

28 October 2013

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The week in focus

Botswana

- The government revises its 2013 GDP growth estimate lower to 4.4%
- BWP: Pula loses its shine, tracking rand losses against the US dollar

CMA

- Namibia: Central bank keeps policy rate at 5.5%
- ZAR: Rand closes the week on a softer note

Ghana

- Germany increases its interests in Ghana's renewable energy efforts
- GHS: Renewed deprecatory pressure has driven the indicative rate to 2.1850

Kenya

- Treasury reduces short-term borrowing in a bid to tighten total debt-to-GDP
- KES: The shilling is poised at USD/KES84.75, with the potential to move either way

Mozambique

- Renewed conflict is unlikely but any increase in violence will deter investment
- MZN: The metical is within striking distance of our year-end target

Nigeria

- NSE proposes simplification of rules on pension-fund investing
- NGN: Month-end is advantageous for the naira

Tanzania

- Economy expands by 6.7% in 2Q13
- TZS: The shilling has rallied far more than we'd anticipated

Zambia

- S&P revises its outlook for Zambia from stable to negative
- ZMW: Kwacha bucks the EM trend, losing momentum against US dollar

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Botswana

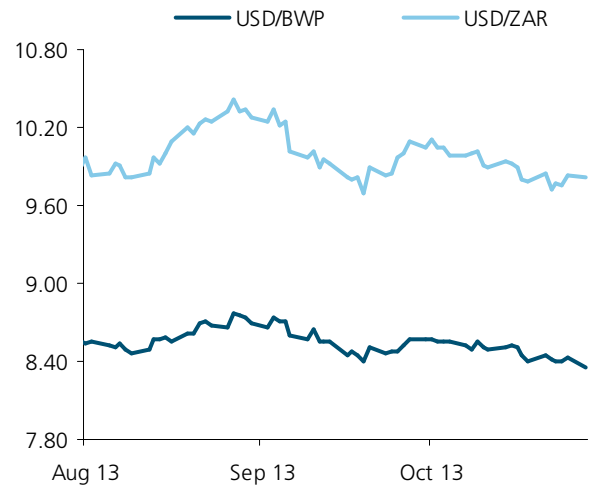
News flash

- According to the government's estimates, Botswana is expected to grow at 4.4% this year, slower than initially thought, owing to downward revisions to both mineral and non-mineral growth forecasts. Nevertheless, it anticipates a fiscal surplus of 2% of GDP in FY2014/15. We foresee GDP growth of 5% in 2013 and a smaller fiscal surplus of 1%.

Pula (BWP) in brief

- The pula lost its shine against the greenback last Friday, taking its cue from the rand which came under pressure against the dollar amid concerns of mining strikes. However, with the US Fed policy meeting this week, the dollar remains vulnerable as the market keenly awaits its decision on tapering. BWP/USD closed at 0.1186/88 on Friday compared to 0.1188/91 in the morning. Against the rand, the pula closed the day at 1.1656/86 from 1.1650/77 in the morning.

Figure 1: Pula tracks rand to close weaker against the USD



Source: Bloomberg
Data as at October 2013

CMA

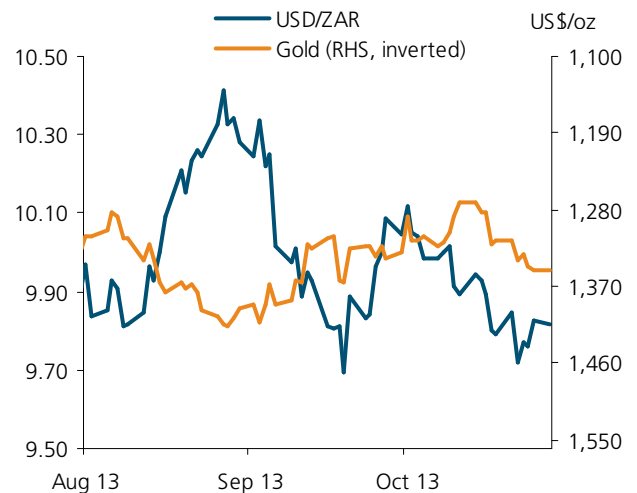
News flash

- Namibia: The Bank of Namibia kept its key policy rate unchanged at 5.5%. Though inflation remains stable, the government is still concerned about the weakening growth environment. The odds of a rate change this year are near zero, particularly as the real interest is neutral. Inflation dropped to 5.5% in September from 6.0% in August. By unpacking the contributors to this downward trend, it is clear that it is the ongoing deceleration in the annualised rate of goods inflation that explains it. A rate cut is certainly not on the cards in South Africa as the May MPC statement was all about downplaying the prospect for cuts while also dampening tightening fears. We believe the SARB will start tightening only in 1Q15. Interest rates in Namibia should therefore stay flat for the duration of this year.

Rand (ZAR) in brief

- The rand closed the week on a softer note after rallying quite hard in the first few days of last week. Its softer performance stood, once again, in contrast to a relatively strong performance of most risk assets. Despite the softness over the last two days of last week, the global macroeconomic environment has turned supportive for the local unit.

Figure 2: Rand buckles against the US dollar



Source: Bloomberg
Data as at October 2013



Ghana

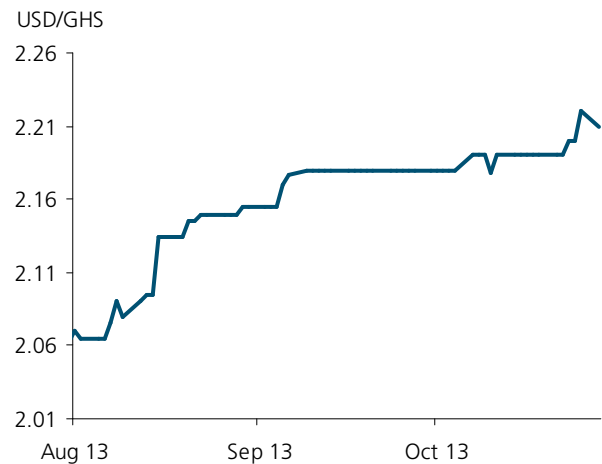
News flash

- Germany has increased its interests in Ghana's renewable energy sector through the provision of an additional €1.8m via the German Society of International Cooperation (GIZ). Germany's participation in Ghana's renewable energy efforts resulted in more than €40bn worth of investment last year. The funding will further the government's efforts to bridge Ghana's energy shortfall which has been exacerbated by setbacks in the West African Pipeline Project.

Cedi (GHS) in brief

- Renewed deprecatory pressure has driven the indicative rate to USD/GHS2.1850, reinforcing our view that more sustainable support is required to push the cedi lower. While the BoG has the capacity to intervene, its reserve holdings are limited.

Figure 3: Cedi remains firm at 2.18, upside risks still apparent



Source: Bloomberg
Data as at October 2013

Kenya

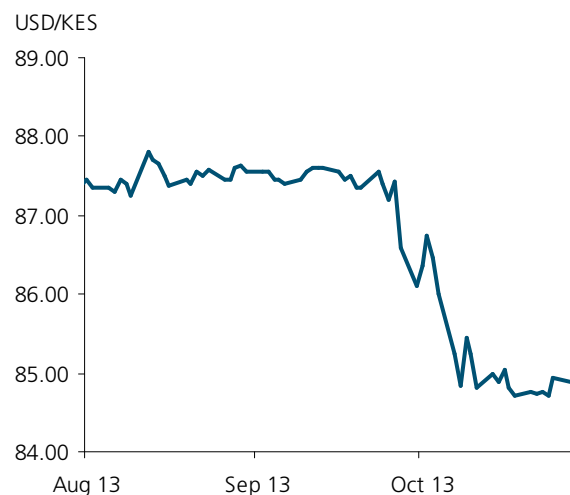
News flash

- According to a CBK bulletin, short-term government borrowing dropped to KES10.6bn towards the end of October from KES34.2bn registered the previous week. Although the government is entitled to borrow 5% of its last audited annual return from the central bank, its reliance on the overdraft facility with the CBK inflated its total debt burden. The recent reduction forms part of the Treasury's plan to shrink its total debt-to-GDP ratio ahead of the sovereign bond issuance next year.

Shilling (KES) in brief

- The shilling is poised at USD/KES84.75, with the potential to move either way. Local and offshore demand for sovereign bonds and equities has resulted in steady portfolio inflows. The payment of annual bonuses to tea farmers is likely to exacerbate the shilling shortage though appreciatory moves will be capped by the settlements of bond trades, which is expected to remove KES16bn from the market.

Figure 4: Shilling exposed to two-way risk



Source: Bloomberg
Data as at October 2013



Mozambique

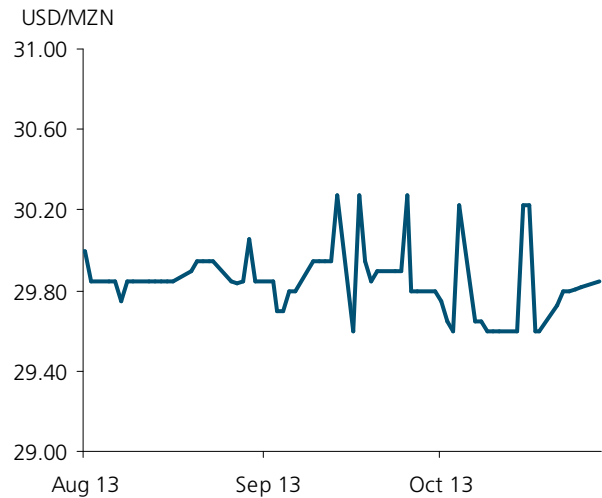
News flash

- In October's edition of the Sub-Saharan Africa monthly, we note that the current political environment has experienced a setback as Renamo announced its abandonment of the 1992 peace accord with ruling party Frelimo. Even though Frelimo has the popular vote, Renamo's reaction is very different to what we've seen in the past, which will influence investor's decisions. However, Renamo's position as an opposition party has weakened in recent years and we believe renewed conflict is unlikely.

Metical (MZN) in brief

- The metical is within striking distance of our year-end target of USD/MZN29.00. A widening in the bid ask spread since the beginning of October is indicative of lower liquidity, though this should ease as NGOs come to market.

Figure 5: Metical oscillates around 29.50



Source: Bloomberg
Data as at October 2013

Nigeria

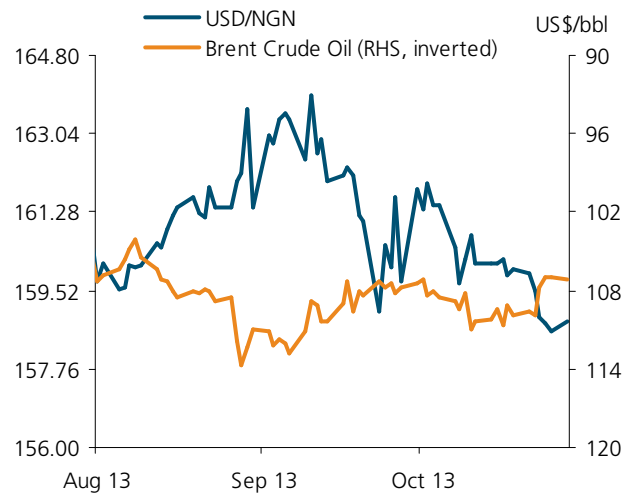
News flash

- The Nigerian Stock Exchange (NSE) has proposed the simplification of rules relating to the investment of pension funds to attract more substantial financing and bolster the market capitalisation of one of Africa's largest bourses. According to the National Pension Commission, Nigeria holds more than US\$22bn in invested retirement savings. However, investors are only allowed to place funds into companies with at least five years of financial statements. The NSE is looking to reduce this requirement to at least three years.

Naira (NGN) in brief

- Month-end is advantageous for the naira as oil firms come to market. The market is brimming with US dollars as smaller oil conglomerates have sold larger amounts than anticipated. We expect NNPC to trade a sizeable amount this week, which should ensure that the remains within a USD/NGN158.50 – 159.20 band.

Figure 6: Naira to benefit from month-end inflows



Source: Bloomberg
Data as at October 2013



Tanzania

News flash

- Tanzania registered 6.7% growth in 2Q13, expanding at a quicker pace than the same period last year but slightly slower quarter-on-quarter. Positive growth was recorded across all industries, with improvements evident in agriculture and fisheries, mining operations and electrical energy production. Manufacturing and public sector business activities slowed in 2Q13 owing to a lessening in demand for locally produced products, notably food and clothing. We will provide a more comprehensive breakdown of activities once the details are furnished by the national bureau of statistics. For now, we maintain our annual average GDP growth forecast of 7%.

Shilling (TZS) in brief

- The shilling has rallied far more than we'd anticipated, ending the week at USD/TZS1600. Improved power supply has lessened oil companies' demand for US dollars, thereby reducing volatility in liquidity conditions. The shilling could potentially breach 1,600 this week on the back of export earnings, services receipts and corporate demand for local currency to meet month-end commitments.

Figure 7: Shilling prosperity could come to an end as import activity picks up



Source: Bloomberg
Data as at October 2013

Zambia

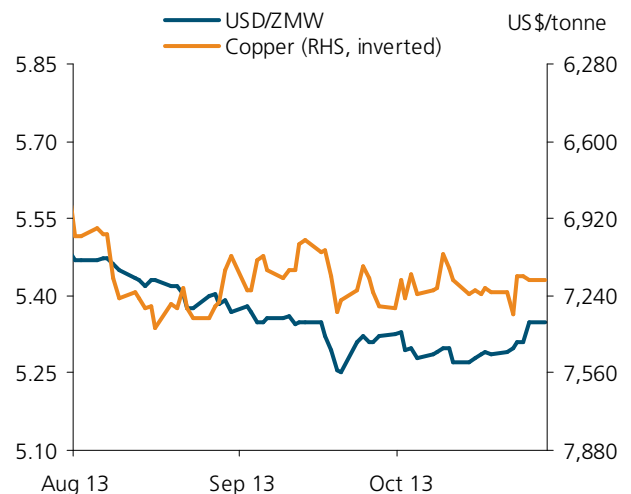
News flash

- Credit ratings agency, Standard & Poor (S&P), revised Zambia's outlook from stable to negative last week, citing its expansionary fiscal stance as a threat to the country's fiscal health. In its statement, the agency notes that there is a one in three chance that Zambia's B+ sovereign credit rating could be lowered within a year. Of particular concern is the possibility of higher civil servant wages, greater social spending and broader capital expenditure which are likely to exacerbate Zambia's fiscal burden. These factors prompted S&P to revise its average budget deficit forecast from 3.5% to 7% of GDP over 2013 – 2016.

Kwacha (ZMW) in brief

- Despite a rally in emerging currencies after weaker than expected US job data last Wednesday, the kwacha did not budge, gradually losing steam against the US dollar as the week progressed. The spot rate is trading well above the 30-day moving average which continues to trend lower. The local unit's disregard for global sentiments means that currency movements will be largely determined by local flows.

Figure 8: Kwacha loses steam against the US dollar



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	8.39	-0.04	-0.71	-0.88	8.47	8.57	8.67	8.95
EUR/BWP	11.59	0.07	0.32	1.24	11.69	11.82	11.97	12.36
GBP/BWP	13.59	0.09	-0.50	-0.06	13.70	13.85	14.01	14.44
BWP/JPY	11.60	0.14	0.15	-0.61	1.16	1.16	1.16	1.15
Ghana								
USD/GHS	2.20	0.00	0.46	0.92	2.21	2.28	2.38	2.54
EUR/GHS	3.04	0.12	1.50	3.08	3.05	3.14	3.28	3.51
GBP/GHS	3.56	0.13	0.67	1.76	3.57	3.68	3.84	4.10
GHS/JPY	44.25	0.09	-1.01	-2.38	215.30	222.15	231.58	247.02
Kenya								
USD/KES	84.70	-0.06	-0.12	-3.26	85.38	86.25	87.96	91.44
EUR/KES	116.93	0.06	0.92	-1.18	117.87	119.08	121.44	126.27
GBP/KES	137.18	0.07	0.10	-2.45	137.99	139.33	141.98	147.38
KES/JPY	1.15	0.15	-0.44	1.83	0.88	0.89	0.90	0.94
Mozambique								
USD/MZN	29.81	0.03	0.71	-0.30	29.71	30.21	30.81	31.89
EUR/MZN	41.15	0.15	1.76	1.84	41.38	41.71	42.53	44.04
GBP/MZN	48.28	0.16	0.93	0.53	48.44	48.81	49.73	51.40
MZN/JPY	3.27	0.06	-1.26	-1.19	-	-	-	-
Nigeria								
USD/NGN	158.80	-0.06	-0.67	-0.17	159.75	159.75	159.75	159.75
EUR/NGN	219.22	0.05	0.36	1.97	220.53	220.55	220.56	220.59
GBP/NGN	257.19	0.07	-0.45	0.66	258.19	258.06	257.87	257.49
NGN/JPY	0.61	0.16	0.11	-1.32	0.61	1.64	1.64	1.65
South Africa								
USD/ZAR	9.76	-0.13	-0.44	-0.77	9.86	9.96	10.09	10.35
EUR/ZAR	13.47	-0.01	0.60	1.36	13.63	13.75	13.93	14.31
GBP/ZAR	15.80	0.00	-0.22	0.06	15.95	16.09	16.29	16.71
ZAR/JPY	9.98	0.22	-0.13	-0.72	9.87	9.77	9.64	9.37
Tanzania								
USD/TZS	1,603.00	-0.31	-0.56	-0.56	1,628.50	1,666.50	1,728.50	1,831.00
EUR/TZS	2,212.94	-0.20	0.48	1.58	2,248.14	2,300.72	2,386.44	2,528.35
GBP/TZS	2,596.22	-0.18	-0.34	0.27	2,631.98	2,692.05	2,790.17	2,951.21
TZS/ZAR	0.06	0.40	0.00	-0.93	16.72	17.12	17.76	18.85
Zambia								
USD/ZMW	5.31	0.00	0.38	0.00	5.34	5.36	5.50	5.77
EUR/ZMW	7.33	0.12	1.42	2.15	7.37	7.40	7.59	7.97
GBP/ZMW	8.60	0.13	0.60	0.83	8.63	8.66	8.88	9.31
ZMW/JPY	18.34	0.09	-0.94	-1.49	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	1,350.35	1.0	-21.1	17.8	1,352.5	1,355.7
Copper US\$/tonne	7,126.00	-1.7	-8.2	18.2	7,185.5	7,215.8
Softs						
Cattle US\$/lb	165.55	0.9	13.9	14.8	133.0	127.6
Cocoa US\$/tonne	2,713.00	2.8	13.8	22.8	2,713.0	2,709.0
Coffee — Arabica US\$/lb	109.10	-4.0	-30.8	21.9	109.1	119.2
Coffee — Robusta US\$/tonne	0.00	-	-	21.4	1,538.0	1,557.0
Cotton US\$/lb	78.90	-7.9	8.9	21.8	79.1	78.2
Maize — Yellow R/tonne	2,267.00	3.6	-11.5	24.0	2,267.0	1,995.0
Maize — White R/tonne	2,404.00	1.3	-3.8	23.7	2,404.0	2,057.0
Raw Sugar US\$/lb	19.03	12.8	-1.7	17.9	19.2	19.2
Energy						
WTI Crude US\$/bbl	97.63	-5.1	13.2	18.8	97.6	92.1

Interest rates

	3-m T-Bill		Policy rate
	Sept - 13 ¹	Current	Current
Botswana	3.60	3.65	8.00
Ghana	20.80	24.28	16.00
Kenya	9.10	9.94	8.50
Mozambique	5.11	5.15	8.25
Namibia	5.15	5.15	5.50
Nigeria	10.85	10.07	12.00
South Africa	5.10	5.11	5.00
Tanzania	13.84	13.68	OMO ²
Zambia	7.99	8.00	9.75

1 End of month

2 Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, 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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