

# Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

## Financial Markets

The dollar held firm for much of yesterday's trade ahead of the key PCE data tomorrow which is the Fed's preferred measure of inflation. Ranges remain familiar and FX traders are expressing frustration at the lack of trading direction. For now it's all about who from the major central banks moves first in terms of rate cuts and the thought process behind this.

The USD-ZAR has risen above the 18.5000 mark overnight and is now moving towards the 50.0% Fibon retracement level (18.6348) of its most recent downtrend. It might be tempting to attribute the ZAR's current retreat to the elections, but a comparison with other EM currencies suggests that the ZAR's decline is consistent with broader global trends. There is simply too little information concerning the elections to trade on at this time, and with US Treasury yields surging this week due to weak demand at a Treasury auction and continued Fed hawkishness, the ZAR's retreat has more to do with a drop in risk appetite more broadly. Today, the focus will be on the SARB, which could provide some idiosyncratic impetus for the ZAR, but this will likely not last long as the spotlight will shift to tomorrow's PCE inflation data out of the US.

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## Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.936	-498.275558
3m	-2.8665	-1877.07772
6m	-5.967	-4161.49693
12m	-9.01875	-9175.1526

## Local Fixed Income

Yield curve	Close	Change
6m	2.603	-0.06
3y	5.23	-0.10
20y	8.75	0

## International Fixed Income

	Close	Change
SA 10y	10.525	-0.01
US 10y	4.542	0.069
German 10y	2.589	0.006
SA vs Bots 20y spread	392.5	0

## Corporate Foreign Exchange

	CUSTOMER		CUSTOMER	
	BUY	SELL	BUY	SELL
	CASH	CASH	TT	TT
BWPZAR	1.30656	1.313856	1.3317385	1.409658
BWPUSD	0.07056	0.093496	0.07191975	0.076117
GBP/BWP	17.853056	17.955912	17.466812	16.919994
BWPEUR	0.070824	0.07124	0.06690825	0.06987
JPY/BWP	12.012	12.0744	11.347875	11.813175
USDZAR	17.776032	19.260072	18.19265775	18.84338775
EURUSD	1.035552	1.122264	1.05982275	1.09798425
GBPUSD	1.217856	1.31976	1.2463995	1.2912075



## DOMESTIC AND REGIONAL NEWS

### SARB decision today while SA election votes continue to be counted

South Africa's interest rate decision headlines the African economic calendar today. Inflation is unlikely to drop below 5% before Q4, and, bearing in mind the SARB's aim of bringing inflation back down to 4.5% as soon as possible, there is little chance of a rate cut before Q4. Such action will tie in with expectations that the US Fed will wait until Q4 before cutting US rates. Higher-for-longer interest rates will continue to weigh on consumer spending and capital investment.

Meanwhile, after 9,5% of the votes counted in SA's elections, the ANC is leading the vote count with 41.9% of the vote, according to the IEC's website, with the DA capturing 26.8% of the vote, mostly in the Western Cape and the EFF 8% of the vote thanks to support in the Eastern Cape. It is far too early to read anything into these results. So far, however, there appear to have been very few negative incidents, which should see the results be legitimate, with the final numbers likely to be known sometime over the weekend.

The Zimbabwe National Statistics Agency reported that consumer price inflation fell 2.4% in May from a month earlier. The May reading was the first computed using the new ZiG currency, which was launched on April 5. ZiG, short for Zimbabwe Gold, is the country's sixth attempt at a stable local currency in 15 years. It replaced the Zimbabwean dollar, which had crashed several times since it was reintroduced in 2019, fanning inflation. Meanwhile, the blended inflation rate, which was adopted in September and uses the local currency and US dollars, its main transacting currency, fell 0.6% in May from a month earlier. According to an official from the statistics agency, the agency is now only computing the month-on-month blended inflation rate due to last month's currency changes.

## GLOBAL NEWS

### US GDP data in focus today

Bloomberg consensus figures estimate that the second Q1 US GDP figure will show that the economy expanded by 1.2%, lower than the initial Q1 GDP print of 1.6% reported in April. Additionally, April's print notably underperformed consensus estimates of 2.5% amidst lower inventory accumulation and a trade shortfall. Still, final sales to domestic buyers have been expanding by at least 3% for three consecutive quarters. Resilient private demand thus helps explain why inflation remains sticky. A lower print for Q1's GDP will provide further evidence of some cooling in the US economy and, combined with continued elevated inflation readings, raise concerns regarding possible stagflation. Consequently, a softer-than-expected second GDP print will give Fed policymakers much food for thought, given recent Fed speak and the latest FOMC minutes, which have remained relatively hawkish.

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

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## Chart Pack

