

2 September 2013

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The week in focus

Botswana

- There were no significant economic data releases or news events last week
- BWP: Pula strengthens along with the rand against the US dollar

CMA

- There were no significant economic data releases or news events last week
- ZAR: Rand ends week strongly helped by comments from SA's finance minister

Ghana

- The Supreme Court overruled opposition challenge to President Mahama's victory
- GHS: Cedi anticipated to end the year above USD/GHS2.00

Kenya

- CPI quickens to 6.7% y/y in August
- KES: Shilling poised at USD/KES87.50 ahead of Tuesday's MPC

Mozambique

- Government sets fixed rate for sales by foreign companies of assets
- MZN: Metical stagnates at 29.60, suggesting little change in local liquidity

Nigeria

- Privatisation of Power Holding Company of Nigeria nears completion
- NGN: Naira at risk of further weakness and month-end inflow underperform

Tanzania

- There were no significant economic data releases or news events last week
- TZS: Shilling suspended below USD/TZS1,620

Zambia

- BoZ retains policy rate at 9.75%
- ZMW: Kwacha impervious to global happenings

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Botswana

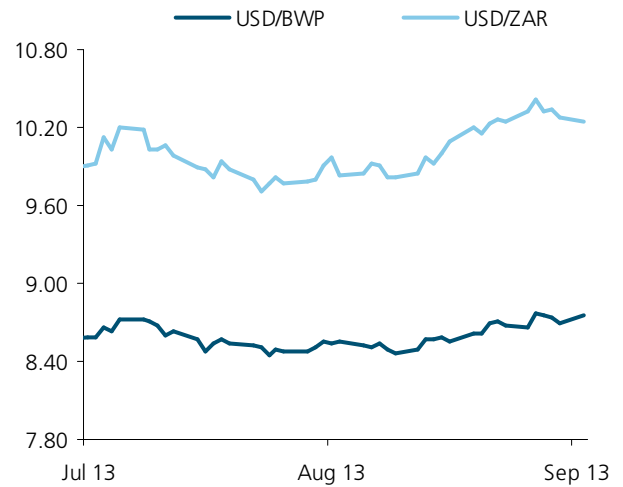
News flash

- There were no significant economic data releases or news events last week.

Pula (BWP) in brief

- The pula was steady against the greenback for most of Friday's session, but strengthened quite rapidly toward the end of the day as the rand registered gains against the dollar. The ZAR received a welcome reprieve from recent losses, after the SA Finance Minister stated that it is still an important shock absorber. This was interpreted as supportive for the currency. The pula closed the day stronger at 0.1147/50 from 0.1142/45 in the morning. Against the rand the pula lost ground to close the day at 1.1774/1.1804 from 1.1818/1.1847 in the morning.

Figure 1: Rand recovery provides impetus for BWP gains against the US dollar



Source: Bloomberg
Data as at September 2013

CMA

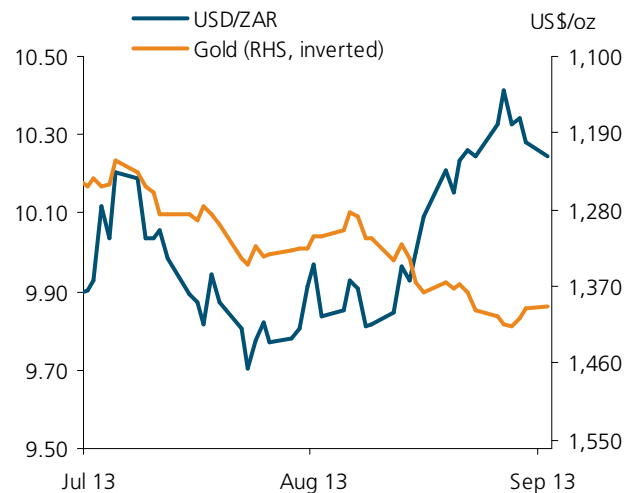
News flash

- Namibia: There were no significant economic data releases or news events last week.

Rand (ZAR) in brief

- The rand ended last week strongly, helped by comments from the finance minister; and should start this week positively, helped by Chinese data and an easing of stress over Syria. The US holiday will, however, constrain liquidity and expect a lot of caution over the intense end-week risks: the G20, central bank rate decisions, the US non-farm payroll numbers and the continued concerns over Syria. USD/ZAR opens in the low- to mid-10.20s, looking to potentially move into the high 10.10s. EUR/ZAR has been a bigger mover, helped by EUR/USD dropping all the way to 1.3200, and looks to trade in the 13.50s this morning

Figure 2: Rand starts week positively



Source: Bloomberg
Data as at September 2013



Ghana

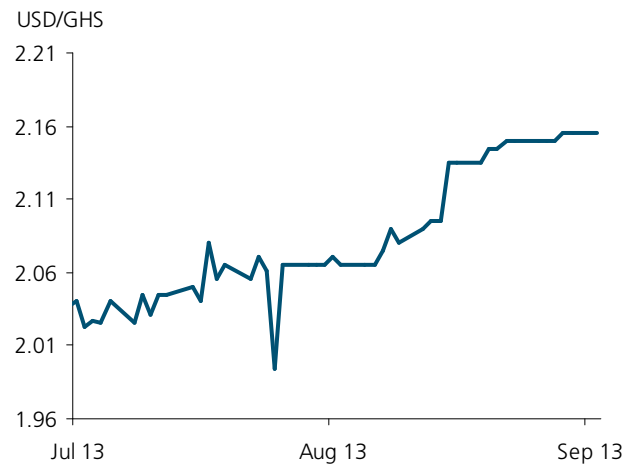
News flash

- The Supreme Court overruled an opposition challenge to President John Mahama's victory in December's presidential election. Now that the verdict has been made, it should provide more guidance as to the steps the government will take to rein in its twin deficits.
- The Cocobod has upwardly revised its production estimate for light cocoa yields by 66% to 150,000 tonnes, believing that the sale of these crops could offset the losses incurred at the main crop auctions. The outlook for the cocoa industry appears bleak as low prices and poor weather conditions have forced the regulator to draw down on its stabilisation fund to meet the fixed farmers' price, which is currently at GHS3,392 (US\$1,574) per tonne. Industry participants have raised concerns about the effect of harsher weather on the impending harvest.

Cedi (GHS) in brief

- The cedi has weakened 12% since the start of the year, prompting us to reassess our view. We now anticipate a mild improvement in the cedi in 2H13, projecting USD/GHS2.05 at the end

Figure 3: Cedi plateaus at USD/GHS2.16



Source: Bloomberg
Data as at September 2013

Kenya

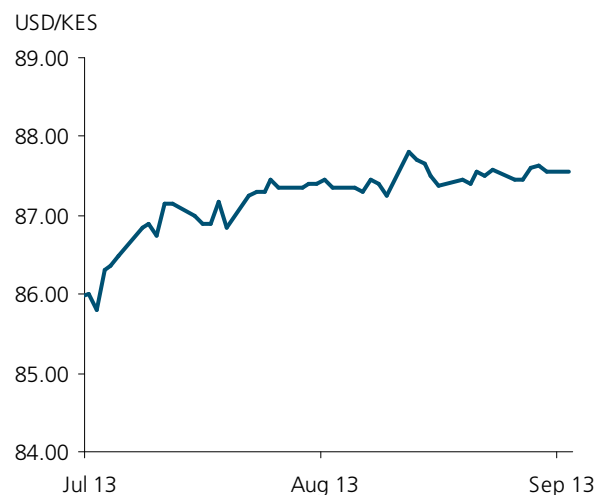
News flash

- Headline CPI accelerated to 6.67% y/y in August from 6.02% July, slightly higher than our expectation of 6.6%. Annual increases were apparent across all categories with the exception of clothing and footwear and communications. Despite a slight quickening in services inflation, on account of higher transportation, core inflation remains anchored. We maintain our average inflation forecast for 2013 at 6.5%.
- The first draft of the revised energy law is expected to come before Kenya's parliament in November 2013, following a thorough reassessment of policies relating to upstream, midstream and downstream activities. The amendments are likely to address guidelines relating to natural gas exploitation and clarify roles in the various aspects of Kenya's fledgling oil industry.

Shilling (KES) in brief

- Trade volumes are likely to slow ahead of the MPC decision on Tuesday as the market waits expectantly for further CBK guidance regarding the currency. We expect interest rates to be kept on hold as inflation begins to trace higher and the shilling remains poised above USD/KES85.00.

Figure 4: Shilling poised at USD/KES87.50 ahead of Tuesday's MPC



Source: Bloomberg
Data as at September 2013



Mozambique

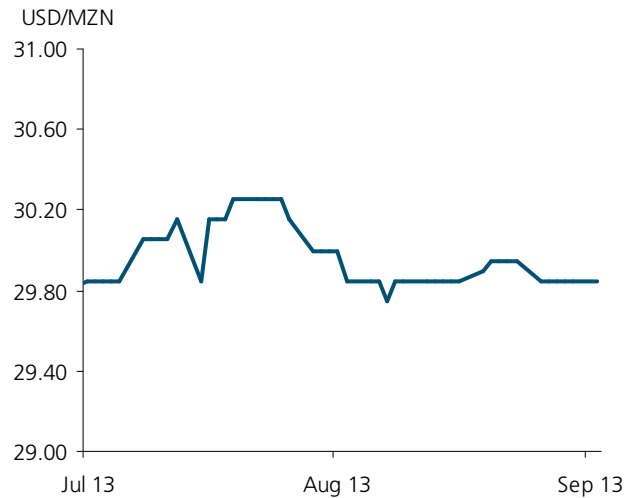
News flash

- Sales by foreign companies of assets in Mozambique will be taxed at a fixed rate of 32% from next year to gain more benefit from the large gas discoveries. The tax was previously on a progressively declining basis, depending on the length of time they were held. The new tax rule will be effective from 1 January 2014. Italy's Eni, in the meantime, will pay the government US\$400m in taxed on its US\$4.2bn sale of a gas field, and is set to build a US\$130m power plant. If the 32% gains tax was already effective, Eni would've paid US\$1.35bn.

Metical (MZN) in brief

- The metical is at risk of slight weakness this week on the back of a widening in the bid/ask spread, reflecting an imbalance in liquidity conditions. The unit has surged to USD/MZN29.85 after a month of relatively subdued trade.

Figure 5: Metical is at risk of slight weakness



Source: Bloomberg
Data as at September 2013

Nigeria

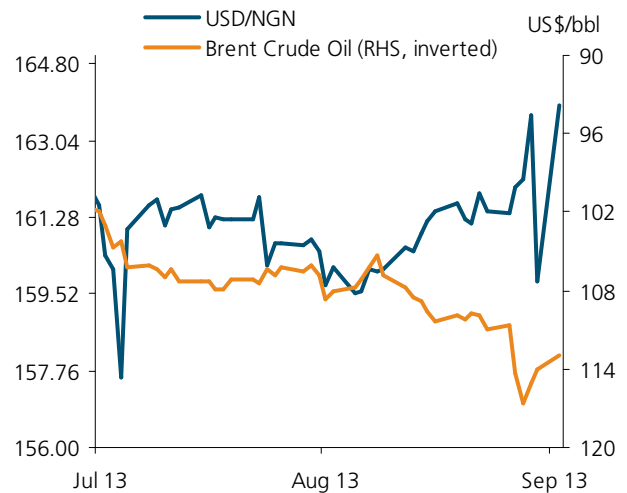
News flash

- The unbundling of the Power Holding Company of Nigeria (PHCN), valued at US\$2.5bn, is nearing completion following the settlement of outstanding balances by 15 bidders. The sale of two of the 17 units has been delayed owing to complications during the bidding process. Nevertheless, the separation of the state entity into 11 generation companies and six distribution firms is a major step forward in the reformation of the power sector, which has produced a meagre 3,300 – 4,000MW of electricity over the last few years, resulting in frequent blackouts.
- The Debt Management Office (DMO) has initiated the process of attaining an advisor to consult on its proposed 5-year US\$100m diaspora bond, which it plans to issue before the end of the calendar year. The coupon is estimated at 350bp above the prevailing 5-year UST rate.

Naira (NGN) in brief

- We expect heightened naira volatility this week, as month-end dollar inflows fail to quell rampant import demand. This might necessitate CBN intervention to ensure that the currency is kept within a 3% band of the USD/NGN155.00 reference rate.

Figure 6: Naira at risk of further weakness as month-end flows underperform



Source: Bloomberg
Data as at September 2013



Tanzania

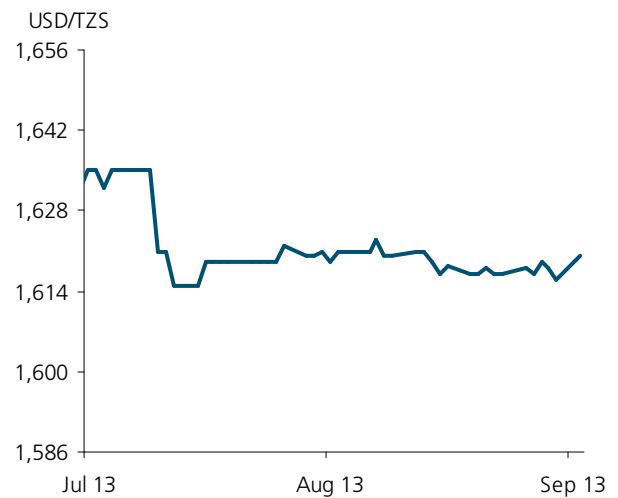
News flash

- There were no significant economic data or news events last week.

Shilling (TZS) in brief

- Month-end inflows has enlarged the pool of available US dollars, allowing intermittent surges in corporate demand to be offset. On the whole, import demand remains subdued supporting a strengthening of the shilling to USD/TZS 1,615/25.

Figure 7: Shilling likely to appreciate on the back of month-end USD inflows



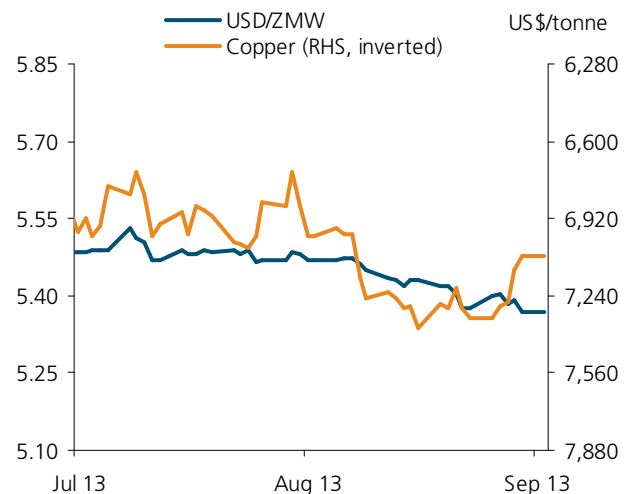
Source: Bloomberg
Data as at September 2013

Zambia

News flash

- The Bank of Zambia retained its benchmark rate at 9.75% on Friday after weighing inflationary risks against a potential moderation in external demand on account of weak global economic growth. The MPC noted that while import inflation has eased, the public sector wage increase, which comes into effect this month, coupled with heightened food demand could exert upward pressure on inflation. The bank, therefore, resolved to maintain a tight monetary policy stance.
- Inflation slowed to 7.1% y/y in August, from 7.3% in July, due to lower food and non-alcoholic beverages prices. On a month-on-month basis, CPI was stable at 0.7%. The country's inflation basket is dominated by the food component (more than 50%) and is therefore sensitive to any changes in the prices.

Figure 8: Kwacha impervious to global happenings



Source: Bloomberg
Data as at September 2013

Kwacha (ZMW) in brief

- The kwacha took its cue from changes in local liquidity conditions. The availability of US dollars provided the impetus for gains throughout the week, though the pool of foreign exchange began to thin slightly on Friday. Momentum will favour continued appreciation although there is a possibility the move down may be running out of steam.



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	8.75	-0.07	0.44	3.15	8.56	8.65	8.77	9.03
EUR/BWP	11.58	-0.77	-0.45	2.98	11.30	11.43	11.60	11.95
GBP/BWP	13.55	-0.24	-0.17	4.15	13.30	13.44	13.63	14.01
BWP/JPY	11.25	0.79	-0.59	-2.66	1.20	1.20	1.19	1.20
Ghana								
USD/GHS	2.16	0.23	0.23	4.36	2.18	2.24	2.34	2.50
EUR/GHS	2.85	-0.47	-0.65	4.19	2.88	2.96	3.09	3.31
GBP/GHS	3.34	0.06	-0.37	5.37	3.38	3.49	3.64	3.88
GHS/JPY	45.64	0.48	-0.38	-3.79	213.89	221.08	230.68	245.60
Kenya								
USD/KES	87.63	0.03	0.15	0.32	88.25	89.45	91.20	104.86
EUR/KES	116.02	-0.66	-0.74	0.15	116.70	118.30	120.67	138.86
GBP/KES	135.79	-0.13	-0.46	1.29	136.79	138.58	141.22	162.22
KES/JPY	1.12	0.68	-0.30	0.09	0.90	0.91	0.93	1.07
Mozambique								
USD/MZN	29.85	0.00	-0.33	-0.50	29.71	30.22	30.81	31.90
EUR/MZN	39.52	-0.70	-1.21	-0.67	39.64	39.96	40.76	42.25
GBP/MZN	46.26	-0.17	-0.93	0.47	46.47	46.81	47.70	49.35
MZN/JPY	3.30	0.72	0.18	0.91	2943.02	2965.19	3020.88	3121.49
Nigeria								
USD/NGN	163.60	0.89	1.08	1.83	159.75	159.75	159.75	159.75
EUR/NGN	216.61	0.19	0.19	1.66	211.24	211.29	211.36	211.55
GBP/NGN	253.51	0.73	0.47	2.82	247.62	247.51	247.37	247.13
NGN/JPY	0.60	-0.18	-1.22	-1.40	0.62	1.63	1.63	1.63
South Africa								
USD/ZAR	10.34	0.12	0.76	5.73	10.29	10.42	10.57	10.86
EUR/ZAR	13.69	-0.58	-0.13	5.56	13.66	13.79	13.99	14.43
GBP/ZAR	16.02	-0.05	0.15	6.76	16.01	16.15	16.37	16.85
ZAR/JPY	9.51	0.60	-0.91	-5.04	9.51	9.41	9.28	8.98
Tanzania								
USD/TZS	1,618.00	-0.06	0.06	-0.12	1,631.00	1,656.00	1,703.50	1,776.00
EUR/TZS	2,142.23	-0.76	-0.82	-0.29	2,156.71	2,190.31	2,253.88	2,351.87
GBP/TZS	2,507.25	-0.23	-0.54	0.85	2,528.12	2,565.75	2,637.79	2,747.38
TZS/ZAR	0.06	0.78	-0.21	0.53	16.61	16.87	17.37	18.15
Zambia								
USD/ZMW	5.39	0.09	0.28	-1.46	5.34	5.36	5.50	5.77
EUR/ZMW	7.14	-0.61	-0.61	-1.63	7.06	7.07	7.26	7.63
GBP/ZMW	8.35	-0.07	-0.33	-0.51	8.28	8.33	8.54	8.96
ZMW/JPY	18.25	0.62	-0.43	1.90	0.05	0.05	0.06	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,393.76	6.3	-17.6	20.9	-	1,400.1
Copper US\$/tonne	7,095.00	1.1	-6.4	20.7	7,099.0	7,152.5
Softs						
Cattle US\$/lb	156.93	2.1	8.5	14.8	126.8	125.8
Cocoa US\$/tonne	2,413.00	5.3	-9.1	26.1	2,436.0	2,461.0
Coffee — Arabica US\$/lb	112.10	-5.2	-31.9	24.7	116.3	123.4
Coffee — Robusta US\$/tonne	0.00	-	-	23.1	1,779.0	1,817.0
Cotton US\$/lb	83.70	-1.9	9.4	22.3	83.5	82.7
Maize — Yellow R/tonne	2,161.00	0.3	-15.7	24.0	2,215.0	2,137.0
Maize — White R/tonne	2,313.00	-0.4	-9.3	23.7	2,360.0	2,138.0
Raw Sugar US\$/lb	16.34	-2.7	-17.4	16.0	17.5	17.5
Energy						
WTI Crude US\$/bbl	106.04	-0.8	9.9	25.5	104.2	95.4

Interest rates

	3-m T-Bill		Policy rate
	Aug - 13 ¹	Current	Current
Botswana	4.18	4.18	8.00
Ghana	22.76	22.63	16.00
Kenya	10.40	10.47	8.50
Mozambique	5.06	5.09	8.75
Namibia	5.15	5.15	5.50
Nigeria	11.50	11.50	12.00
South Africa	5.16	5.15	5.00
Tanzania	12.44	12.44	OMO ²
Zambia	7.99	7.99	9.75

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets

All data as at September 2013

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba3	BB-
Benin	-	-	B
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cape Verde	B+	-	B+
Egypt	B	Caa1	CCC+
Gabon	BB-	-	BB-
Ghana	B+	B1	B
Kenya	B+	B1	B+
Lesotho	BB-	-	-
Mauritius	-	Baa1	-
Morocco	BBB-	Ba1	BBB-
Mozambique	B+	-	B+
Namibia	BBB-	Baa3	-
Nigeria	BB-	Ba3	BB-
Rwanda	B	-	B
Senegal	-	B1	B+
Seychelles	B	-	-
South Africa	BBB	Baa1	BBB
Tunisia	BB+	Ba2	BB-
Uganda	B	-	B+
Zambia	B+	B1	B+

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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