

20 May 2013

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The week in focus

Botswana

- Inflation slowed to 7.2% y/y in April from 7.6% in March
- BWP: Against the rand the pula maintained the strong tone

CMA

- Namibia: Inflation eased to 6.1% y/y in April 2013 from 6.3% in March
- ZAR: Fresh perspective but risks remain high

Ghana

- Inflation rose to its highest level in almost three years
- GHS: Relentless demand for US dollars drive USD/GHS dangerously close to 2.00

Kenya

- IMF says Kenya ready for Eurobond
- KES: Fall in lending rates could spur demand for US dollars

Mozambique

- Brazil's Vale has cut its 2013 coal export target by 30% to 3.4m tonnes
- MZN: Metical appears to have plateaued at USD/MZN29.70

Nigeria

- GDP growth prints 6.56% in 1Q13
- NGN: Break of current range hinges on outcome of debt auction

Tanzania

- Ten-year T-bond yield rises to 15.28%
- TZS: Corporates hold off on purchases in anticipation of further strength

Zambia

- Maize output is expected to fall by 11% in the 2012/13 season
- ZMW: Local regulatory changes and rand weakness ruffle kwacha's feathers

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Botswana

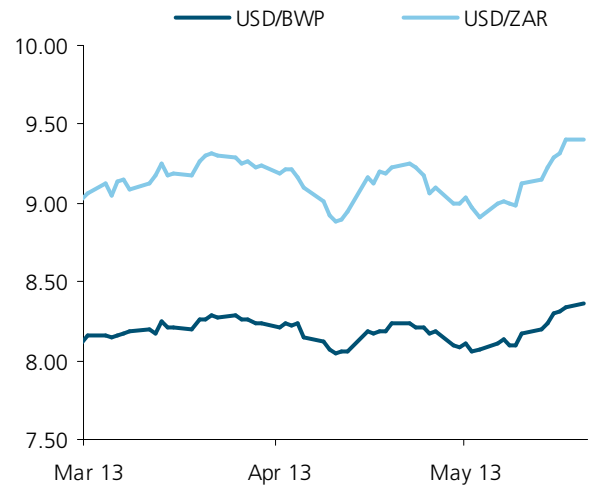
News flash

- Inflation slowed to 7.2% y/y in April from 7.6% in March. Inflation was driven mostly by the housing, water and electricity component due to the hike in the electricity tariffs for domestic consumers, which took effect on 1 April 2013. Food inflation only ticked up by 0.3% m/m. On a month-on-month basis, CPI increased by 0.6% in April compared with March, while core inflation went down by 0.6% from 7.0% to 6.4%. Our expectations are for inflation to average 7% this year and 6.5% in 2014. These rates would be much lower than in previous years and reflect the deflationary forces of the lower crawl depreciation rate.

Pula (BWP) in brief

- The BWP traded in a narrow range against the greenback on Friday but still with a weak bias. We expect it to open a little changed from the closing levels of 0.1197/0.1200 which was also the opening level in the morning. However, against the rand the pula maintained the strong tone to close higher than the previous day's closing level at 1.1221/1.1249 from 1.1238/1.1265 in the morning.

Figure 1: Trading in a narrow range



Source: Bloomberg
Data as at May 2013

CMA

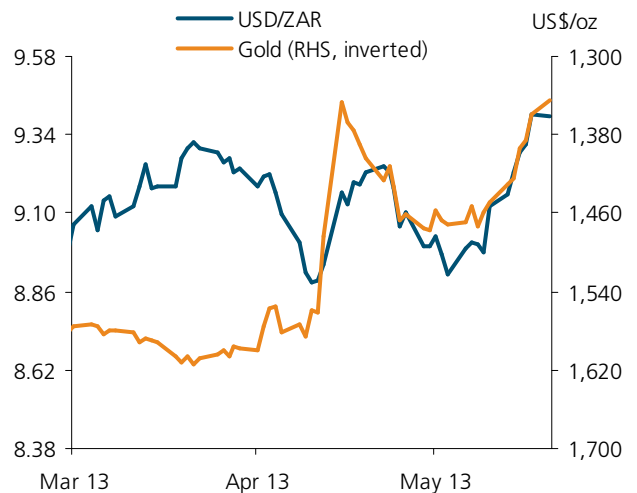
News flash

- Inflation eased to 6.1% y/y in April 2013 from 6.3% in March. Headline CPI was mainly driven by a rise in prices of alcoholic beverages, clothing and communication. Food inflation, which contributes the most to the CPI basket (29.6%), stayed unchanged at 6.8% as did housing utilities (which carries the second-largest weighting of 20.6%). We expect inflation to average 6.5% through 2013.

Rand (ZAR) in brief

- A new week brings a fresh perspective, but the dollar still seems biased for gains and the rand at risk of further losses. USD/ZAR opens at 9.40, after hitting a new post-crisis high on Friday and is set for a volatile ride even if the start looks a little slow. Risks come from five key areas: strikes and labour disputes, global and local monetary policy decisions, the dollar, gold and the first of the global May data.

Figure 2: The rand at risk of further losses



Source: Bloomberg
Data as at May 2013



Ghana

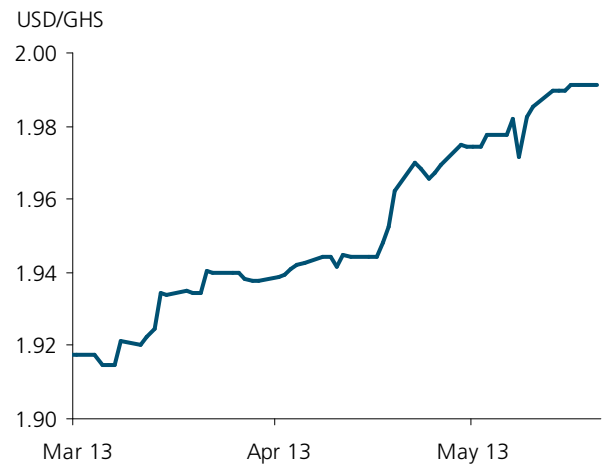
News flash

- Inflation rose to its highest level in almost three years, printing at 10.6% y/y in April from 10.4% in March, mainly due to a rise in food and non-alcoholic drinks and goods and service. The cedi depreciation together; the harvesting season which yet to start; and second round effects from the removal of the fuel subsidy all played major roles in the increase. However, the inflation rate remains within the central bank's target band of 2% above and below the 9% level. We expect these factors to continue its role in pushing inflation up slowly towards 2H13. Once good harvests prevail, we should see inflation easing towards the end of the year, and average 10% in 2013.

Cedi (GHS) in brief

- Despite the efforts of the BoG, relentless demand for US dollars continues to drive USD/GHS dangerously close to 2.00. Worries about the pass through to inflation could prompt the BoG to apply a heavier hand to the foreign exchange market.

Figure 3: Relentless demand for US dollars continue



Source: Bloomberg
Data as at May 2013

Kenya

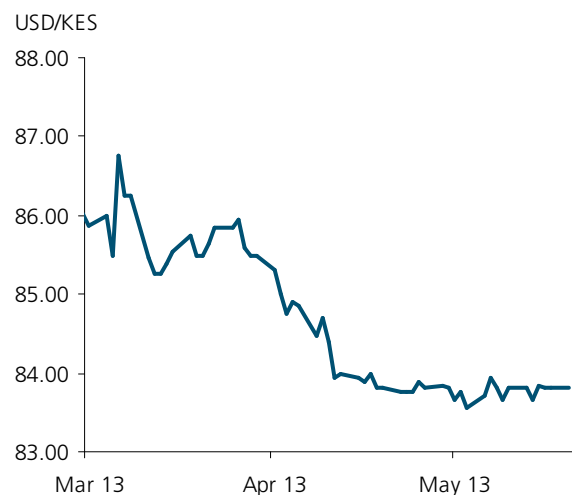
News flash

- The IMF says strong growth and falling inflation will lead to strong demand for a Eurobond in 4Q13. The Fund further suggested that a 10-year tenor would be reasonable and the issuance could be as much as US\$1bn, an amount that would keep the government's borrowing on debt markets within a limit agreed under the IMF's extended credit facility programme.
- Kenya's energy regulator cut retail fuel prices for petrol, diesel and kerosene last week (for the second month in a row) due to lower crude oil prices and a stronger shilling versus the dollar.

Shilling (KES) in brief

- The CBK's cut to the benchmark rate has led to a subsequent fall in lending rates which could spur demand for US dollars. However, this is likely to occur over several weeks and should not provoke high levels of volatility. Our year-end forecast is currently under review. While we remain concerned about Kenya's current account, we are mindful of the increase in financial flows.

Figure 4: We don't expect large volatility from rate cut



Source: Bloomberg
Data as at May 2013



Mozambique

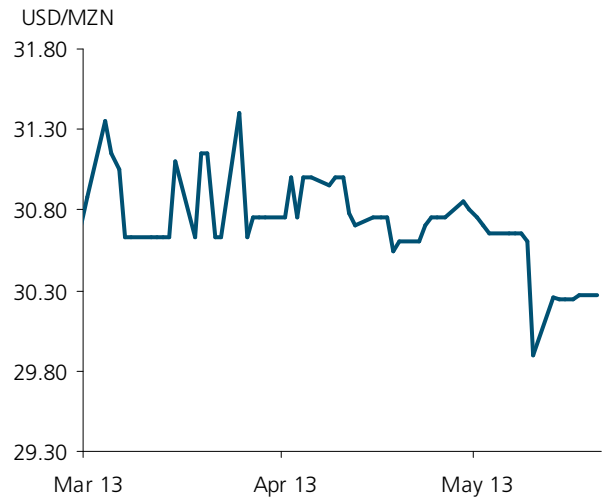
News flash

- Brazil's Vale has cut its 2013 coal export target by 30% to 3.4m tonnes. The firm had to declare force majeure as the Sena railway line was shut for two weeks in February. Vale has also struggled to reach forecast production in 2012 due to infrastructure difficulties in Mozambique. The firm expects coal production from Moatize to reach 6.4m tonnes in 2014, and to rise to 9.2m annually thereafter. Vale's infrastructure plans include a US\$4.4bn project to rehabilitate the northern Ncala corridor (including the railway and deep-water port) to eventually push overall output to 22m tonnes. Meanwhile, Vale plans to start construction of a 300MW coal-fired power plant early in 2014 and expects it to be completed within 30 months.

Metical (MZN) in brief

- The metical appears to have plateaued at USD/MZN29.67, supporting our view of 29.00 at year-end based on sustained FDI. Short-term momentum indicators show a downward bias but as we well know, this could change depending on prevailing market conditions.

Figure 5: Downward bias still evident



Source: Bloomberg
Data as at May 2013

Nigeria

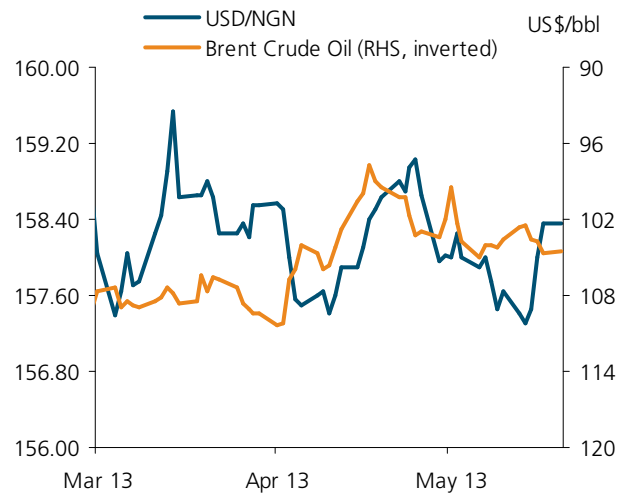
News flash

- The economy grew slightly slower in 1Q13 at 6.56%, down from 6.99% in the last quarter of 2012. The fall in the growth rate was attributed to the decline in the contribution of the non-oil sector. Oil production averaged 2.29m bpd in 1Q13 from 2.14m bpd in the previous quarter. The latest quarterly numbers are in line with our 7% growth forecast for 2013. However, we are mindful of changes in the oil sector which presents downside risks to our view.

Naira (NGN) in brief

- Corporate demand overwhelmed the interbank market last week precipitating naira losses. Although the exchange rate continues to meander in a narrow range of USD/NGN157.80 to 158.10, there is a possibility that it could begin to wander higher should the government bond auction on Wednesday fail to attract sizeable offshore flows.

Figure 6: Corporate demand for US dollars remain strong



Source: Bloomberg
Data as at May 2013



Tanzania

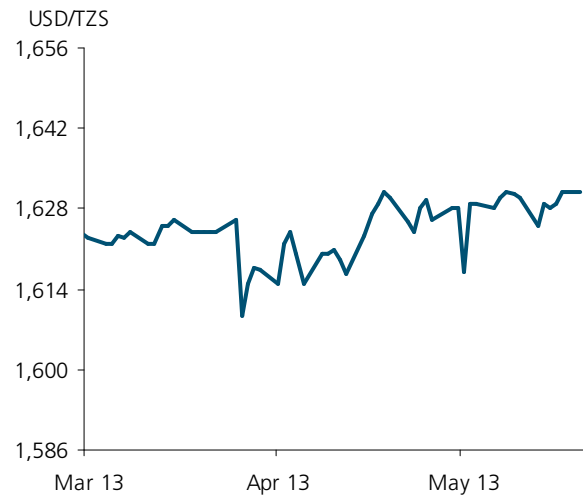
News flash

- In the 10-year government bond auction held last week, the weighted average yield edged slightly higher to 15.28% from the previous 14.27%. The auction was undersubscribed by TZS11bn — the amount offered was TZS46bn whereas tendered bids reached TZS35bn
- The government plans to offer seven deep offshore blocks and one onshore block in October for oil and gas exploration, according to state-run Tanzania Petroleum Development Corporation.

Shilling (TZS) in brief

- The shilling is expected to stagnate at current levels over the next week as corporates hold off on purchases in anticipation of a meaningful breach of the USD/TZS1,625 support level. Movements are confined to USD/TZS1,625 to 1,640.

Figure 7: Corporates hold off on dollar purchases



Source: Bloomberg
Data as at May 2013

Zambia

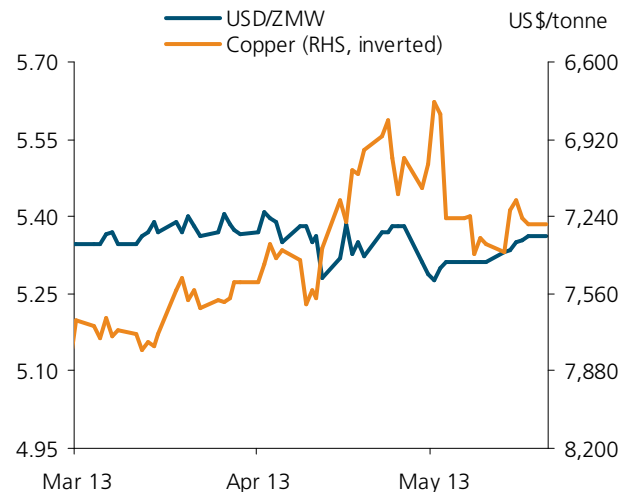
News flash

- The government expects maize output to fall by 11% in the 2012/13 season from 2.85m tonnes to 2.5m tonnes due to poor weather and worm infestation affecting crops. The ministry of agriculture added that it decided to remove a maize subsidy, which entailed buying maize at a higher price from farmers and selling it at a lower price to millers, as it cost US\$413m in the 2011/2012 season. This will place added pressure to food prices which have a large weighting in the inflation basket.

Kwacha (ZMW) in brief

- The kwacha has traded steadily over the last three weeks despite soured global sentiments, which suggests that it is mostly being driven by supply and demand dynamics rather than international determinants. Despite the resilience of copper and Asian stocks to a rapid appreciation in the US dollar, the kwacha failed to amass gains, tracking instead its South African counterpart which migrated north of USD/ZAR9.30. Uncertainty over the SI 32 could also have contributed to the kwacha weakness. Now that the implementation of the statutory instrument has been postponed from 16 May to 1 July, we might see the currency stabilise in the coming weeks.

Figure 8: Kwacha driven by supply and demand dynamics



Source: Bloomberg
Data as at May 2013



Spot and implied forward exchange rates

	Currency rates				Outright forwards			
	Last	% change			Maturity			
		1-day	1-week	1-month	1-m	3-m	6-m	12-m
Botswana								
USD/BWP	8.32	0.25	2.66	1.66	8.30	8.38	8.50	8.70
EUR/BWP	10.73	0.54	0.98	0.32	10.67	10.77	10.94	11.22
GBP/BWP	12.73	0.88	1.35	1.62	12.62	12.73	12.91	13.21
BWP/JPY	12.28	-0.62	0.13	2.44	1.14	1.14	1.13	1.13
Ghana								
USD/GHS	1.99	0.10	0.45	2.44	2.02	2.07	2.16	2.31
EUR/GHS	2.57	0.39	-1.19	1.09	2.59	2.67	2.78	2.97
GBP/GHS	3.05	0.73	-0.83	2.40	3.06	3.15	3.29	3.50
GHS/JPY	51.28	-0.47	2.33	1.66	208.00	212.84	221.96	236.15
Kenya								
USD/KES	83.80	-0.06	0.18	-0.18	84.22	85.15	86.96	90.58
EUR/KES	108.09	0.23	-1.46	-1.50	108.15	109.40	111.81	116.70
GBP/KES	128.25	0.57	-1.10	-0.22	127.74	129.11	131.79	137.20
KES/JPY	1.22	-0.31	2.61	4.33	0.82	0.83	0.84	0.88
Mozambique								
USD/MZN	30.25	0.00	-1.15	-1.63	30.25	0.00	-1.15	-1.63
EUR/MZN	39.02	0.29	-2.76	-2.93	39.02	0.29	-2.76	-2.93
GBP/MZN	46.29	0.63	-2.41	-1.66	46.29	0.63	-2.41	-1.66
MZN/JPY	3.38	-0.37	3.99	5.86	3.38	-0.37	3.99	5.86
Nigeria								
USD/NGN	158.00	0.35	0.35	0.06	158.35	158.35	158.35	158.35
EUR/NGN	203.79	0.64	-1.29	-1.26	203.34	203.43	203.60	204.02
GBP/NGN	241.80	0.98	-0.93	0.02	240.17	240.08	239.98	239.87
NGN/JPY	0.65	-0.72	2.44	4.07	0.65	1.55	1.55	1.55
South Africa								
USD/ZAR	9.31	0.31	3.71	1.66	9.44	9.52	9.63	9.85
EUR/ZAR	12.01	0.60	2.02	0.32	12.13	12.23	12.39	12.70
GBP/ZAR	14.25	0.94	2.38	1.62	14.32	14.43	14.60	14.93
ZAR/JPY	10.97	-0.68	-0.88	2.44	10.93	10.84	10.70	10.44
Tanzania								
USD/TZS	1,629.00	0.06	-0.09	0.36	1,646.00	1,671.00	1,718.50	1,791.00
EUR/TZS	2,101.08	0.35	-1.72	-0.96	2,113.69	2,146.75	2,209.58	2,307.51
GBP/TZS	2,493.02	0.69	-1.37	0.32	2,496.46	2,533.49	2,604.40	2,712.96
TZS/ZAR	0.06	-0.43	2.89	3.76	15.95	16.20	16.67	17.41
Zambia								
USD/ZMW	5.36	0.10	0.86	0.67	5.34	5.36	5.50	5.77
EUR/ZMW	6.91	0.39	-0.79	-0.67	6.86	6.88	7.07	7.44
GBP/ZMW	8.20	0.73	-0.43	0.63	8.10	8.13	8.34	8.76
ZMW/JPY	19.07	-0.47	1.92	3.45	0.05	0.05	0.05	0.06

Source: Bloomberg, Reuters, RMB Global Markets
All data as at May 2013



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1344.03	-4.3	-15.6	22.2	1366.0	1370.3
Copper US\$/tonne	7329.50	5.1	-6.0	20.6	7306.0	7359.5
Softs						
Cattle US\$/lb	133.90	-0.1	-11.5	16.7	118.6	126.7
Cocoa US\$/tonne	2300.00	-0.8	1.2	22.3	2300.0	2321.0
Coffee — Arabica US\$/lb	135.60	-4.3	-23.7	22.3	136.9	147.5
Coffee — Robusta US\$/tonne	0.00	-	-	18.4	2037.0	2083.0
Cotton US\$/lb	86.43	3.5	10.8	23.6	86.4	85.6
Maize — Yellow R/tonne	2170.00	2.7	6.8	25.2	2160.0	2231.0
Maize — White R/tonne	2160.00	2.4	3.9	23.2	2178.0	2266.0
Raw Sugar US\$/lb	16.89	-6.0	-17.5	18.3	18.7	18.7
Energy						
WTI Crude US\$/bbl	95.88	8.9	4.8	20.5	96.3	92.6

Interest rates

	3-m T-Bill		Policy rate
	Apr-13 ¹	Current	Current
Botswana	5.36	4.82	9.00
Ghana	22.96	22.96	15.00
Kenya	10.20	9.50	9.50
Mozambique	2.71	3.21	9.50
Namibia	5.15	5.15	5.50
Nigeria	10.35	10.30	12.00
South Africa	5.16	5.04	5.00
Tanzania	11.80	12.00	OMO ²
Zambia	5.50	6.50	9.25

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets
All data as at May 2013

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB- (P)	Ba3 (P)	BB-
Benin	B	–	B
Botswana	–	A2	A-
Burkina Faso	–	–	B
Cameroon	B	–	B
Cape Verde	B+	–	B+
Gabon	BB-	–	BB-
Ghana	B+ (N)	B1	B
Kenya	B+	B1	B+
Lesotho	BB- (N)	–	–
Mauritius	–	Baa1	–
Mozambique	B (P)	–	B+
Namibia	BBB-	Baa3	–
Nigeria	BB-	Ba3	BB-
Rwanda	B	–	B (P)
Senegal	–	B1	B+ (N)
Seychelles	B	–	–
South Africa	BBB	Baa1	BBB (N)
Uganda	B	–	B+
Zambia	B+ (N)	B1	B+

P = Positive outlook N = Negative outlook SD = Selective Default
Note: For full ratings disclosure, please refer to the last page

The sources used to compile this document are: Bloomberg, Reuters, AllAfrica.com, respective central bank and national statistical websites.



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