

Daily Market Update



A daily publication of Treasury Unit of Access Bank Botswana.

Financial Markets

Comments from Chicago Fed President Goolsbee on Wednesday helped take the edge off the USD and helped stabilise the stock market. Goolsbee indicated that the Fed needed to guard against keeping interest rates too high for too long and that the expectation for rate cuts was unchanged, even if inflation ran a little hotter than expected. The result was to give higher beta currencies a break, but it also translated into a slight retreat in the trade-weighted USD that slipped to 104.65 from levels above 105.00 yesterday.

Most majors were able to stage a modest recovery against the USD or, at the very least, stabilise. The EUR-USD is now trading at 1.0730, up from the lows of 1.0693 yesterday. Interestingly, the GBP has not been able to take advantage of the USD's modest retreat, following the latest UK inflation data that held steady at 4.0%, much to the relief of the BoE that appears to be struggling to bring inflation back under control.

Following Tuesday's selloff, the ZAR recovered some ground on the back of a consolidating USD. Not too much can be read into this move, other than the market remains reluctant to trade the USD-ZAR above 19.1000 for a prolonged period of time. This resistance level has triggered profit booking numerous times over the past few months, and will likely remain a line in the sand for traders. A material ZAR recovery is, however, unlikely ahead of the upcoming budget, where years of fiscal malfeasance and profligacy will be laid bare.

Corporate Foreign Exchange

| | CUSTOMER BUY | CUSTOMER SELL | CUSTOMER BUY | CUSTOMER SELL |
|--------|--------------|---------------|--------------|---------------|
| | CASH | CASH | TT | TT |
| BWPZAR | 1.326624 | 1.330848 | 1.35218915 | 1.427889 |
| BWPUSD | 0.0696 | 0.093496 | 0.07094125 | 0.075087 |
| GBPGBP | 17.974736 | 18.030064 | 17.5858595 | 16.989868 |
| BWPEUR | 0.070304 | 0.070512 | 0.066417 | 0.069156 |
| JPYBWP | 11.3152 | 11.3568 | 10.6896 | 11.1111 |
| USDZAR | 18.29808 | 19.831344 | 18.72694125 | 19.4023005 |
| EURUSD | 1.029696 | 1.11592 | 1.0538295 | 1.0917775 |
| GBPUSD | 1.20624 | 1.307176 | 1.23451125 | 1.27889575 |

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Forward Foreign Exchange

| | BWPUSD | BWPZAR |
|-----|--------|-------------|
| 1m | -1.833 | -29446.2881 |
| 3m | -5.148 | -81200.3702 |
| 6m | -8.424 | -162400.74 |
| 12m | -8.697 | -326586.104 |

Local Fixed income

| Yield curve | Close | Change |
|-------------|-------|--------|
| 6m | 4.25 | 0.001 |
| 3y | 6.00 | 0.00 |
| 20y | 8.45 | 0 |

International Fixed Income

| | Close | Change |
|-----------------------|--------|--------|
| SA 10y | 10.165 | 0.055 |
| US 10y | 4.267 | -0.049 |
| German 10y | 2.349 | -0.043 |
| SA vs Bots 20y spread | 399.5 | -6 |



DOMESTIC AND REGIONAL NEWS

CPI data in focus today

Nigeria and Botswana will release their January CPI prints today. Bloomberg consensus expectations are for inflation in Nigeria to accelerate further to 29.5% y/y from 28.9% y/y as the inflationary effect of last year's reforms filter through. Beyond the January reading, risks are tilted to the upside following the sharp naira devaluation in February. Meanwhile, the Botswana inflation report will provide insight into whether the slowdown in December was sustained in January, adding to evidence that an acceleration in November was temporary.

Meanwhile, the Bank of Namibia (BoN) opted to keep the repo rate unchanged at 7.75% on Wednesday. In a statement, the BoN said, "With real interest rates remaining positive and slow credit growth, amid a fair level of international reserves, the Monetary Policy Committee decided to maintain the repo rate at its current level." The BoN kept its inflation and growth forecasts for this year unchanged from the December meeting. Specifically, inflation is expected to average 4.8% this year while the economy is seen as growing 3.4%, down from 3.9% in 2023. Meanwhile, Governor Johannes Gawaxab said the economy was seeing healthy foreign direct investment flows related to energy exploration, but that had yet to translate into large benefits for Namibians via jobs or an improvement in the country's international reserves. Namibia has no oil and gas production but has attracted significant interest from energy companies after the discovery of resources by TotalEnergies.

GLOBAL NEWS

US retail sales numbers to drive market direction today

The upcoming January print of US headline retail sales is expected to come in at -0.2% m/m compared to the December figure of 0.6% m/m. Growth is expected to fade in line with the typical seasonal spending pattern; consumer spending slumps post-holiday as the festive season comes to an end. US retail sales rose by the most in three months in December, ending off a solid holiday season. However, US credit and debit card data for January 2024 indicated the lowest clothing and miscellaneous spending in a year. This contributes to the recurrence of the seasonal spending pattern and merits the market expectations of a significant drop in retail sales m/m. Economic growth is likely to still hold for Q1; however, rising consumer debt and elevated interest rates will weigh on consumer spending over the medium to longer term.

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

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Chart Pack

