

14 October 2013

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The week in focus

Botswana

- There were no significant economic news events or data releases last week
- BWP: Pula constrained by global concerns over US budget/debt-ceiling impasse

CMA

- Namibia: Headline CPI eases to 5.5% y/y in September
- ZAR: Rand completely unfazed by happenings in the US

Ghana

- Inflation jumps to 11.9% y/y in September from 11.5% in August
- GHS: The cedi has seemingly flattened at USD/GHS2.18

Kenya

- African Union to appeal to the ICC to have president Kenyatta's trial postponed
- KES: Shilling derives support from export earnings

Mozambique

- Headline inflation rose to 4.52% y/y in September from 4.34% in August.
- MZN: Technical indicators suggest broadly sideways trade

Nigeria

- Production challenges in the oil sector continue to erode government profits
- NGN: Naira at risk of slight weakness as oil inflows slow

Tanzania

- Inflation drops to 6.1% y/y in September from 6.7% in August
- TZS: Shilling continues to meander in a narrow range

Zambia

- AfDB approves US\$150m loan for energy project
- ZMW: Quarterly tax obligations — a likely boon for the kwacha

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Botswana

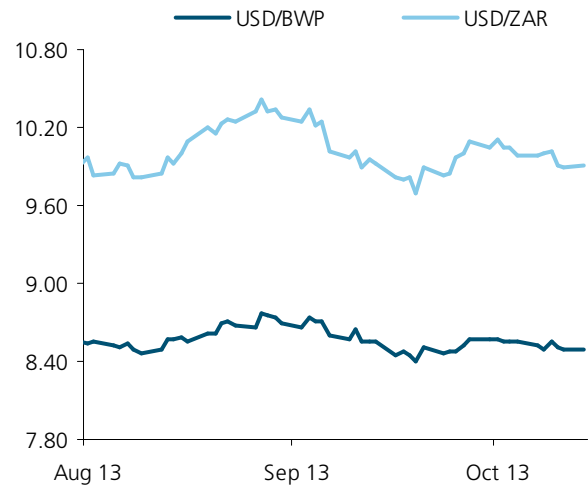
News flash

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

Pula (BWP) in brief

- The pula traded in a narrow range against the greenback on Friday amid uncertainty caused by the US budget disagreement. Investors were not keen to take big positions ahead of the weekend, in case a solution was reached which might have impacted their positions. In the absence of a resolution, the pula is expected to open little changed from Friday's closing level of 0.1176/79. Against the rand, the pula was also steady, closing the day at 1.1657/1.1686 from 1.1631/1.1660 in the morning.

Figure 1: US budget fiasco keeping pula constrained to a narrow range



Source: Bloomberg
Data as at October 2013

CMA

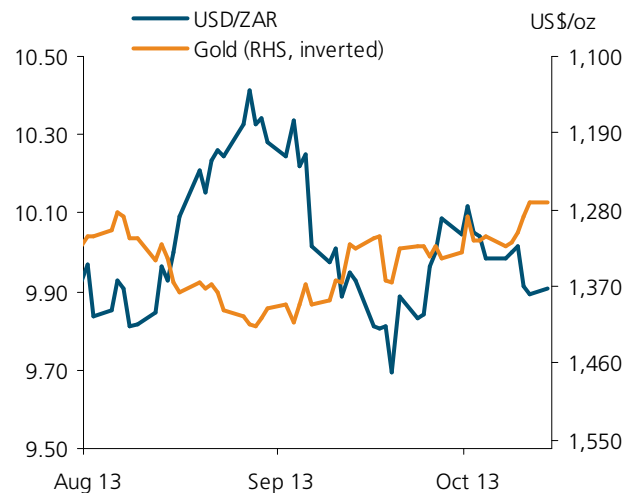
News flash

- Namibia: Inflation eased to 5.5% y/y in September from 6.0% in August. Barring transport and communication, there was a moderation in inflation in all categories. The BoN believes that inflation is currently at tolerable levels and that monetary policy should continue to support growth given the external risk to the growth environment. This is a view we share but we interpret this to mean that current policy of low interest rates will prevail for this year.

Rand (ZAR) in brief

- There is still no resolution in the US budget/debt-ceiling impasse, and still no panic. USD/ZAR opens at 9.92, completely unfazed. Risks are clear. It is Day 14 of the government shutdown and the countdown to hitting the debt ceiling is three days. Over the last two weeks we have warned about the spill over from the US political problems into risky assets. This still hasn't happened. Once again US markets are set to feel the brunt of their local problems and global equities will reflect some pressure but global currency markets are unfazed. We continue to warn though that the currency markets might finally react. US politics are obviously the main focus this week but the data calendar also includes 3Q13 Chinese GDP data.

Figure 2: rand remains impervious to happenings in the US



Source: Bloomberg
Data as at October 2013



Ghana

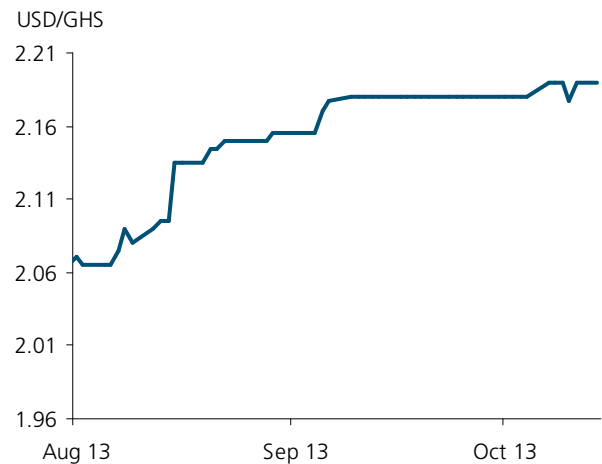
News flash

- Inflation rose to a three-year high of 11.9% y/y in September from 11.5% in August, mainly driven by a steep 27.7% increase in the cost of transportation as the fuel subsidy cut filters into the numbers. We expect inflation to remain above 11% for the remainder of the year as other pressures like the festive season draw near. The BoG has kept its key lending rate unchanged at 16% in September as risks to the inflation outlook and growth are balanced, but warned that upside risks remain, including petrol price adjustments and the hike in utility tariffs. While the BoG expects inflation to ease towards the end of the year due to an improved harvest, cedi stability and subdued global inflation, we believe the pace of the drop will be too slow and pressures remain strong. We therefore expect a further 50bp hike by the end of the year.

Cedi (GHS) in brief

- The cedi has seemingly flattened at USD/GHS2.18, though this is merely an indicative rate. Proceeds from the sale of various debt instruments and the government's efforts to rein in the fiscal account should provide some respite to the ailing currency into year-end.

Figure 3: Cedi holds its ground at 2.18 but liquidity remains problematic



Source: Bloomberg
Data as at October 2013

Kenya

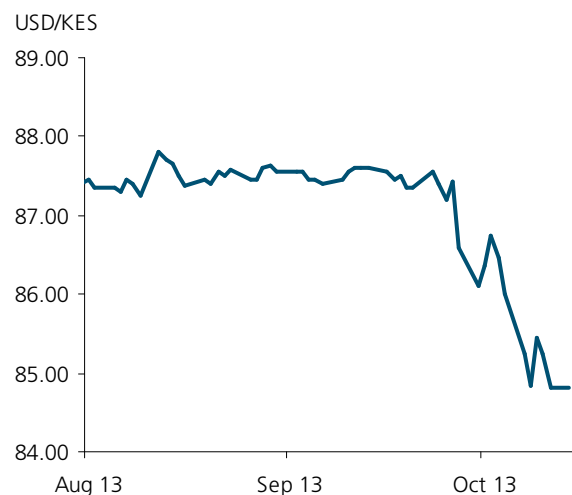
News flash

- The African Union (AU) will appeal to the International Criminal Court to have President Kenyatta's trial postponed. Article 16 of the court's Rome Statute would allow for the trial to be deferred by up to a year subject to renewal. The AU have advised the president to not attend the proceedings in November if the body's demand is not met by the ICC.

Shilling (KES) in brief

- The shilling recovered mild losses towards the end of last week as export earnings augmented the pool of available US dollars, helping to quell import demand. Offshore interest in shilling-denominated equities and bonds should continue to provide support to the local unit, especially as foreign participants seek value amid the budget impasse in the US. Resistance is apparent at USD/KES87.00.

Figure 4: Shilling derives support from offshore interest in shilling assets



Source: Bloomberg
Data as at October 2013



Mozambique

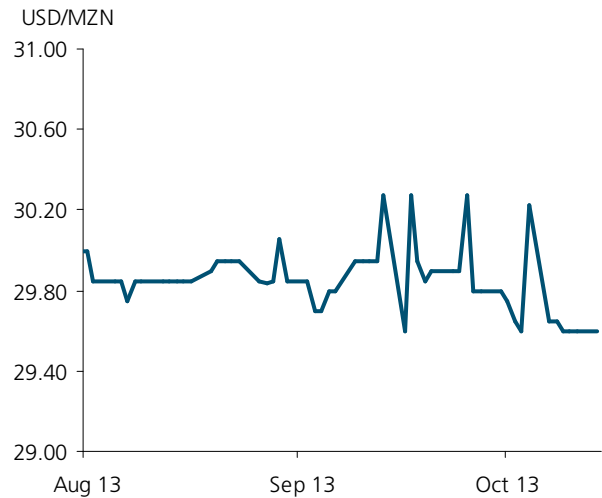
News flash

- Headline inflation rose to 4.52% y/y in September from 4.34% in August. The stable trend stems mostly from the metical strengthening against the rand since mid-July, taking pressure off the import bill and mitigating large inflation movements from the low base. The latest inflation dynamics also reflect a slowdown in seasonal behaviour and a recovery in domestic food production. Inflation should tick up further towards the end of the year as the rand starts recovering against the dollar and the festive season draws closer. We expect inflation to average 5% in 2013.

Metical (MZN) in brief

- The metical continues to take its cue from local liquidity, trading steadily below USD/MZN30.00. Technical indicators continue to suggest broadly sideways trade, though import demand ahead of year end might shift the bias slightly upward.

Figure 5: Metical continues to hover at USD/MZN29.60/70



Source: Bloomberg
Data as at October 2013

Nigeria

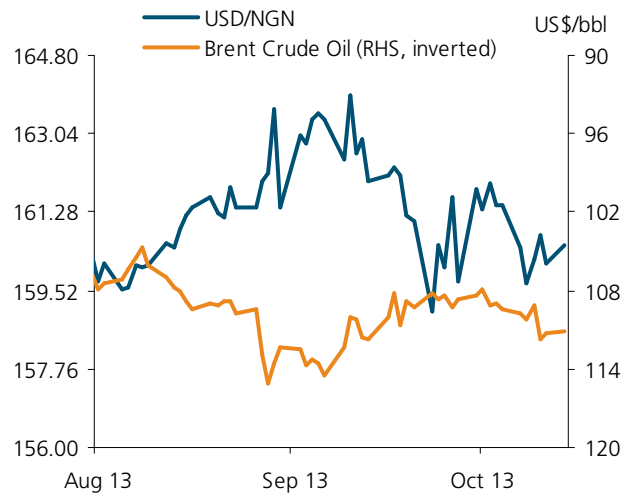
News flash

- Production challenges in the oil sector continue to erode government profits. Fiscal revenues fell 4% at the end of 3Q13 following a series of setbacks at Nigeria's Brass terminal, including a force majeure, maintenance issues and persistent bunkering activities. Despite a moderation in earnings, the three tiers of government are still expected to receive almost 17% of the revenue accrued in September

Naira (NGN) in brief

- Foreign exchange activity was relatively muted at the end of last week. The naira surrendered recent gains to the US dollar amid a slowdown in inflows from multinational oil firms. In light of the short trading week, owing to Eid celebrations, we expect the currency pair to peak above USD/NGN161.00 on the back of growing corporate demand.

Figure 6: Naira anticipated to weaken owing to mounting corporate demand



Source: Bloomberg
Data as at October 2013



Tanzania

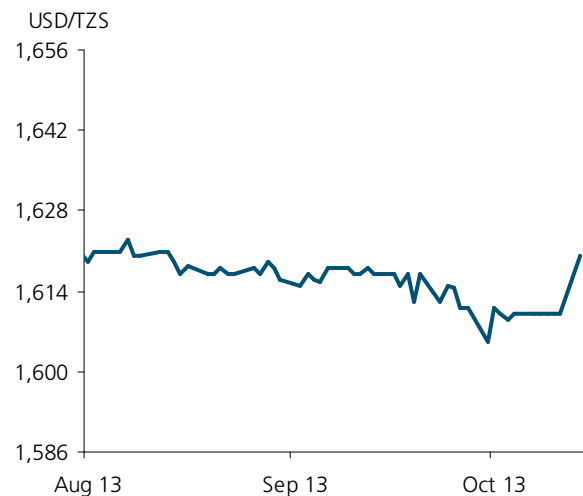
News flash

- Inflation dropped to 6.1% y/y in September from 6.7% in August, due to slowing price increases of certain goods — energy costs rose by 9.6% from an increase of 15.2% in August. The slowdown in inflation over the last 21 months has been largely driven by falling food inflation, supported by an improvement in local supplies and a broadly stable shilling. The rate of disinflation has been faster than anticipated prompting us to revise our annual average inflation rate for 2013 lower, to 8.2%. Our chief dealer at FNB Tanzania, Patrick Kapella, says the declining inflation rate will have more of a long-term impact, where we could start to see yields on government securities easing in the future.

Shilling (TZS) in brief

- The market continued to trade within the thin levels of USD/TZS1,605/1,615 last week. With limited demand from oil companies as well as the beginning of the Hajj pilgrimage, we expect limited activity in the foreign exchange market.

Figure 7: Shilling prospers as corporate activity wanes



Source: Bloomberg
Data as at October 2013

Zambia

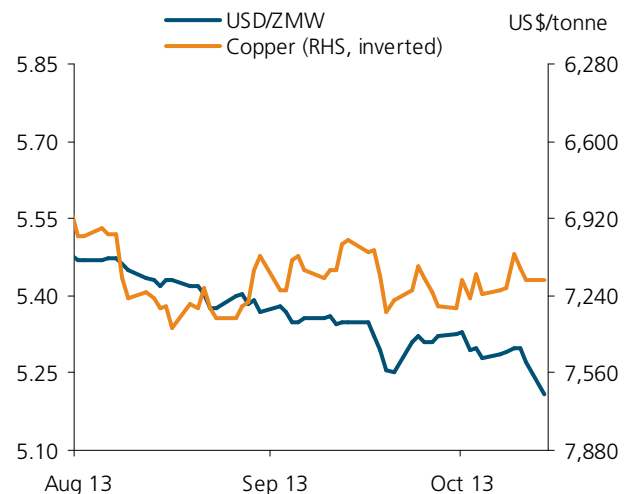
News flash

- The African Development Bank (AfDB) has approved a US\$150m loan to fund a new energy project and finance overhauling at the Maamba coal mine. The loan is meant to improve electricity output by constructing a 300MW coal-fired power plant while helping the Maamba mine's challenges with spontaneous combustion of unused low-grade coal. Zesco aims to invest US\$5.3bn in generation and transmission projects. Currently Zesco has projects such as the US\$2bn Kafue Gorge Lower Power Generation project, the US\$420m Kariba North Bank project and the US\$120m Itezhi Tezhi hydro-electric project.

Kwacha (ZMW) in brief

- The kwacha is likely to trade sideways with a slight bias to a strengthening currency. The second instalment of provisional taxes is due on 14 October. The quarterly tax obligations are fairly substantial requiring companies, whose revenues are in foreign currency, to make conversions. This action should favour currency appreciation. Technically, support is evident at USD/ZMW5.250 and resistance at 5.320.

Figure 8: Kwacha likely to trade sideways



Source: Bloomberg
Data as at October 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	8.51	-0.42	-0.42	-0.76	8.53	8.63	8.78	9.02
EUR/BWP	11.51	-0.34	-1.17	1.21	11.58	11.71	11.91	12.25
GBP/BWP	13.58	-0.31	-1.69	0.86	13.64	13.79	14.01	14.38
BWP/JPY	11.53	1.30	1.33	-0.74	1.16	1.16	1.16	1.16
Ghana								
USD/GHS	2.18	-0.57	-0.11	-0.11	2.21	2.28	2.38	2.54
EUR/GHS	2.94	-0.49	-0.86	1.87	2.99	3.09	3.22	3.45
GBP/GHS	3.48	-0.46	-1.39	1.52	3.53	3.64	3.79	4.05
GHS/JPY	45.06	1.45	1.01	-1.38	217.85	223.63	233.07	248.54
Kenya								
USD/KES	85.25	-0.23	-1.39	-2.52	85.54	86.44	88.04	91.92
EUR/KES	115.28	-0.15	-2.13	-0.57	115.86	117.09	119.29	124.62
GBP/KES	136.08	-0.12	-2.64	-0.92	136.48	137.84	140.30	146.29
KES/JPY	1.15	1.11	2.31	1.05	0.87	0.88	0.89	0.94
Mozambique								
USD/MZN	29.60	0.00	0.00	-1.17	29.71	29.96	30.55	31.62
EUR/MZN	40.03	0.08	-0.75	0.80	40.27	40.59	41.39	42.87
GBP/MZN	47.25	0.11	-1.27	0.45	47.43	47.78	48.68	50.32
MZN/JPY	3.31	0.87	0.89	-0.33	-	-	-	-
Nigeria								
USD/NGN	160.74	0.31	-0.44	-1.05	159.75	159.75	159.75	159.75
EUR/NGN	217.35	0.39	-1.19	0.92	216.37	216.40	216.45	216.57
GBP/NGN	256.57	0.43	-1.71	0.57	254.87	254.75	254.58	254.23
NGN/JPY	0.61	0.56	1.34	-0.45	0.61	1.63	1.63	1.63
South Africa								
USD/ZAR	9.91	-1.06	-1.31	-0.63	9.96	10.03	10.16	10.45
EUR/ZAR	13.40	-0.98	-2.05	1.35	13.46	13.58	13.77	14.15
GBP/ZAR	15.82	-0.95	-2.57	1.00	15.85	15.99	16.19	16.61
ZAR/JPY	9.90	1.95	2.23	-0.87	9.92	9.82	9.69	9.41
Tanzania								
USD/TZS	1,610.00	0.00	0.06	-0.49	1,621.93	1,650.49	1,705.34	1,781.55
EUR/TZS	2,177.04	0.08	-0.69	1.49	2,196.79	2,235.80	2,310.64	2,415.23
GBP/TZS	2,569.88	0.11	-1.21	1.13	2,587.63	2,631.99	2,717.63	2,835.22
TZS/ZAR	0.06	0.87	0.83	-1.01	16.46	16.75	17.32	18.14
Zambia								
USD/ZMW	5.30	0.00	0.00	-1.03	5.34	5.36	5.50	5.77
EUR/ZMW	7.17	0.08	-0.75	0.94	7.23	7.27	7.46	7.84
GBP/ZMW	8.46	0.11	-1.27	0.59	8.52	8.56	8.77	9.20
ZMW/JPY	18.51	0.87	0.89	-0.47	0.05	0.05	0.06	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,270.13	-4.2	-27.6	22.3	1,268.2	1,272.3
Copper US\$/tonne	7,125.00	1.4	-12.9	21.6	7,195.0	7,242.3
Softs						
Cattle US\$/lb	167.48	6.5	17.0	14.8	132.5	128.0
Cocoa US\$/tonne	2,746.00	6.6	16.1	24.3	2,746.0	2,714.0
Coffee — Arabica US\$/lb	116.70	1.0	-27.8	23.2	116.7	126.5
Coffee — Robusta US\$/tonne	0.00	-	-	29.6	1,716.0	1,716.0
Cotton US\$/lb	83.84	-1.6	17.5	19.2	83.4	80.4
Maize — Yellow R/tonne	2,145.00	0.9	-15.6	24.0	2,145.0	1,981.0
Maize — White R/tonne	2,332.00	0.3	-7.5	23.7	2,332.0	2,111.0
Raw Sugar US\$/lb	18.93	10.8	-5.6	17.4	19.3	19.3
Energy						
WTI Crude US\$/bbl	101.81	-5.9	10.8	20.3	101.5	95.7

Interest rates

	3-m T-Bill		Policy rate
	Sept - 13 ¹	Current	Current
Botswana	3.60	3.60	8.00
Ghana	20.80	23.29	16.00
Kenya	9.10	9.93	8.50
Mozambique	5.11	5.15	8.75
Namibia	5.15	5.13	5.50
Nigeria	10.85	11.28	12.00
South Africa	5.10	13.76	5.00
Tanzania	13.84	5.09	OMO ²
Zambia	7.99	8.00	9.75

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets
All data as at October 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+	B1	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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