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The week in focus

Botswana

- There were no significant economic data or news events last week
- BWP: Pula was a touch weaker against the greenback on Friday

CMA

- There were no significant economic data or news events last week
- ZAR: Tapering clarity this week

Ghana

- Headline inflation drops to 11.5% y/y in August from 11.8% in July
- GHS: Cedi stabilises as BoG maintains support to foreign exchange market

Kenya

- CBK to issue 12-year, US\$229m infrastructure bond
- KES: Shilling could strengthen as CBK steps up its mopping activities

Mozambique

- Headline inflation slows to 4.34% in August; benchmark lending rate unchanged
- MZN: Metical is stuck in a sideways trend

Nigeria

- Nigeria expanded by 6.18% y/y in 2Q13
- NGN: Naira continues to fall prey to rampant import demand

Tanzania

- Lessening in domestic price pressures evident in August CPI print
- TZS: Shilling benefits from favourable liquidity conditions

Zambia

- Operations at the Tanzania-Zambia Railway Authority resume after strikes
- ZMW: Kwacha remains a determinant of changes in local supply and demand

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Botswana

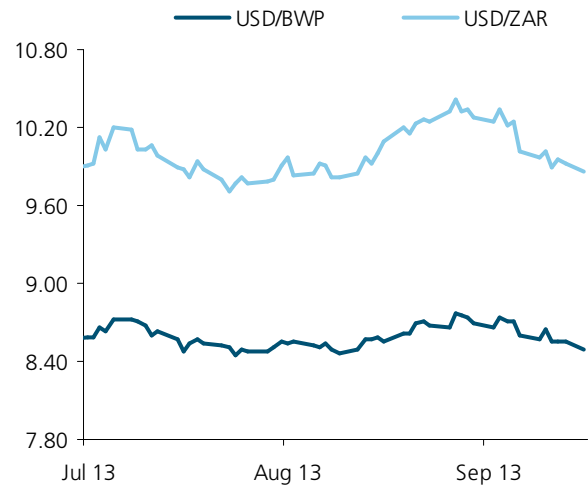
News flash

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

Pula (BWP) in brief

- The pula was a touch weaker against the greenback on Friday, mainly as the dollar recovered on the back of investors adjusting their positions ahead of the weekend and the upcoming Federal Reserve policy meeting. The major focus is on the US central bank announcement regarding its stimulus programme, especially after recent data showed signs of slow growth in the third quarter. The pula closed the day at 0.1170/73 from 0.1166/69 in the morning. Against the rand, the pula was little changed closing the day at 1.1624/53 from 1.1637/1.1666 in the morning.

Figure 1: Pula to be guided by outcome of Fed meeting on Wednesday



Source: Bloomberg
Data as at September 2013

CMA

News flash

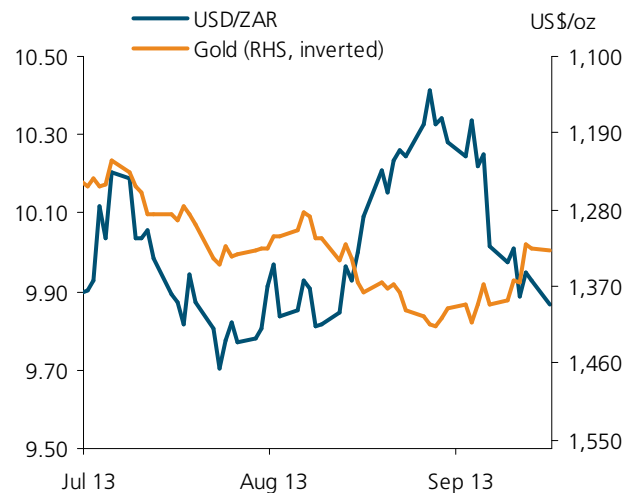
- There were no significant economic data or news events last week.

Rand (ZAR) in brief

- Expect jumpy but directionless trade pre-Fed tapering decision. Expect volatile and strongly directional trade post-Fed tapering decision. For the rand, more/faster than expected tapering is bad; less/slower or no tapering is good. USD/ZAR starts the week at the low- to mid-9.90s. EUR/ZAR is stuck at 13.20.

Surveys differ, so the market's expectation is uncertain. It seems the general view is for around US\$10 – 15bn of immediate tapering and for QE to be finished by June 2014 or at most 3Q14. There are those that still think the Fed will hold off until October, or even December, before starting to taper and some that think the tapering will be a full US\$20bn. Apart from the headline tapering, there are also other key issues to watch such as the forecasts on growth and any further "forward guidance" on interest rates. Wednesday's announcement will be the key event for the week, and possibly the year. With the lack of clarity on what the market expects, volatility post the event is almost certain no matter the outcome.

Figure 2: Rand's direction to be determined by Fed's decision on tapering



Source: Bloomberg
Data as at September 2013



Ghana

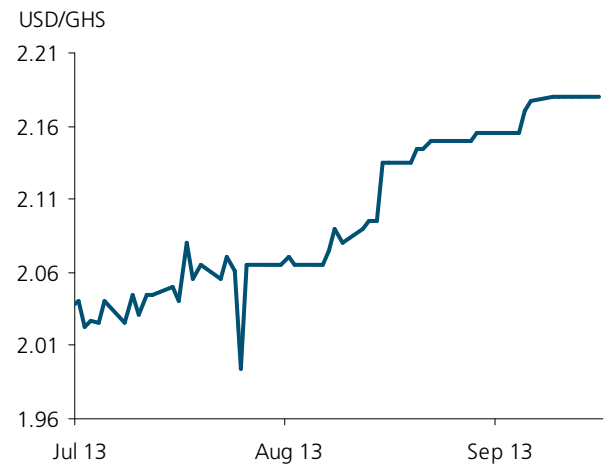
News flash

- Headline inflation dropped to 11.5% y/y in August from 11.8% in July as prices of non-food items decreased. Although the cedi has experienced some temporary respite from the Eurobond proceeds, the unit remains weak against the US dollar, placing continued pressure on headline inflation. Meanwhile, fertiliser subsidies are set to unravel and utility prices to increase in the next few weeks. While the inflation rate decreased this month, the pace of the drop is too slow and pressures remain strong — we therefore believe that a 50bp increase in the policy rate is likely in next week's MPC meeting.
- The BoG will issue a GHS600m 5-year bond on 26 September to service maturing debts.

Cedi (GHS) in brief

- The cedi is likely to stabilise at current levels this week as the central bank of Ghana maintains its support to the foreign exchange market through direct selling of international reserves. Inflows from a local bond issuance and syndicated loans for cocoa purchases should augment reserves, providing additional support to the cedi.

Figure 3: Cedi likely to stabilise at current levels this week



Source: Bloomberg
Data as at September 2013

Kenya

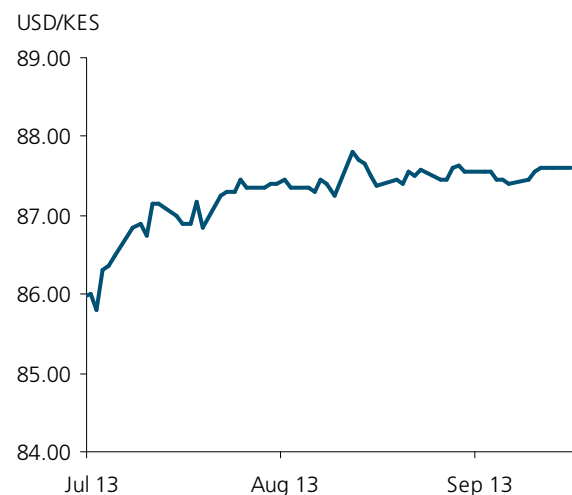
News flash

- The CBK will issue a 12-year, US\$229m infrastructure bond at the end of the month. The proceeds will be used to fund water, sewerage and irrigation programmes as part of Vision 2030. Infrastructure bonds are attractive long-term investment vehicles providing exposure to Kenya's promising macroeconomic fundamentals. Aside from a fixed coupon rate of 11%, payable semi-annually, the bond is attractive as it is a listed instrument which can be used as collateral and qualifies for statutory liquidity requirements.

Shilling (KES) in brief

- The central bank of Kenya's attempts to tighten money market liquidity through mopping up activities could inadvertently help the shilling regain ground against the US dollar. Corporates are likely to draw down on the available pool of shillings this week to meet local tax obligations. This is likely to squeeze liquidity, compelling firms to thin their US dollar positions to fund shilling commitments. We anticipate slight appreciation should this occur.

Figure 4: Shilling to recoup losses against USD with the help of CBK



Source: Bloomberg
Data as at September 2013



Mozambique

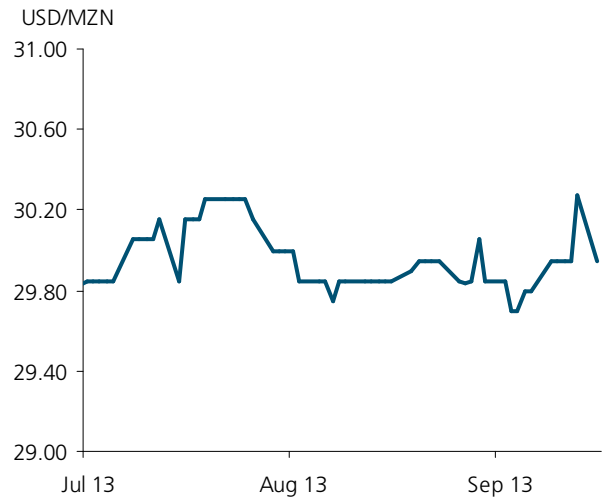
News flash

- Inflation slowed for a fourth month in a row to 4.34% in August from 4.58% in July. The downward trend stems mostly from the metical strengthening against the rand since mid-July, taking pressure off the import bill. The BDM kept its benchmark lending rate unchanged at 8.75% as inflation remains within the government's 2013 target, while the current stance is appropriate for the global risks that could affect local economic growth. Although the BDM kept rates unchanged this month, CPI remains well below the government's average target of 7% for 2013 and points to the possibility of further rate cuts in 2H13.

Metical (MZN) in brief

- The metical is stuck in a sideways trend. Despite edging higher, the currency pair is still suspended below 30.00 and within range of our year-end target of USD/MZN29.00.

Figure 5: Metical stuck in a sideways trend



Source: Bloomberg
Data as at September 2013

Nigeria

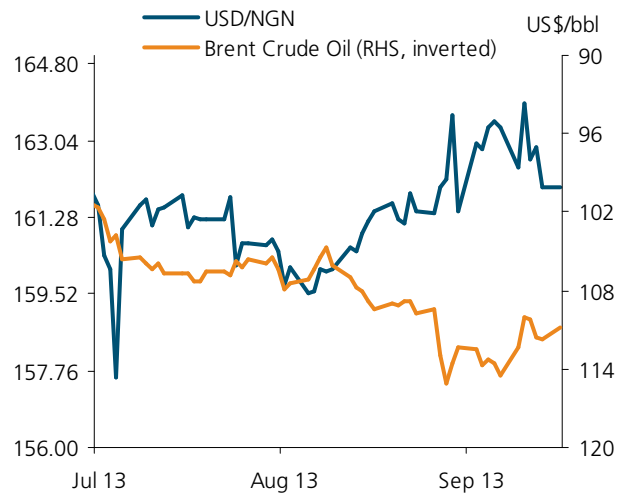
News flash

- Nigeria expanded at a measured rate in 2Q13, growing at 6.18% y/y compared to 6.56%. The non-oil sector gathered momentum between April and June, driven by agriculture, airlines, hotels and restaurants as well as building and construction, while the oil sector continued to underperform due to production challenges. Average daily production slipped from 2.3m/bpd in 1Q13 to 2.1m/bpd over the next three months on account of vandalism and theft. Supply disruptions largely offset the benefits accruing from the stability in the international oil price. The sector's contribution to real GDP growth continued to wane, falling to 12.9%, smaller than wholesale and retail trade.

Naira (NGN) in brief

- The naira continues to fall prey to rampant import demand and a sell of in local equity markets. Recent volatility has also prompted forward hedging as corporates look to mitigate the risk of further weakness. At 162.85, the naira is well outside the official trading range, which could prompt more aggressive intervention by the CBN.

Figure 6: Naira continues to fall prey to rampant import demand



Source: Bloomberg
Data as at September 2013



Tanzania

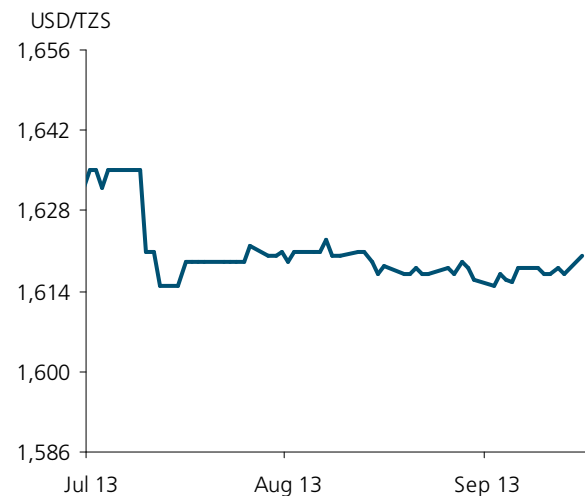
News flash

- Headline inflation receded to 6.7% y/y in August from 7.5% in July, reflecting a continued lessening in price pressures. Core inflation registered a slightly smaller drop of 0.5% y/y as three of the six services components, comprising 11.7% of the total consumer basket, recorded annual increases of between 0.2% and 2.0%. 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%.

Shilling (TZS) in brief

- Despite heightened intra-day volatility, the shilling ended the week stronger benefitting from favourable liquidity conditions and limited corporate demand. The movement in the local unit is, however, not consistent with changes in Tanzania's current account deficit which implies shilling weakness.

Figure 7: Shilling benefits from improved liquidity conditions



Source: Bloomberg
Data as at September 2013

Zambia

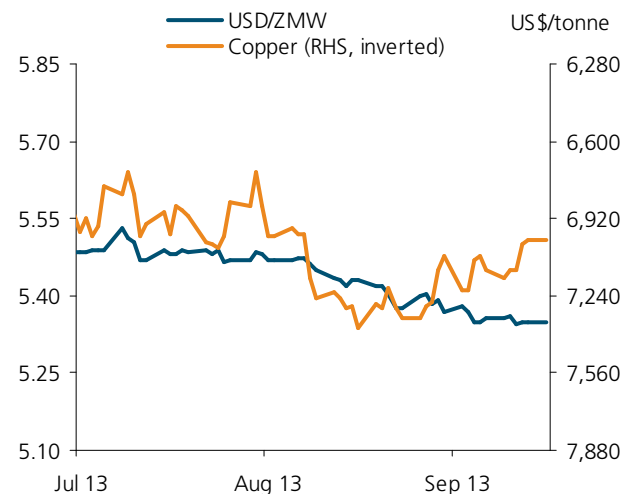
News flash

- Operations at the Tanzania-Zambia Railway Authority (TAZARA) resumed last week after 1,000 workers downed tools for two weeks due to unpaid wages. The Zambian and Tanzanian governments paid US\$6m in salary arrears. The railway suffered losses of more than US\$1.4m from the disruption.

Kwacha (ZMW) in brief

- The dollar edged up last Friday as uncertainty over whether the US Federal Reserve will scale back monetary stimulus this week, dampened global risk appetite. The resurgence in Fed fears broke a seven day run on Wall Street and the incipient rally in EM currencies. The kwacha, though correlated to global happenings, is unlikely to deviate meaningfully from its current trading range of USD/ZMW5.34 – 5.36 on account of changes in the Fed rhetoric. The local unit has, and should remain, a determinant of domestic liquidity conditions in the short-term.

Figure 8: Kwacha's direction should remain a function of domestic liquidity



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	8.55	-0.04	-1.80	0.73	8.55	8.64	8.79	9.04
EUR/BWP	11.38	0.04	-0.42	0.76	11.26	11.38	11.58	11.93
GBP/BWP	13.52	-0.02	-0.43	2.91	13.37	13.51	13.73	14.11
BWP/JPY	11.60	-0.85	0.94	2.03	1.18	1.18	1.17	1.17
Ghana								
USD/GHS	2.18	0.00	0.46	4.31	2.21	2.28	2.38	2.53
EUR/GHS	2.90	0.08	1.87	4.34	2.94	3.04	3.18	3.39
GBP/GHS	3.45	0.02	1.86	6.56	3.51	3.63	3.78	4.03
GHS/JPY	45.49	-0.89	-1.32	-1.48	219.46	225.04	234.67	249.74
Kenya								
USD/KES	87.60	0.00	0.17	-0.23	88.08	89.31	90.89	94.60
EUR/KES	116.60	0.08	1.58	-0.20	117.09	118.76	120.90	125.96
GBP/KES	138.52	0.02	1.57	1.93	139.78	141.68	144.09	149.82
KES/JPY	1.13	-0.89	-1.04	3.00	0.89	0.90	0.92	0.96
Mozambique								
USD/MZN	29.95	0.00	0.50	0.34	29.71	30.64	31.23	32.31
EUR/MZN	39.87	0.08	1.91	0.37	40.41	40.74	41.54	43.02
GBP/MZN	47.36	0.02	1.90	2.51	48.24	48.60	49.51	51.17
MZN/JPY	3.31	-0.89	-1.37	2.42	-	-	-	-
Nigeria								
USD/NGN	162.90	0.18	-0.37	1.43	159.75	159.75	159.75	159.75
EUR/NGN	216.84	0.26	1.03	1.46	212.37	212.42	212.50	212.71
GBP/NGN	257.59	0.20	1.02	3.63	253.53	253.42	253.27	253.00
NGN/JPY	0.61	-1.07	-0.50	1.32	0.62	1.61	1.61	1.61
South Africa								
USD/ZAR	9.95	0.61	-2.93	1.04	9.91	10.06	10.20	10.42
EUR/ZAR	13.25	0.69	-1.57	1.07	13.26	13.38	13.57	13.96
GBP/ZAR	15.74	0.63	-1.58	3.23	15.83	15.96	16.17	16.61
ZAR/JPY	9.97	-1.49	2.12	1.71	9.96	9.87	9.73	9.44
Tanzania								
USD/TZS	1,618.00	0.06	0.15	-0.19	1,633.00	1,658.00	1,705.50	1,778.00
EUR/TZS	2,153.72	0.14	1.56	-0.16	2,170.93	2,204.63	2,268.60	2,367.41
GBP/TZS	2,558.54	0.08	1.55	1.98	2,591.63	2,630.16	2,703.89	2,815.88
TZS/ZAR	0.06	-0.95	-1.02	2.96	16.43	16.69	17.18	17.95
Zambia								
USD/ZMW	5.35	0.09	0.00	-1.56	5.34	5.36	5.50	5.77
EUR/ZMW	7.12	0.17	1.40	-1.53	7.10	7.16	7.35	7.73
GBP/ZMW	8.46	0.11	1.39	0.57	8.47	8.54	8.76	9.19
ZMW/JPY	18.54	-0.98	-0.87	4.40	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	1,326.87	-3.6	-25.1	21.8	1,308.6	1,312.5
Copper US\$/tonne	7,028.50	-4.2	-16.3	21.3	7,033.8	7,094.0
Softs						
Cattle US\$/lb	157.30	1.6	8.5	14.8	129.2	126.2
Cocoa US\$/tonne	2,576.00	5.4	-2.5	25.9	2,601.0	2,604.0
Coffee — Arabica US\$/lb	115.55	-4.1	-36.1	24.2	120.0	128.7
Coffee — Robusta US\$/tonne	0.00	-	-	18.9	1,747.0	1,778.0
Cotton US\$/lb	84.80	-9.2	12.5	21.7	84.5	83.2
Maize — Yellow R/tonne	2,126.00	-0.2	-14.5	24.0	2,166.0	2,155.0
Maize — White R/tonne	2,324.00	1.5	-5.3	23.7	2,342.0	2,101.0
Raw Sugar US\$/lb	17.09	0.9	-14.2	14.9	18.3	18.3
Energy						
WTI Crude US\$/bbl	107.34	-0.1	8.4	18.8	104.4	95.6

Interest rates

	3-m T-Bill		Policy rate
	Aug - 13 ¹	Current	Current
Botswana	4.18	3.64	8.00
Ghana	22.76	21.29	16.00
Kenya	10.40	9.23	8.50
Mozambique	5.06	5.11	8.75
Namibia	5.15	5.15	5.50
Nigeria	11.50	10.90	12.00
South Africa	5.16	5.12	5.00
Tanzania	12.44	13.06	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 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+

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



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