

3 June 2013

Analysts

Celeste Fauconnier

Africa Analyst

Celeste.fauconnier@rmb.co.za
+27 11 282-1923



Nema Ramkhelawan-Bhana

Africa Analyst

Nema.ramkhelawan@rmb.co.za
+27 11 282-8519



The week in focus

Botswana

- There were no significant news events or data releases last week
- BWP: Following in the footsteps of the rand

CMA

- Namibia: There were no significant news events or data releases last week
- ZAR: Rand is clearly at risk of further losses

Ghana

- The cabinet approves a US\$1bn Eurobond issuance
- GHS: Cedi is dangerously close to breaching USD/GHS2.00

Kenya

- Inflation drops slightly to 4.05% y/y in May from 4.14% in April
- KES: CBK to step in as shilling succumbs to US dollar demand

Mozambique

- Voter registration for the presidential election starts
- MZN: Short-term momentum indicators show an appreciating bias

Nigeria

- Oil production drops by 127,000 barrels per day
- NGN: Trading in a range

Tanzania

- Two-year T-bond yield edges higher
- TZS: US dollar proceeds expected to buoy local unit this week

Zambia

- MPC pushes bank rate up by 25bp to 9.5%
- ZMW: Kwacha resilient to rand woes

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Botswana

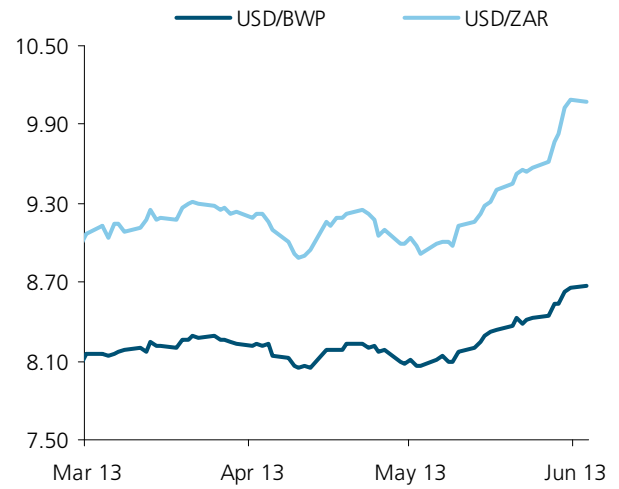
News flash

- There were no significant news events last week.

Pula (BWP) in brief

- The pula weakened to new lows against the greenback last Thursday. It was following in the footsteps of the rand, which fell through the 10.00 level against the dollar. Even the unexpectedly weak US economic data could not come to the rand's rescue. The pula closed at USD/BWP0.1156/59 from 0.1170/73 in the morning. Against the rand, the pula strengthened through the key 1.1500 level and closed the day at 1.1591/1.1620 from opening at 1.1477/1.1507.

Figure 1: Pula follows in the rand's footsteps



Source: Bloomberg
Data as at June 2013

CMA

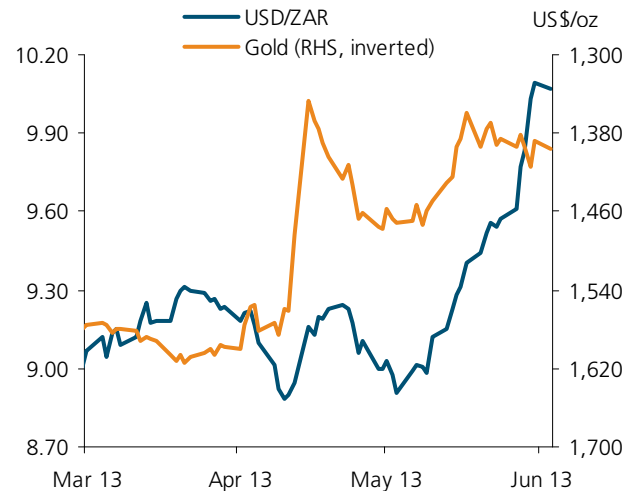
News flash

- There were no significant news events last week

Rand (ZAR) in brief

- A new week brings fresh perspective but the rand is clearly at risk of further losses — particularly after the touch of panic seen on Friday and given the crucial international data due for release. USD/ZAR opened at around 10.05, unchanged from Friday's close and more or less at Friday's open. Key resistance is at Friday's high of 10.2850. Friday's trade was a breaking point in many ways. USD/ZAR's gap to 10.2850 almost straight from the open smacked of panic and represented the first disorderly move seen in this run. The market rapidly reversed though, despite the weak trade numbers, which hints that the SARB might have been involved (not necessarily selling dollars but at least signalling it was ready to act).

Figure 2: Rand — weakening trend but little momentum



Source: Bloomberg
Data as at June 2013



Ghana

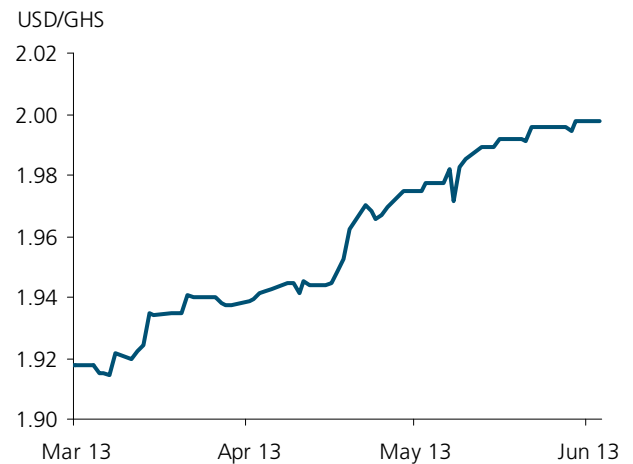
News flash

- The cabinet has approved a US\$1bn Eurobond issuance that is tentatively scheduled for July. The funds will be used for capital expenditures and refinancing public debt to reduce the cost of borrowing. We believe the Eurobond will capture the sort of interest we have seen with other Eurobonds in Africa over the past year as international rates remain low and Ghana has a reputation as a favourable investment destination. However, it is not expected to be significantly oversubscribed.
- The 3-year bond issued last week was heavily oversubscribed, with the yield rising to 19.24% from 16.9% in the March auction. The rise in yields stems from increasing inflationary pressures and the instability of the cedi. The bond is aimed at the settling of maturing debts.

Cedi (GHS) in brief

- The cedi is dangerously close to breaching the USD/GHS2.00 level but a lack of US dollar liquidity in the interbank market implies limited trading activity this week. Proceeds from the recent 3-year bond auction could provide temporary respite from persistent weakness but this is unlikely to trigger trend appreciation.

Figure 3: Cedi dangerously close to breaching USD/GHS2.00



Source: Bloomberg
Data as at June 2013

Kenya

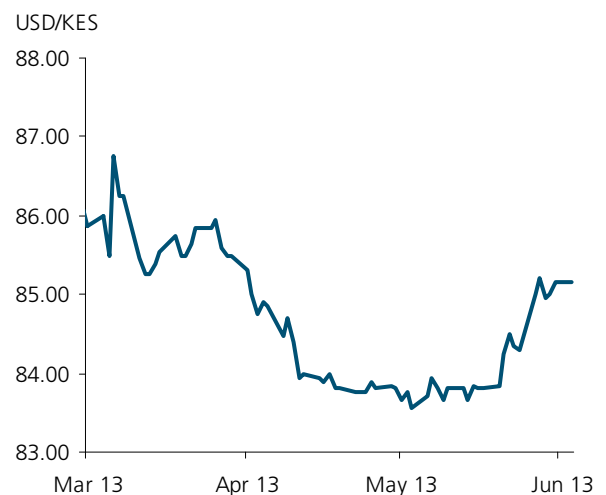
News flash

- Inflation dropped slightly to 4.05% y/y in May from 4.14% in April. Food and non-alcoholic drinks prices rose by 0.5% over the period, while the housing, water, electricity and fuels component dropped due to the recent reduction of kerosene, electricity, petrol and diesel prices.
- Members of parliament voted to increase their salaries to more than 130 times the minimum wage, despite the president's call for salary cuts. The MPs argued they needed higher wages to provide charitable support to constituents, while it would also prevent them from being vulnerable to bribes.

Shilling (KES) in brief

- The shilling fell to an eight-week low last week due to the strong demand for hard currency from importers. This has prompted the central bank to intervene in the market for the first time in four months. We expect the bank to apply a heavier hand to the foreign exchange market if the currency weakens further as demand will remain strong on the back of renewed economic activity. A recent Reuters poll forecasts the shilling to end the year at USD/KES88, while we anticipate it to end at USDKES85.00.

Figure 4: Shilling weakness persists



Source: Bloomberg
Data as at June 2013



Mozambique

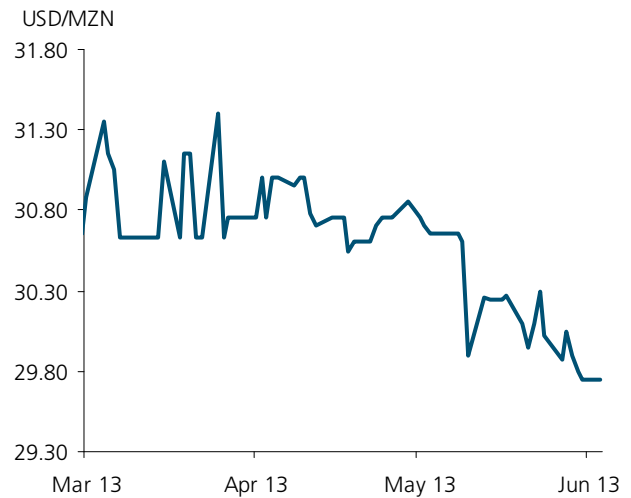
News flash

- Voter registration for the presidential election started last week. Opposition party Renamo deemed the process illegitimate, saying the ruling Frelimo dominates the National Election Committee. Frelimo is expected to win in another landslide victory in next year's election.

Metical (MZN) in brief

- USD/MZN has dropped back down from the 30.00 level last week, ending at around 29.50, which supports our view of 29.00 at year-end based on sustained FDI. Short-term momentum indicators show an appreciatory bias but, as we well know, this could change depending on prevailing market conditions.

Figure 5: USD/MZN downward bias still evident



Source: Bloomberg
Data as at June 2013

Nigeria

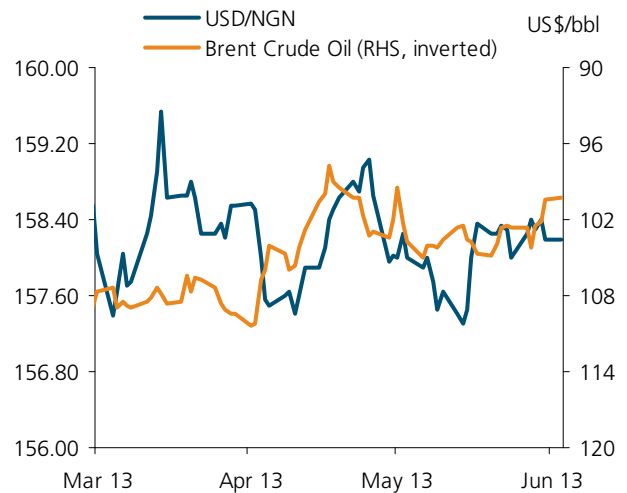
News flash

- Oil production has dropped by 127,000 bpd from about 2.3m bpd following the declaration of force majeure on Usan crude by Total Plc. There was no further information on the outage, or how long it was likely to last. The NNPC says the fall between actual production and forecast in Q1 2013 (due to incessant crude oil theft) has resulted in a drop in crude oil revenue of about USD1.23bn.

Naira (NGN) in brief

- Anticipated month-end dollar sales by oil companies to authorised dealers did not outweigh the firm demand for the US dollar last week, helping the naira continue its losing streak. However, the continued trickling in of dollar sales over the next week should keep the local currency within the range of USD/NGN158 – 158.50.

Figure 6: Naira trades within a range



Source: Bloomberg
Data as at June 2013



Tanzania

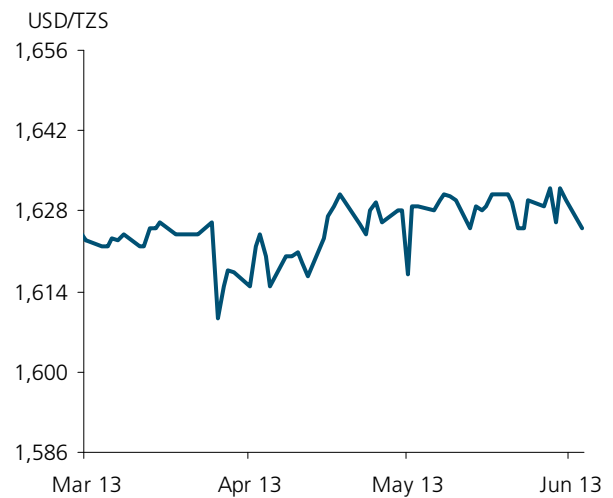
News flash

- The 2-year T-bond yield edged higher this week to 14.3% from 14.05% in the April auction. The amount tendered was TZS42bn, while TZS40bn was offered and accepted.

Shilling (TZS) in brief

- The shilling weakened slightly last week driven by interbank funding/purchases, with USD/TZS closing at 1,628/1,638 on Wednesday. Resistance of 1,640 held as volatility settled at the end of the month. The unit is expected to appreciate slightly this week as US dollar liquidity is boosted by proceeds from aid agencies and exporters.

Figure 7: Expected moderation in shilling volatility



Source: Bloomberg
Data as at June 2013

Zambia

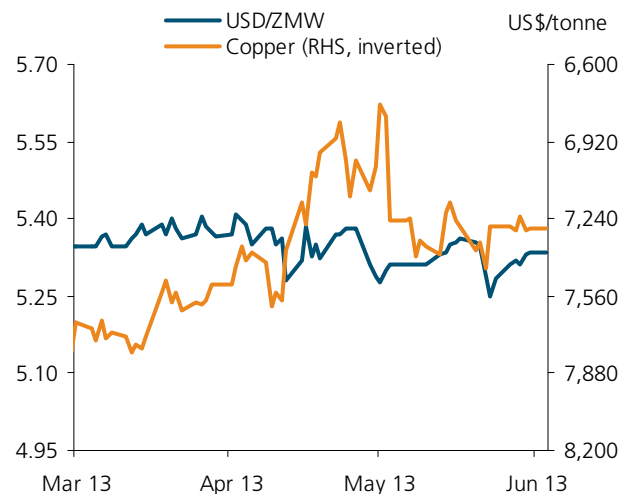
News flash

- The MPC pushed the Bank of Zambia policy rate up by 25bp to 9.5% for June 2013. This did not come as a surprise, seeing that inflation quickened to 7% y/y in May from 6.5% in April. Both food and non-food prices increased. More specifically, petrol and diesel prices surged by 21% at the end of April following the government's cut to the fuel subsidy, which has placed upwards pressure on the inflation print. We expect pressure on food prices over the next few months, especially after the government announced plans to scrap the maize retail price subsidy from the upcoming maize-marketing season starting around July.

Kwacha (ZMW) in brief

- The kwacha is poised at USD/ZMW5.32 and remains resilient to the rand's persistent woes. As a commodity currency, the local unit tends to track its South African counterpart, however it appears more responsive to global risk sentiment. The marginal increase in the policy rate has exerted little influence on the kwacha as it is not generally perceived as an investment currency.

Figure 8: Kwacha poised at USD/ZMW5.32



Source: Bloomberg
Data as at June 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	8.62	1.04	2.59	6.55	8.72	8.79	8.92	9.15
EUR/BWP	11.25	1.89	3.48	6.24	11.34	11.44	11.62	11.93
GBP/BWP	13.11	1.66	3.19	4.57	13.26	13.37	13.56	13.89
BWP/JPY	11.70	-1.09	-3.48	-3.42	1.16	1.16	1.16	1.16
Ghana								
USD/GHS	2.00	0.17	0.08	1.14	2.00	2.06	2.15	2.29
EUR/GHS	2.61	1.02	0.95	0.84	2.61	2.68	2.80	2.99
GBP/GHS	3.04	0.79	0.66	-0.75	3.05	3.13	3.27	3.48
GHS/JPY	50.51	-0.23	-1.06	1.75	201.40	206.88	215.78	229.58
Kenya								
USD/KES	85.00	0.06	0.77	1.37	85.52	86.45	87.93	91.40
EUR/KES	110.89	0.91	1.65	1.07	111.18	112.43	114.43	119.16
GBP/KES	129.25	0.68	1.36	-0.52	129.96	131.33	133.50	138.69
KES/JPY	1.19	-0.13	-1.74	1.51	0.85	0.86	0.88	0.91
Mozambique								
USD/MZN	29.80	-0.33	-1.64	-3.40	29.80	-0.33	-1.64	-3.40
EUR/MZN	38.88	0.52	-0.78	-3.69	38.88	0.52	-0.78	-3.69
GBP/MZN	45.32	0.29	-1.06	-5.20	45.32	0.29	-1.06	-5.20
MZN/JPY	3.39	0.26	0.67	6.53	3.39	0.26	0.67	6.53
Nigeria								
USD/NGN	158.40	0.06	0.06	0.28	158.20	158.20	158.20	158.20
EUR/NGN	206.65	0.91	0.94	-0.01	205.66	205.74	205.89	206.26
GBP/NGN	240.86	0.69	0.65	-1.59	240.41	240.32	240.21	240.06
NGN/JPY	0.64	-0.13	-1.04	2.61	0.64	1.57	1.57	1.58
South Africa								
USD/ZAR	10.03	2.00	5.08	11.47	10.11	10.22	10.36	10.61
EUR/ZAR	13.09	2.87	6.00	11.14	13.18	13.30	13.48	13.86
GBP/ZAR	15.25	2.64	5.70	9.39	15.40	15.53	15.73	16.13
ZAR/JPY	10.06	-2.03	-5.77	-7.68	9.91	9.82	9.69	9.42
Tanzania								
USD/TZS	1,632.00	0.37	0.43	0.25	1,646.00	1,671.00	1,718.50	1,791.00
EUR/TZS	2,129.11	1.22	1.31	-0.05	2,139.85	2,173.18	2,236.52	2,335.02
GBP/TZS	2,481.62	0.99	1.02	-1.62	2,501.40	2,538.42	2,609.33	2,717.75
TZS/ZAR	0.06	-0.44	-1.41	2.65	16.38	16.64	17.12	17.89
Zambia								
USD/ZMW	5.33	0.38	1.52	0.36	5.34	5.36	5.50	5.77
EUR/ZMW	6.95	1.23	2.41	0.06	6.94	6.97	7.16	7.53
GBP/ZMW	8.10	1.00	2.12	-1.51	8.12	8.15	8.35	8.77
ZMW/JPY	18.93	-0.44	-2.47	2.54	0.05	0.05	0.05	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,394.80	-5.2	-14.1	18.1	1,393.0	1,397.8
Copper US\$/tonne	7,241.00	1.7	-1.7	17.8	7,308.0	7,366.0
Softs						
Cattle US\$/lb	144.33	4.0	-8.3	16.7	120.5	129.0
Cocoa US\$/tonne	2,191.00	-8.9	6.2	23.3	2,200.0	2,220.0
Coffee — Arabica US\$/lb	127.05	-9.4	-19.3	25.4	129.2	138.0
Coffee — Robusta US\$/tonne	0.00	-	-	18.1	1,893.0	1,975.0
Cotton US\$/lb	79.51	-6.1	15.9	23.6	79.4	83.0
Maize — Yellow R/tonne	2,350.00	6.2	16.0	25.2	2,385.0	2,411.0
Maize — White R/tonne	2,369.00	8.0	15.2	23.2	2,407.0	2,184.0
Raw Sugar US\$/lb	16.55	-5.6	-13.3	18.6	18.2	18.2
Energy						
WTI Crude US\$/bbl	91.82	-4.0	10.3	22.4	92.1	89.2

Interest rates

	3-m T-Bill		Policy rate
	May-13 ¹	Current	Current
Botswana	4.20	4.82	9.00
Ghana	23.02	22.96	15.00
Kenya	9.50	7.65	8.50
Mozambique	3.21	3.59	9.50
Namibia	5.15	5.15	5.50
Nigeria	11.99	10.99	12.00
South Africa	5.11	5.13	5.00
Tanzania	11.90	11.90	OMO ²
Zambia	6.50	6.50	9.25

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets

All data as at June 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.



Africa

Global Markets Africa

Ebrahim Motala
+27 11 269-9964
ebrahim.motala@rmb.co.za

Global Markets Africa Sales

Sylvester Selepe
+27 11 282-1148
sylvester.selepe@rmb.co.za

Global Markets Africa Trading

Roy Daniels
+27 11 282 4412
roy.daniels@rmb.co.za

Africa Structuring

Raveen Ramlakan
+27 11 269-9150
raveen.ramlakan@rmb.co.za

Botswana

Phila Nhlekisana
+267 364-2830
pnhlekisana@fnbbotswana.co.bw

Mozambique

Jeronimo de Faria-Lopes
+258 21 356-921
jeronimo.defarialopes@fnb.co.mz

Namibia

Michelle van Wyk
+264 61 299-2265
michellew@fnbnamibia.com.na

Nigeria

Pardon Muzenda
+234 1 463-7922
pardon.muzenda@rmb.com.ng

Swaziland

Khetsiwe Dlamini
+268 404-2463
kdlamini@fnb.co.za

Tanzania

Keith Blakeway
+255 768 989-049
kblakeway@fnb.co.tz

Zambia

Llewellyn Foxcroft
+260 (211) 366-800
lfoxcroft@fnbzambia.co.zm

India

Harihar Krishnamoorthy: Head: Global Markets
India
+91 22 6625-8701
harihar.krishnamoorthy@firststrand.co.in

Global Markets regional offices

Cape Town

+27 21 658-9333

Durban

+27 31 580-6390

Port Elizabeth

+27 41 394-2511

India

+91 22 6625-8701

London

+44 20 7939-1700

Business Development — Africa

Banks and DFIs

Minos Gerakaris
+27 11 282-8269
minos.gerakaris@rmb.co.za

Structured Trade and Commodity Finance

Gregory Havermahl
+27 11 282-4847
gregory.havermahl@rmb.co.za

Investment Banking Business Development: Africa

Ayodele Olajiga
+27 11 282-4619/+ 234 808 300 2890
ayodele.olajiga@rmb.co.za

Investment Banking Property Finance: Africa

Ryan Rhodes
+27 11 282-4354
ryan.rhodes@rmb.co.za

Global Markets contact details

Africa Sales and Trading

+27 11 282-8664/4412

Agricultural Trading and Hedging

+27 11 269-9800

Cross-Asset Solutions

+27 11 269 9030

Customer Dealing and Sales

+27 11 269-9230/9175

Distribution and Institutional Solutions

+27 11 269-9295

Energy and Metals Trading

+27 11 269-9140

Equities Prime Broking

+27 11 282-1941

Equity Sales and Research

+27 11 282-8286

Fixed Income Derivatives Trading

+27 11 269-9065

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+27 11 282-1941

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+27 11 269-9040/9100

+27 21 658-9375

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+27 11 269-9040

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+27 11 269-9130

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+27 11 269-9150

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+27 11 269 9150/9030

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+27 11 282-1284

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+27 11 269-9260

RMB Stockbroking Operations

+27 11 282-8401

Securities Lending

+27 11 269-9719

Structured Credit Trading

+27 11 269-9295

Structured Trade and Commodity Finance

+27 11 282-8542

Please email us at globalmarkets@rmb.co.za for more information

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