drought a state of emergency, with between 40% and 80% of their maize harvests destroyed. Southern Africa tends to be hit hard by seasonal weather patterns, which are becoming more intense due to climate change. The World Food Programme is warning of a humanitarian crisis, and SADC leaders, at an Extraordinary Summit of the heads of state and government on the current crisis, appealed for US\$5.5 billion to supplement the affected member states' resources to meet urgent humanitarian needs with an estimated 61 million people impacted by the drought. The World Food Programme has highlighted the urgent need to increase investment in these economies in areas that build resilience where climate shocks have a severely negative impact on lives and livelihoods.

## GLOBAL NEWS

### FOMC minutes reveal continued concern over inflation

U.S. Treasury yields rose on Wednesday following the release of the Federal Reserve's latest meeting minutes, which revealed concerns about higher inflation but maintained hope for a slow easing of price pressures. Despite disappointing first-quarter inflation, the Fed hinted at potential future rate cuts while currently maintaining the benchmark policy rate. The minutes suggested a more hawkish stance than Fed Chair Jerome Powell's remarks, indicating possible rate hikes if necessary. Recent data showed cooling inflation and slower job growth in April. Markets anticipate potential rate cuts of around 40 bps by year-end, with the first potentially in September. The Fed's next meeting on June 11-12 will update economic and interest rate projections...

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

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## Chart Pack

