

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The dollar weakened against most major currencies on Friday as traders took profits following recent gains. Despite this slip, the dollar remains well-positioned for future advances due to robust U.S. economic data. The USD Index closed at 104.74 booking its first loss in six trading sessions. This morning, we have the index quoted at 104.69 into the EU open. Note that the UK and the US are out for a public holiday today.

The USD-ZAR is now, by and large, tracking broader USD moves as position-taking in the run-up to Wednesday's elections will likely be kept to a minimum given uncertainty about what the outcome will be. Having said that, the market has unwound much of the risk that was previously priced into the pair as it became clear that a worst-case election outcome would likely be avoided. Heading into the new week, there is plenty of scope for volatility into the weekend and once exit polls show the likely outcome of the elections closer to the weekend. In the meantime, however, the market will likely be calm, especially given long weekends in the UK and US today.

On the energy front, oil prices remained stable in early Asian trading on Monday as markets anticipated the upcoming OPEC+ meeting on June 2, where discussions will focus on maintaining voluntary output cuts for the rest of the year. During the meeting, producers are expected to consider extending voluntary output cuts of 2.2 million barrels per day (bpd) into the latter half of the year. These cuts, combined with an additional 3.66 million bpd already in place, represent nearly 6% of global oil demand.

### Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.298304	1.300992	1.3233234	1.395856
BWPUSD	0.07056	0.093496	0.07191975	0.075808
GBPBWP	18.002192	18.028088	17.6127215	16.988006
BWPEUR	0.070408	0.070616	0.06651525	0.069258
JPYBWP	11.9808	12.0016	11.3184	11.74195
USDZAR	17.66448	19.15004	18.07849125	18.73573625
EURUSD	1.041312	1.128504	1.06571775	1.10408925
GBPUSD	1.22304	1.325064	1.251705	1.29639675

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### Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.96525	-498.275558
3m	-2.8665	-1828.49654
6m	-5.99625	-4161.49693
12m	-8.974875	-9118.97461

### Local Fixed income

Yield curve	Close	Change
6m	2.678	-0.01
3y	5.00	-0.43
20y	8.75	0.55

### International Fixed Income

	Close	Change
SA 10y	10.535	0.105
US 10y	4.473	-0.002
German 10y	2.583	-0.018
SA vs Bots 20y spread	396	-0.5



## DOMESTIC AND REGIONAL NEWS

### Botswana remains Africa's most attractive mining destination

According to the 2024 edition of the Fraser Institute's latest mining attractiveness survey, Botswana took back its position as Africa's most attractive mining investment destination, overtaking Morocco. However, the country still dropped to 15<sup>th</sup> position globally with investors concerned about skills and infrastructure shortages in the country. Botswana was ranked 10<sup>th</sup> in last year's survey. Regionally, South Africa fell to a ranking of 62 out of 86 jurisdictions, while Namibia ranked 42.

Meanwhile, according to the Confederation of Zimbabwe Industries (CZI), Zimbabwe's manufacturing output declined for the second consecutive year. Specifically, factory capacity utilisation fell from 56.1% in 2022 to 53.2% in 2023. Finance Minister Mthuli Ncube blamed the falling output on the US dollar, saying that the increased dollarisation of the economy fueled an influx of imports. According to Ncube, the "USD is the culprit. I am a bit more optimistic about manufacturing going forward, albeit slowly." The persistent slide in manufacturing output could weigh on the nation's economic performance. The CZI also disclosed that companies earned, on average, 65% of revenue last year in US dollars.

## GLOBAL NEWS

### US debt issuance to ramp up as deficits remain large

Investors are preparing for a significant increase in U.S. government debt issuance, which may overshadow a potential rally in bonds due to persistent large fiscal deficits ahead of the upcoming presidential election. So far this year, bond markets have been primarily influenced by expectations regarding Federal Reserve interest rate cuts. However, fiscal concerns are expected to become more significant as the November 5 election approaches. Analysts and investors believe that reducing deficit spending is not a priority for either President Joe Biden or his Republican challenger, Donald Trump, despite both teams disputing this view. Some investors are reallocating funds to avoid potential losses if Treasury yields rise due to supply and demand imbalances. Others worry that uncertainty about the required debt for deficit spending could destabilize the \$27 trillion Treasury market, which is crucial to the global financial system.

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

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## Chart Pack

