

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

The dollar failed to gain further traction to the topside with the USD Index slipping below the 105.00 mark once again yesterday. A revised first quarter GDP figure was seen as the major driver of negative dollar price action as the broad-based indicator of US economic health comes under pressure. All await the key PCE data later today.

Initial election results have not been kind to the ZAR. The probability of a coalition that includes either the MK party or the EFF has risen as the ANC has underperformed, driving speculation and volatility in the market yesterday. The USD-ZAR is testing its longer-term moving averages around 18.8000 this morning, with further topside space available should today's vote-counting confirm what was shown by yesterday's. Note that the market will also have US PCE data to contend with, which could drive the USD leg of the pair into the weekend. Against this backdrop, local economic data releases will likely be ignored in the same way the SARB's policy update yesterday was.

The gains for the USD-ZAR yesterday saw the BWP-ZAR cross rally to 1,3745, where it is trading in the interbank markets this morning. The cross may remain volatile over the near term, but in the longer term, the bias should turn bearish again as the ZAR remains undervalued and the SARB more conservative than the Bank of Botswana.

Corporate Foreign Exchange

	CUSTOMER BUY	CUSTOMER SELL	CUSTOMER BUY	CUSTOMER SELL
	CASH	CASH	TT	TT
BWPZAR	1.320384	1.324992	1.3458289	1.421606
BWPUSD	0.070272	0.093496	0.0716262	0.075602
GBPBWP	18.022888	18.079256	17.63296975	17.036222
BWPEUR	0.070304	0.070616	0.066417	0.069258
JPYBWP	11.9288	11.96	11.269275	11.70125
USDZAR	18.038304	19.556368	18.46107675	19.1332735
EURUSD	1.038432	1.125384	1.06277025	1.10103675
GBPUSD	1.22112	1.3234	1.24974	1.29476875

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Forward Foreign Exchange

	BWPUSD	BWPZAR
1m	-0.950625	-589.423433
3m	-2.861625	-1974.23958
6m	-5.967	-4266.65955
12m	-8.99925	-9287.50792

Local Fixed income

Yield curve	Close	Change
6m	2.593	-0.01
3y	5.19	-0.04
20y	8.79	0.04

International Fixed Income

	Close	Change
SA 10y	10.58	0.055
US 10y	4.554	0.012
German 10y	2.655	0.066
SA vs Bots 20y spread	391	3



DOMESTIC AND REGIONAL NEWS

SARB holds rates, SA's ANC has a poor showing in elections

According to President Masisi, Botswana wants a quick separation of De Beers from Anglo before the miner is exposed to a possible hostile takeover. Botswana is still finalising a new 10-year gem sales deal agreed last June with De Beers. "One thing we don't want is a hostile owner. We are watching this very closely because whoever buys Anglo, if it is sold, will then be the owner of De Beers and De Beers is our strategic partner with whom we are at the tail end of our negotiations," Masisi said. The President also noted that Botswana had received assurances that De Beers is committed to a separation before Anglo is sold off.

As expected, the SARB left rates unchanged yesterday at 8.25%. The vote was unanimous, with all six MPC members opting for a hold. In terms of forecasts, there were only marginal changes compared to the previous MPC meeting. The SARB sees inflation for this year at 5.1%, unchanged from the March meeting, while the inflation estimate for next year was revised lower marginally to 4.5%. For GDP growth, the SARB sees slightly lower growth next year at 1.4% after this year's unchanged forecast of 1.2%. The risks for both inflation and GDP growth were assessed as being balanced. The QPM model, finally, sees rates ending this year at 7.64%, down from 7.72%. For 2025, the model expects rates to end the year at 7.34%, down from 7.37% predicted at the last meeting.

Meanwhile, the ANC has lost substantial support to the MK party and now holds a relative majority of 42.34% vs the DA, which holds 23.4%, with the MK party trailing third with 10.77%. This represents as much as a 15% decline for the ANC and raises questions about its future leadership. The picture will still change slightly, with the main metros in Gauteng and Cape Town not yet counted. Currently, the vote tally is at just over 50%.

GLOBAL NEWS

US inflation data in focus today

The Fed's preferred measure of inflation, the PCE Core Deflator, is expected to show that price growth remained fairly stable in April, with consensus pointing to an unchanged reading of 2.8% y/y compared to May. In m/m terms, we could see inflation moderate to near its lowest levels this year, although this will largely be a result of volatile components such as airfares. Overall, therefore, the data should affirm that the disinflation process in the US has slowed, but remains present, keeping the Fed cautious when it comes to deciding when to begin cutting rates. A downside surprise for the data, however, will place some pressure on the USD given how yields have risen in recent sessions..

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

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Chart Pack

