

23 September 2013

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The week in focus

Botswana

- IMF prompts the government to increase public sector efficiency
- BWP: Pula volatility driven by global uncertainty over start of Fed tapering

CMA

- Namibia: Evidence suggests that retail vacancies are low
- ZAR: Rand oversold

Ghana

- The BoG retains its benchmark policy rate at 16%
- GHS: Cedi to remain stable amid anticipated increase in portfolio flows

Kenya

- Energy Regulatory Commission (ERC) makes upward revision to fuel prices
- KES: Shilling to remain suspended below USD/KES88.00 in the short-term

Mozambique

- Moody's assigns a B1 credit rating to local and foreign currency debt
- MZN: Short-term momentum indicators suggest broadly sideways trade

Nigeria

- Government submits FY2014/2015 budget proposal to National Assembly
- NGN: Naira to receive welcome boost from month-end sales

Tanzania

- Current account widens in the year to July
- TZS: Shilling continues to meander in a narrow range

Zambia

- Zambia attracts more than US\$3bn in investment in 1H13
- ZMW: Kwacha to remain firm

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Botswana

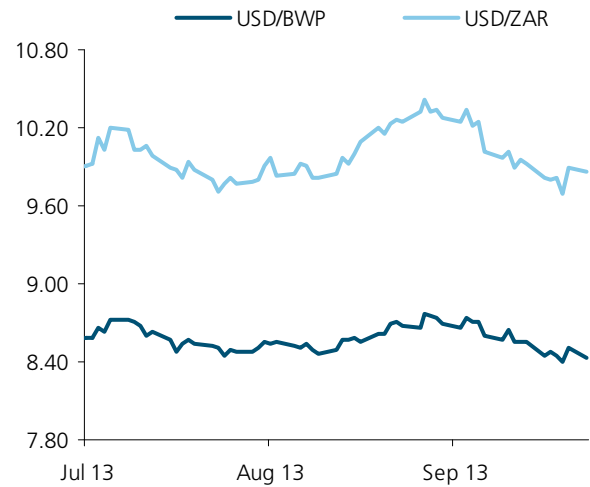
News flash

- The conclusion of the IMF's most recent Article IV consultation yielded mixed results. While Botswana has adopted a multi-faceted approach to economic diversification, the institution contends that the government needs to improve public sector efficiency to promote expansion amid slower GDP growth, stubborn unemployment and elevated levels of income inequality. On the fiscal front, the IMF advocates pro-growth consolidation measures but has encouraged authorities to broaden the tax base to accommodate planned capital spending. The IMF are in agreement with the government's strategy of balancing financial inclusion against the stability of financial system, lauding the BoB's efforts in this regard.

Pula (BWP) in brief

- The pula strengthened against the dollar toward the end of last week, but weakened as risk assets conceded most of their post-Fed gains. According to Reuters, the pula closed the week at 0.1182/87, reflecting an appreciation of 3.1% over the last month.

Figure 1: Pula strengthens temporarily as global uncertainty brews



Source: Bloomberg
Data as at September 2013

CMA

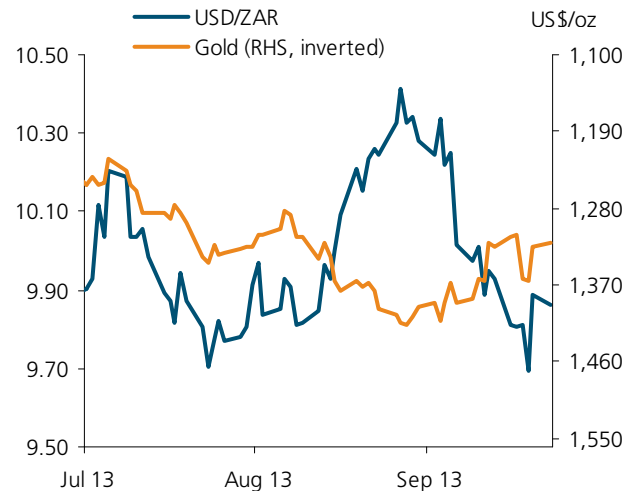
News flash

- Namibia: According to JHI Properties, retail vacancies are low suggesting that the property market is performing well. Several refurbishments have been undertaken across the country including the Sanlam Centre in Windhoek, the Oshakati Shopping Centre and the Ondangwa Shopping Centre where Shoprite is expanding its 1,562m² premises by a further 600m².

Rand (ZAR) in brief

- The rand has been oversold. Not only has it been the worst performer in the Emerging Market world, but it is also now weaker than where it was pre-Fed. From a 9.90 high, expect USD/ZAR moves back to 9.85 and even to 9.80. Rand gains will be assisted by this morning's good Chinese data. Tuesday's local holiday will constrain liquidity but expect another volatile week as the markets struggle to adjust to the Fed decision and trade off increased global political risk.

Figure 2: Rand relinquishes recent gains against the US dollar



Source: Bloomberg
Data as at September 2013



Ghana

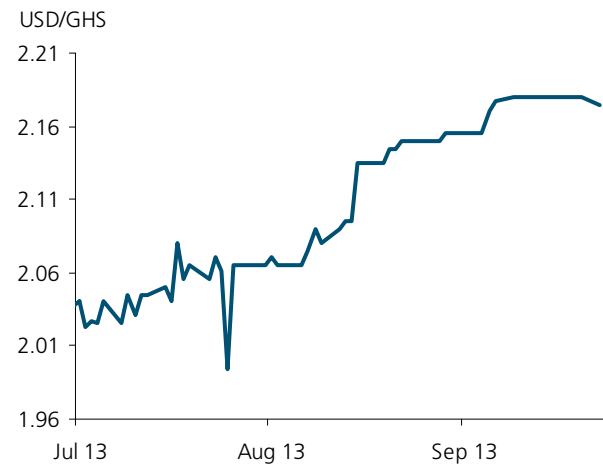
News flash

- The central bank has kept its key lending rate unchanged at 16% last week as the MPC viewed the risks to the inflation outlook and growth as balanced. The central bank noted that exchange rate volatility had reduced significantly and should ease further due to proceeds from the cocoa syndication loan. Regardless of the drop in headline inflation, the BoG warned that upside risks remain, including petrol price adjustments and the imminent hike in utility tariffs in 4Q13. The tone of the MPC statement, however, points to the central bank keeping rates unchanged at its next meeting, as the BoG believes an improved harvest, cedi stability and subdued global inflation will moderate the inflationary pressures.
- Cocobod has concluded a US\$1.2bn syndicated loan with international lenders that will allow it to finance 830,000 tonnes of cocoa from farmers for the season.

Cedi (GHS) in brief

- The 5-year T-bond offering, due to be auctioned this week, is expected to draw considerable offshore demand keeping the cedi within a stable trading band of USD/GHS2.1650 – 2.1900.

Figure 3: Cedi to remain stable amid expected increase in portfolio flows



Source: Bloomberg
Data as at September 2013

Kenya

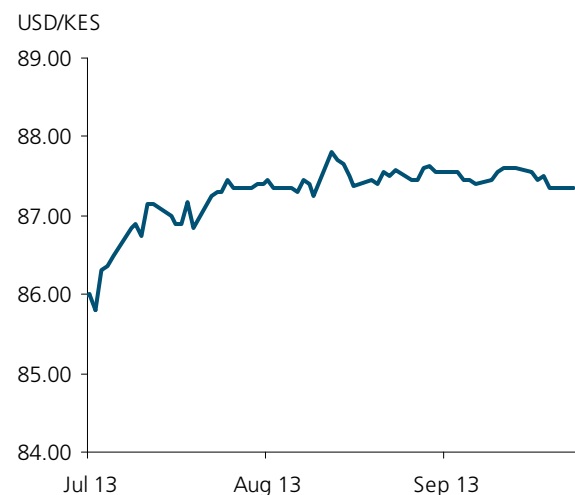
News flash

- The Energy Regulatory Commission (ERC) increased the retail price of petrol, diesel and kerosene last week due to rising global oil prices and a weaker shilling.
- According to the IMF, Kenya's GDP growth prospects have improved over the last three years. The country has successfully navigated adverse weather conditions as well as the effects of the Great Financial Crisis and stands on the precipice of issuing a debut Eurobond. Political risk has been greatly reduced following the peaceful presidential election earlier this year. However, socioeconomic constraints, including a below average per capita income level, pose downside risk to our view of GDP growth.

Shilling (KES) in brief

- The shilling is likely to derive considerable support from the proceeds of this week's government bond issuance. The 12-year KES20bn offering should attract sizeable offshore investment as it offers a coupon of 11%. The unit should remain suspended below USD/KES88.00 in the short-term.

Figure 4: Shilling to remain suspended below USD/KES88.00



Source: Bloomberg
Data as at September 2013



Mozambique

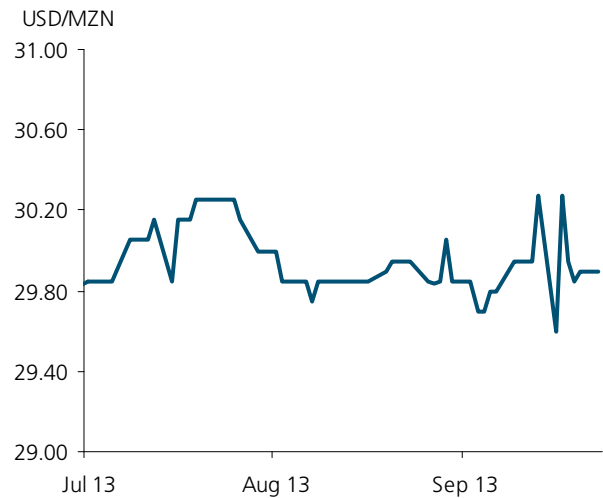
News flash

- Moody's has assigned a B1 credit rating to Mozambique's local and foreign currency debt, considering the outlook to be stable. Its view is premised on favourable GDP growth prospects underpinned by vast natural resources and the construction of an LNG extraction site, which is expected to be the second-largest in the world, as well as moderate external and political risks. However, Moody's identifies a lack of necessary infrastructure, low fiscal strength, widespread poverty and weak institutions as possible constraints to both GDP growth and an upward revision to its rating.

Metical (MZN) in brief

- The metical continues to hover at USD/MZN29.70, exhibiting moderate intraday volatility. We do not expect the local unit to breach 30.00 in the near term as momentum indicators suggest broadly sideways trade.

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



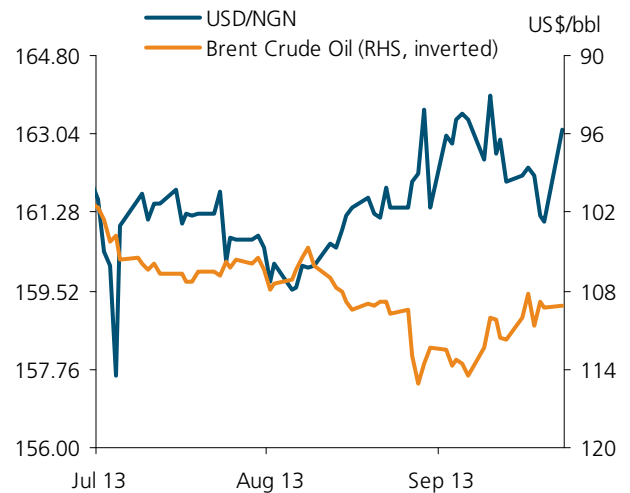
Source: Bloomberg
Data as at September 2013

Nigeria

News flash

- The government's 2014 budget proposal to the National Assembly is slightly ambitious as it is premised on GDP growth of 6.8% and oil output of 2.4m bpd. GDP growth slowed to 6.18% y/y in 2Q12 compared to 6.56% in the first three months of the year. The oil sector continued to underperform due to production challenges casting doubt on whether the government's targets are achievable.
- Headline inflation slowed to 8.2% y/y in August from 8.7% in July, registering its lowest level in five years. Although core inflation accelerated to 7.2% y/y last month, it remains below the headline figure. We do not believe that August's inflation print provides the necessary justification for a rate cut at the next MPC meeting, given that the naira remains under pressure and fiscal slippages could occur prior to the 2015 presidential election, resulting in renewed inflationary pressures.

Figure 6: Naira expected to strengthen as bond inflows gain momentum



Source: Bloomberg
Data as at September 2013

Naira (NGN) in brief

- Month-end is a boon for the naira as foreign oil companies sell US dollars to meet local currency commitments. Renewed foreign interest in local currency debt should boost portfolio earnings, driving the currency pair closer to USD/NGN160.00.



Tanzania

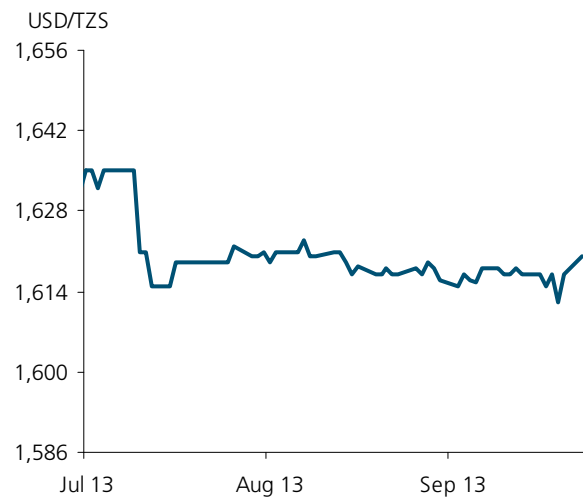
News flash

- A sizeable reduction in official current transfers, comprising aid and loan receipts, led to a widening in the current account deficit in the year to July. A moderation in aid from traditional European donors, including the EU, Sweden, Denmark and Finland, contributed to a 40.7% decline in current transfers, diminishing the flows necessary to fund Tanzania's current account. Although export growth outpaced imports, 12.5% less gold was shipped offshore relative to the same period in 2012. We continue to highlight Tanzania's current account deficit as a fundamental risk to the shilling.

Shilling (TZS) in brief

- The shilling continues to meander in a narrow range of USD/TZS1,611 – 1,620 as corporate activity remains limited. We anticipate slight weakness towards the end of the year as import demand increases ahead of the festive season.

Figure 7: Shilling continues to meander in a narrow range



Source: Bloomberg
Data as at September 2013

Zambia

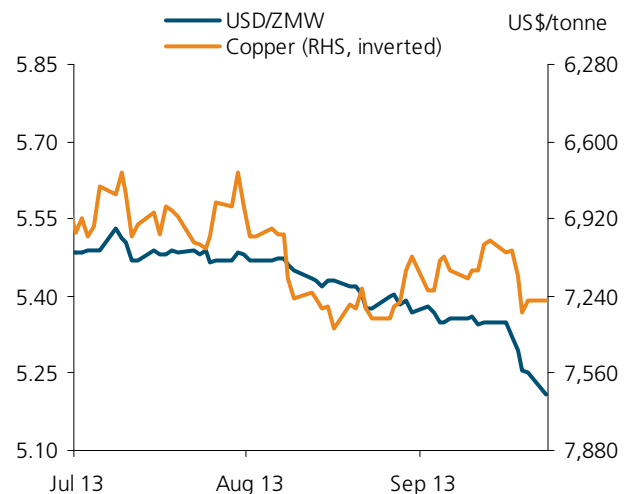
News flash

- According to the presidency, Zambia attracted more than US\$3bn in investment in 1H13, surpassing the government's target for the calendar year as a whole. Zambia's investment promotion agency has confirmed that the bulk of investment was geared toward mining initiatives but a fair share was directed into construction, tourism and manufacturing projects. Recent amendments to mining policies encourage investors to reallocate resources away from copper into cobalt and other minerals.

Kwacha (ZMW) in brief

- The kwacha rallied significantly toward the end of last week as the market digested the minutes of the Fed's meeting. The local unit appreciated to USD/ZMW5.22 on Thursday, its strongest level in almost four months, but ended the week a tad higher as profit-taking came into play. The possibility of kwacha appreciation remains high. Broad-based dollar weakness together with continued dollar supply in the local market should keep the unit firm throughout the next few days.

Figure 8: Kwacha to remain firm



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	8.39	-0.59	-1.85	-2.64	8.54	8.61	8.79	9.05
EUR/BWP	11.34	0.58	-0.34	-1.37	11.56	11.65	11.90	12.26
GBP/BWP	13.46	-0.18	-0.48	-0.29	13.68	13.78	14.07	14.46
BWP/JPY	11.85	1.05	2.16	4.27	1.16	1.16	1.15	1.15
Ghana								
USD/GHS	2.18	0.00	0.00	2.11	2.21	2.27	2.37	2.55
EUR/GHS	2.95	1.18	1.53	3.44	2.99	3.08	3.21	3.45
GBP/GHS	3.50	0.41	1.39	4.58	3.53	3.64	3.79	4.07
GHS/JPY	45.61	0.45	0.27	-0.58	219.28	225.33	234.85	251.88
Kenya								
USD/KES	87.35	-0.17	-0.29	-0.11	87.94	89.00	90.63	94.03
EUR/KES	118.05	1.00	1.24	1.19	118.94	120.39	122.62	127.29
GBP/KES	140.05	0.23	1.10	2.30	140.73	142.36	144.88	150.12
KES/JPY	1.14	0.63	0.56	1.63	0.89	0.90	0.91	0.95
Mozambique								
USD/MZN	29.85	-0.33	-0.33	-0.17	29.71	30.26	30.85	31.94
EUR/MZN	40.34	0.84	1.19	1.13	40.60	40.94	41.74	43.24
GBP/MZN	47.86	0.07	1.05	2.25	48.04	48.41	49.32	51.00
MZN/JPY	3.33	0.79	0.61	1.68	-	-	-	-
Nigeria								
USD/NGN	161.20	-0.56	-1.04	-0.25	159.75	159.75	159.75	159.75
EUR/NGN	217.86	0.61	0.47	1.05	216.06	216.10	216.14	216.27
GBP/NGN	258.45	-0.15	0.33	2.17	255.65	255.54	255.38	255.05
NGN/JPY	0.62	1.02	1.33	1.76	0.62	1.61	1.61	1.61
South Africa								
USD/ZAR	9.70	-1.16	-2.57	-5.02	9.90	10.02	10.15	10.41
EUR/ZAR	13.10	0.00	-1.08	-3.78	13.42	13.55	13.73	14.12
GBP/ZAR	15.54	-0.76	-1.21	-2.72	15.88	16.02	16.22	16.65
ZAR/JPY	10.26	1.64	2.92	6.87	10.01	9.92	9.78	9.49
Tanzania								
USD/TZS	1,612.00	-0.31	-0.37	-0.31	1,629.93	1,658.49	1,721.51	1,786.55
EUR/TZS	2,178.62	0.86	1.16	0.99	2,204.49	2,243.46	2,329.15	2,418.61
GBP/TZS	2,584.52	0.10	1.02	2.10	2,608.42	2,652.97	2,751.98	2,852.31
TZS/ZAR	0.06	0.77	0.65	1.83	16.41	16.70	17.35	18.04
Zambia								
USD/ZMW	5.26	-0.76	-1.78	-3.04	5.34	5.36	5.50	5.77
EUR/ZMW	7.10	0.41	-0.27	-1.78	7.22	7.25	7.44	7.82
GBP/ZMW	8.43	-0.35	-0.41	-0.70	8.55	8.57	8.79	9.22
ZMW/JPY	18.92	1.22	2.08	4.70	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	1,321.40	-5.5	-25.5	19.7	1,332.5	1,336.4
Copper US\$/tonne	7,295.00	-0.1	-11.9	19.7	7,281.5	7,327.5
Softs						
Cattle US\$/lb	157.10	1.4	9.2	14.8	129.8	126.2
Cocoa US\$/tonne	2,608.00	7.5	3.5	24.4	2,608.0	2,611.0
Coffee — Arabica US\$/lb	114.65	1.4	-33.8	24.0	114.7	123.8
Coffee — Robusta US\$/tonne	0.00	-	-	21.7	1,678.0	1,710.0
Cotton US\$/lb	82.88	-1.6	15.1	18.5	84.5	83.9
Maize — Yellow R/tonne	2,144.00	-0.3	-9.9	24.0	2,144.0	2,045.0
Maize — White R/tonne	2,309.00	0.3	-3.5	23.7	2,309.0	2,102.0
Raw Sugar US\$/lb	17.18	4.3	-11.4	16.8	18.4	18.4
Energy						
WTI Crude US\$/bbl	104.75	-1.6	12.8	20.1	102.5	94.4

Interest rates

	3-m T-Bill		Policy rate
	Aug - 13 ¹	Current	Current
Botswana	4.18	3.69	8.00
Ghana	22.76	20.22	16.00
Kenya	10.40	9.14	8.50
Mozambique	5.06	5.11	8.75
Namibia	5.15	5.15	5.50
Nigeria	11.50	11.46	12.00
South Africa	5.16	5.11	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+	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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