

9 September 2013

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The week in focus

Botswana

- The local money market is at BWP641m long liquidity
- BWP: Pula strengthens after worse than anticipated US non-farm payrolls report

CMA

- There were no significant economic data or news events last week.
- ZAR: USD/ZAR opens at slightly north of 10.00

Ghana

- Fertiliser subsidy to be cut
- GHS: Cedi could firm slightly if BoG renews its efforts to smooth fluctuations

Kenya

- CBK keeps policy rate on hold at 8.5%
- KES: Shilling responds favourably to CBK's policy rate decision

Mozambique

- New state agency sells US\$500m bond
- MZN: Metical registers gains as liquidity conditions ease

Nigeria

- One of three nationalised banks to be sold
- NGN: Naira breaches upper band of CBN target range

Tanzania

- Gold production down in 1H13
- TZS: Shilling is vulnerable to losses as government spending gathers momentum

Zambia

- Wage increases taking effect this month
- ZMW: Kwacha to hold firm over next few days supported by local US dollar supply

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Botswana

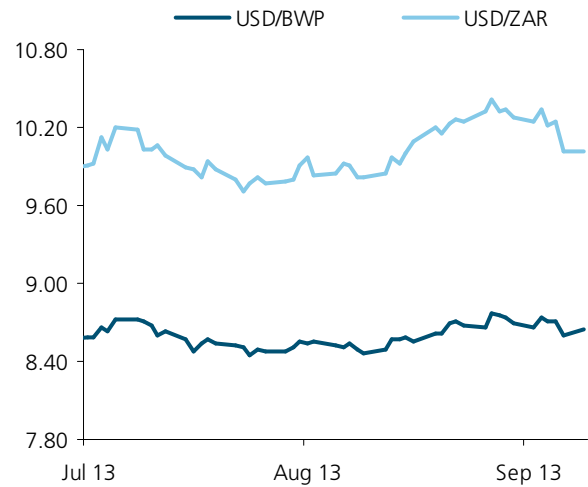
News flash

- The local money market is at BWP641m long liquidity, compared to BWP616m observed on Friday. The interbank traded BWP291.2m at a weighted average rate of 3.06%. The central bank offered Reverse Repos to mop up excess liquidity.

Pula (BWP) in brief

- The pula strengthened against the greenback on Friday after the release of worse than expected US non-farm payroll data. The dollar took a knock against major currencies with investors disappointed that the Fed might delay the withdrawal of its monetary stimulus programme. The pula received additional support from the rand, which strengthened following the end to strikes at certain gold mines in South Africa. The local unit closed the day at 0.1155/58 from 0.1149/52 in the morning. Against the rand the pula closed weaker at 1.1684/1.1713 from 1.1727/1.1756 in the morning.

Figure 1: Pula posts gains against USD following weak US data



Source: Bloomberg
Data as at September 2013

CMA

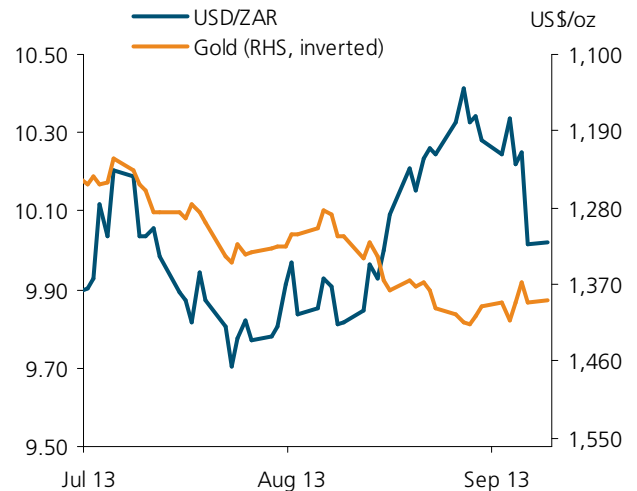
News flash

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

Rand (ZAR) in brief

- An easing of emerging market pressures, the weak payrolls number and the ending of most of the local mining strikes has brought some much needed relief to the rand. USD/ZAR opens at slightly north of 10.00; EUR/ZAR around 13.20. Expect some jumpy trade today as the market tries to find a new level but, after the volatility of the past few weeks, it seems set to be a quiet week.
- Emerging market currencies, including the rand, reached the edge of the cliff last week but stepped away from the brink. The news on the BRICS bank, better emerging market data and some tapering relief has resulted in all the main currencies back well away from their worst. Even the push by US treasuries to the 3.00% mark didn't cause any consternation. As a result, some are now going as far as saying that this mini-emerging market crisis is already over. This seems premature to us but conditions are certainly much calmer this morning.

Figure 2: Rand receives some respite from easing in EM pressures



Source: Bloomberg
Data as at September 2013



Ghana

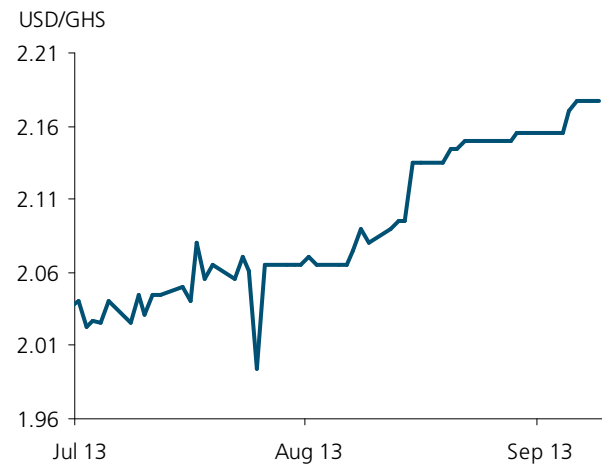
News flash

- The Cocobod is set to start phasing out the fertiliser distribution programme over the next three to five years mainly due to a fall in cocoa prices. The regulator is battling to fund the programme due to weak market prices, and has already reduced its purchases of fertiliser bags to 600,000 in 2013 from 2 million in 2012, and is likely to cut it further to 300,000 next season. The subsidy cut is expected to place downward pressure on the government's 1 million tonnes per annum production forecast.

Cedi (GHS) in brief

- At USD/GHS 2.1550/2.1850, it is difficult to foresee a meaningful reversal in the current depreciatory trend. However, renewed central bank intervention could help to slow the pace of depreciation. As expected, Ghana's international reserve holdings have received a welcomed boost from the proceeds of the Eurobond, which will provide the BoG with the necessary means to smooth short-term fluctuations.

Figure 3: Cedi settles at 2.15 but risks are tilted to the upside



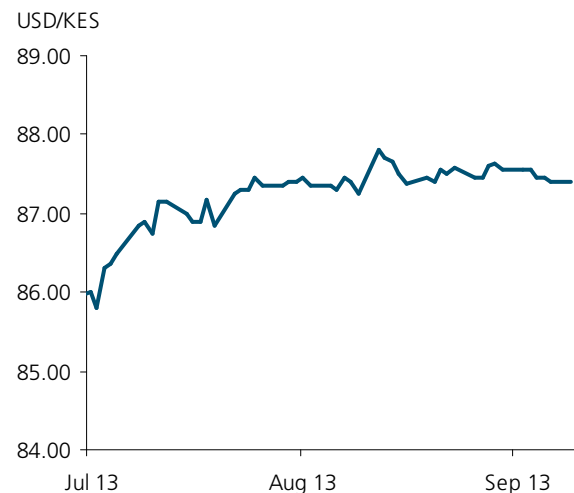
Source: Bloomberg
Data as at September 2013

Kenya

News flash

- The Central Bank of Kenya (CBK) retained its benchmark policy rate at 8.50% yesterday. Price stability was at the forefront of the CBK's considerations. The MPC noted that while there were no demand-driven inflationary pressures to warrant a change in its monetary policy stance, it would continue to monitor any emergent risks that could impact price stability, particularly fluctuations in the international oil price. Favourable base effects will ensure that headline inflation remains within striking distance of the government's medium-term target of 5% in 2013.
- A Eurobond issuance is imminent. The government has indicated that it is in the final stages of appointing the necessary expertise to support the offering which should be carried out before the end of the calendar year.

Figure 4: Shilling has plateaued though fundamentals might drive it weaker



Source: Bloomberg
Data as at September 2013

Shilling (KES) in brief

- The shilling responded positively to the CBK's decision to keep the policy rate unchanged. However, Kenya's burgeoning current account deficit could accelerate the pace of shilling depreciation. While the shortfall is adequately financed, the funding is short term.



Mozambique

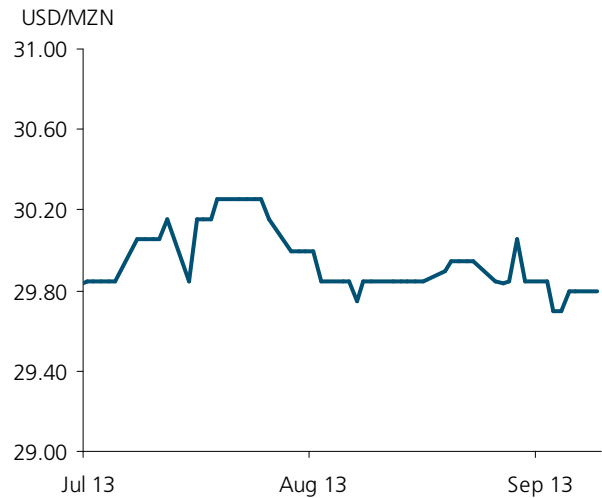
News flash

- New state agency Ematum issued a US\$500m bond on Thursday to buy a tuna fleet. The agency's main focus is the fishing industry. The government-guaranteed, 7-year bond is Mozambique's first dollar issue, and sold at a yield of 8.5%. Mozambique's bond market is largely illiquid, issuing only one local-currency bond a year between 2008 and 2012 and has an underdeveloped secondary market, making this issuance unique.

Metical (MZN) in brief

- Liquidity pressures have eased as evidenced by a slight narrowing in the bid/ask spread on the spot metical rate over the last week. A 30-day simple moving average suggests broadly sideways trade.

Figure 5: Metical holds steady



Source: Bloomberg
Data as at September 2013

Nigeria

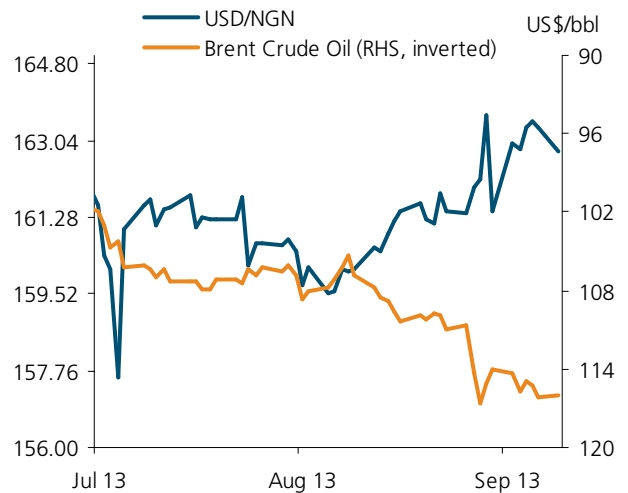
News flash

- AMCON will divest its 100% stake holding in Enterprise Bank. Prospective investors are required to submit their bids together with proof of their financing abilities to AMCON by 20 September. Enterprise Bank, which constitutes 3.6% of AMCON's portfolio, is the first of three nationalised lenders to be sold. Keystone Bank and Mainstreet Bank are likely to be traded in rapid succession as AMCON looks to lessen its role in the banking sector. According to Nigeria's Deposit Insurance Corporation, AMCON's purchase of non-performing loans has led to an improvement in the sector's asset quality. The ratio of NPLs to total loans fell from 4.95% in 2011 to 3.51% in 2012.
- Dangote Industries signed a US\$3.3bn syndicated loan from banks (including FirstRand) for a 400,000 bpd oil refinery and petrochemical plant. The company expects the refinery to be completed around 2016

Naira (NGN) in brief

- The naira experienced intense depreciatory pressure last week, breaching the upper band of the CBN's 3% target range. A pullback to USD/NGN162.50 will depend on the extent of US dollar sales by NNPC and direct dealing on the part of the CBN.

Figure 6: Naira at risk of further weakness as domestic liquidity wanes



Source: Bloomberg
Data as at September 2013



Tanzania

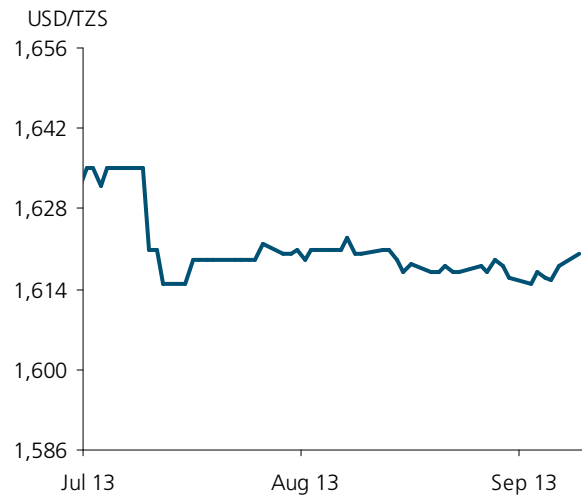
News flash

- Gold production fell by 12% in 1H13 from the year before, while output from major mines declined by 3.1% in 2012 to 1.25m ounces. The downward trajectory is expected to continue due to rising costs in production and the falling gold price. The sector is the biggest foreign-exchange earner in Tanzania, reaching US\$2.1bn in 2012.

Shilling (TZS) in brief

- Though stable, the shilling is vulnerable to losses once government spending gathers momentum. This is likely to unnerve market participants and shift the currency pair's resistance level higher to 1,630.

Figure 7: Shilling's appreciatory bias is likely to fade



Source: Bloomberg
Data as at September 2013

Zambia

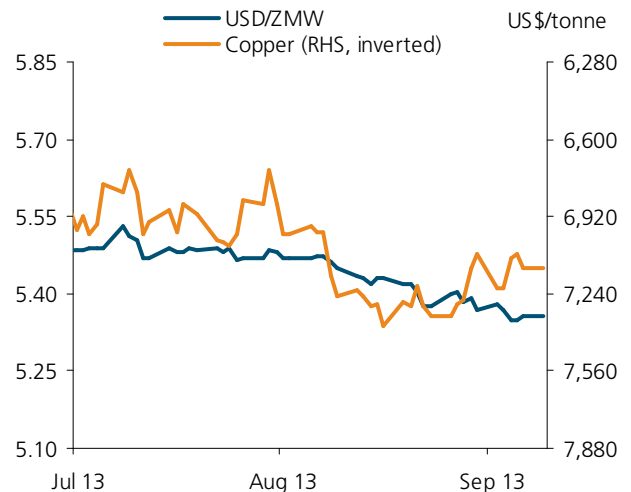
News flash

- Wage increases for civil servants take effect this month. This will have an inflationary effect, while pressure on food prices after the scrapping of the maize retail price will continue throughout 2H13. These pressures are likely to push inflation above the government's 6% year-end target, which could prompt the government to intervene again to curb the extent of inflationary pressures.

Kwacha (ZMW) in brief

- The local market largely ignored international developments, which stirred volatility among major currencies towards the end of the week. Locally, with very little data to drive the market, the greenback's weakness put the kwacha in good stead. The trend remains skewed towards the supply side which should result in the unit holding firm over the next few days.

Figure 8: Kwacha edges stronger as global sentiment improves



Source: Bloomberg
Data as at September 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	8.71	-0.09	-0.43	2.22	8.55	8.64	8.79	9.04
EUR/BWP	11.43	-0.71	-1.28	1.18	11.26	11.38	11.58	11.93
GBP/BWP	13.58	-0.30	0.21	3.93	13.37	13.50	13.72	14.10
BWP/JPY	11.49	0.45	2.15	-0.81	1.17	1.17	1.17	1.17
Ghana								
USD/GHS	2.17	0.70	0.70	5.08	2.21	2.27	2.37	2.53
EUR/GHS	2.85	0.07	-0.16	4.02	2.91	2.99	3.13	3.34
GBP/GHS	3.38	0.48	1.35	6.85	3.45	3.55	3.71	3.95
GHS/JPY	46.10	-0.33	1.00	-3.52	218.73	226.55	236.18	251.74
Kenya								
USD/KES	87.45	0.00	-0.21	0.11	88.00	89.20	90.86	94.93
EUR/KES	114.80	-0.62	-1.06	-0.90	115.99	117.60	119.83	125.32
GBP/KES	136.39	-0.21	0.44	1.79	137.52	139.34	141.84	148.03
KES/JPY	1.14	0.36	1.92	1.27	0.89	0.90	0.92	0.96
Mozambique								
USD/MZN	29.80	0.34	-0.83	-0.17	29.71	30.16	30.75	31.82
EUR/MZN	39.12	-0.29	-1.68	-1.18	39.43	39.76	40.55	42.01
GBP/MZN	46.48	0.12	-0.19	1.51	46.75	47.11	48.00	49.62
MZN/JPY	3.36	0.02	2.56	1.56	-	-	-	-
Nigeria								
USD/NGN	163.50	0.09	-0.06	2.48	159.75	159.75	159.75	159.75
EUR/NGN	214.63	-0.53	-0.91	1.43	210.56	210.61	210.69	210.89
GBP/NGN	254.99	-0.12	0.58	4.19	249.65	249.54	249.39	249.11
NGN/JPY	0.61	0.27	1.77	-1.06	0.63	1.60	1.60	1.60
South Africa								
USD/ZAR	10.25	0.30	-0.86	4.03	10.07	10.14	10.28	10.59
EUR/ZAR	13.46	-0.32	-1.70	2.97	13.25	13.37	13.56	13.96
GBP/ZAR	15.99	0.09	-0.22	5.77	15.71	15.84	16.05	16.49
ZAR/JPY	9.76	0.06	2.59	-2.54	9.86	9.77	9.63	9.34
Tanzania								
USD/TZS	1,615.50	-0.03	-0.15	-0.34	1,633.00	1,658.00	1,705.50	1,778.00
EUR/TZS	2,120.67	-0.65	-1.01	-1.35	2,152.35	2,185.81	2,249.28	2,347.15
GBP/TZS	2,519.53	-0.24	0.49	1.33	2,551.96	2,589.86	2,662.53	2,772.52
TZS/ZAR	0.06	0.39	1.87	1.73	16.48	16.74	17.23	18.00
Zambia								
USD/ZMW	5.35	0.00	-0.74	-2.19	5.34	5.36	5.50	5.77
EUR/ZMW	7.02	-0.62	-1.59	-3.19	7.04	7.06	7.24	7.61
GBP/ZMW	8.34	-0.21	-0.10	-0.56	8.35	8.37	8.59	9.01
ZMW/JPY	18.70	0.36	2.47	3.66	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	1,388.65	5.6	-20.0	20.7	1,386.5	1,390.6
Copper US\$/tonne	7,170.50	-0.2	-8.6	20.6	7,154.8	7,214.0
Softs						
Cattle US\$/lb	156.58	1.8	8.5	14.8	125.7	125.7
Cocoa US\$/tonne	2,544.00	3.3	-6.6	26.7	2,564.0	2,578.0
Coffee — Arabica US\$/lb	113.95	-7.3	-30.0	24.1	117.9	127.0
Coffee — Robusta US\$/tonne	0.00	-	-	22.7	1,764.0	1,798.0
Cotton US\$/lb	83.11	-6.7	9.8	22.6	83.2	82.7
Maize — Yellow R/tonne	2,123.00	-0.1	-15.5	24.0	2,169.0	2,160.0
Maize — White R/tonne	2,306.00	1.1	-7.5	23.7	2,338.0	2,111.0
Raw Sugar US\$/lb	16.79	-1.1	-13.4	17.2	17.8	17.8
Energy						
WTI Crude US\$/bbl	110.20	4.0	14.3	25.5	106.2	96.5

Interest rates

	3-m T-Bill		Policy rate
	Aug - 13 ¹	Current	Current
Botswana	4.18	3.69	8.00
Ghana	22.76	21.43	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	10.88	12.00
South Africa	5.16	5.11	5.00
Tanzania	12.44	12.44	OMO ²
Zambia	7.99	8.17	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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