

29 July 2013

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### The week in focus

#### Botswana

- No significant economic data releases or news events last week
- BWP: Pula flat against the greenback

#### CMA

- Namibia: NPC restates unemployment figures
- ZAR: Large two-way risk to the rand in a data and event filled week

#### Ghana

- Eurobond issued at 8% yield
- GHS: Cedi to receive welcome boost from Eurobond proceeds

#### Kenya

- The government will receive a US\$250m grant from the World Bank
- KES: Shilling is at risk of breaching USD/KES88.00 this week

#### Mozambique

- Eni sells 28.6% of its holdings in its East Africa concern to China's CNPC
- MZN: Metical behaves erratically, though year-end target still in sight

#### Nigeria

- The CBN keeps monetary policy rate at 12%
- NGN: Naira strengthens following hike to Cash Reserve Requirement

#### Tanzania

- The yield on Tanzania's 2-year government bond edges higher
- TZS: Shilling unlikely to break free of its current trading range

#### Zambia

- Inflation unchanged, rates likely to be unchanged
- ZMW: Kwacha lacking the momentum to break meaningfully lower

### Contents

- 2 Botswana and CMA
- 3 Ghana and Kenya
- 4 Mozambique and Nigeria
- 5 Tanzania and Zambia
- 6 Spot and forward exchange rates
- 7 General information
- 8 Contact pages
- 9 Disclaimer



## Botswana

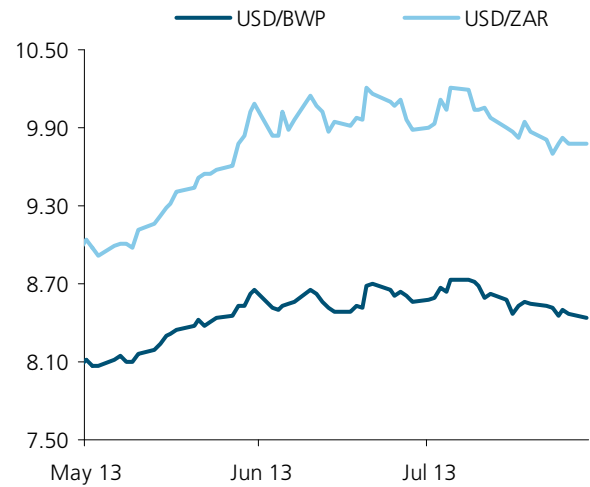
### News flash

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

### Pula (BWP) in brief

- The pula was flat against the greenback on Friday, tracking the rand which traded in narrow ranges against the dollar in the absence of major market-moving economic data. The local unit closed the day hardly changed at 0.1179/82 from 0.1182/85 in the morning. We expect it to open this morning around Friday's closing levels and trade in a tight range for most of the day. Against the rand, the pula was also steady, closing the day at 1.1514/1.1543 from 1.1494/1.1520 in the morning.

Figure 1: Pula remaining relatively unchanged



Source: Bloomberg  
Data as at July 2013

## CMA

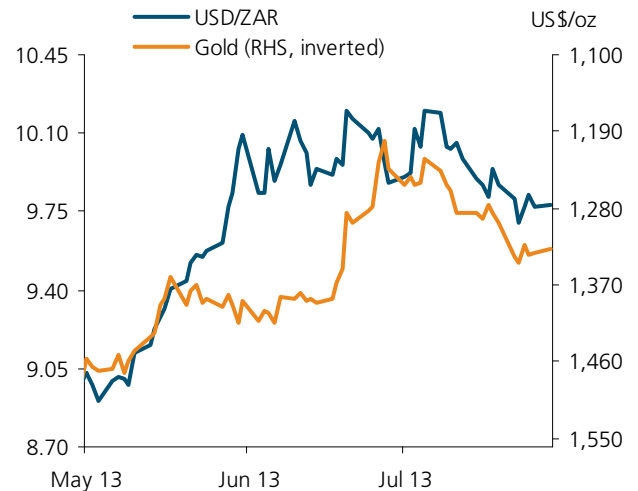
### News flash

- Namibia: The level of unemployment has been restated by the National Planning Commission (NPC) from 51% to 27% after it was found that the Ministry of Labour miscalculated the number of individuals actively seeking work in the last Labour Force Survey in 2008. The NPC will conduct the survey annually.

### Rand (ZAR) in brief

- There's large two-way risk to the rand in a data and event filled week so expect high volatility even though it is the Northern Hemisphere holiday season. As yet there isn't any news so markets are stable, awaiting direction: USD/ZAR is at 9.77 with very mild downside bias; EUR/ZAR and GBP/ZAR seem happy at slightly under 13.00 and just over 15.00 respectively.

Figure 2: Rand exposed to two-way risk



Source: Bloomberg  
Data as at July 2013



## Ghana

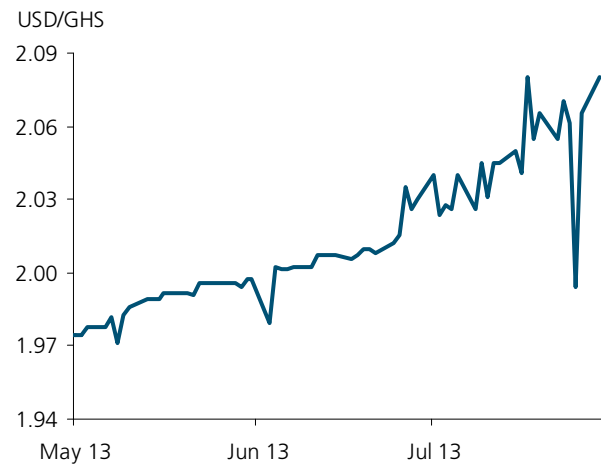
### News flash

- The government issued a US\$750m 10-year Eurobond last week at a yield of 8%. It paid a premium due to investor concerns regarding its fiscal and current account deficits. The order book was US\$2.2bn. Ghana also bought back US\$250m of its outstanding 10-year issue due in 2017.

### Cedi (GHS) in brief

- The proceeds from Ghana's second Eurobond issuance should provide a welcome respite for the cedi. The US dollars from the international bond offering coupled with the US\$1.2bn syndicated loan scheduled at the end of September will allow the BoG to intervene in the interbank market more readily. Indicative pricing suggests that the currency is trading at roughly USD/GHS2.06.

Figure 3: Cedi could strengthen on the back of Eurobond proceeds



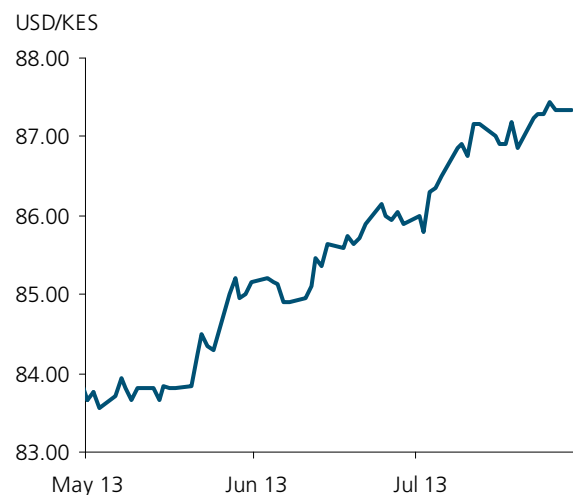
Source: Bloomberg  
Data as at July 2013

## Kenya

### News flash

- The government will receive US\$250m from the World Bank over the next four years to assist in its social upliftment efforts. The World Bank's proceeds will complement the KES11.5bn worth of grants revenue that have been set aside to fund development.
- The Coffee Board of Kenya has lowered its annual estimates. The apex body for the coffee industry expects 44,000 tonnes of Arabica to be produced this season, which ends in September 2013, against its initial forecast of 45,000 tonnes. Export earnings are likely to come in at KES17bn, 5% lower than first thought. The outlook for Kenya's coffee sector appears bleak owing to depressed global prices and a reduction in crop acreage.

Figure 4: Shilling at risk of breaching USD/KES88.00



Source: Bloomberg  
Data as at July 2013

### Shilling (KES) in brief

- The shilling is at risk of breaching USD/KES88.00 this week as import demand is expected to rise as US dollars are sought for month-end purchases. The CBK is attempting to slow the pace of depreciation through the sale of foreign exchange reserves, however, demand continues to outstrip supply, maintaining upward pressure on the exchange rate.



## Mozambique

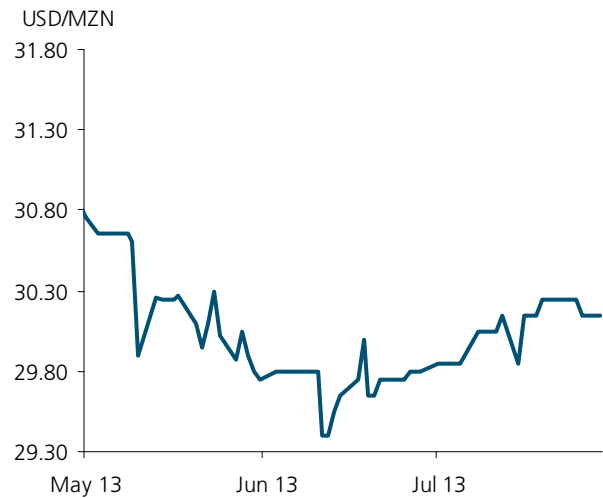
### News flash

- Oil and gas conglomerate, Eni, has sold 28.6% of its holdings in its East Africa concern to China's CNPC for US\$4.2bn. This implies that CNPC will hold an indirect stake in the Area 4 gas field off the coast of Mozambique.

### Metical (MZN) in brief

- The metical behaved quite erratically last week, staging a mild recovery after weakening to USD/MZN30.00 but then losing momentum to end the week at 29.80. Current levels are still within range of our year-end forecast of 29.00.

Figure 5: Metical displays increased intra-day volatility



Source: Bloomberg  
Data as at July 2013

## Nigeria

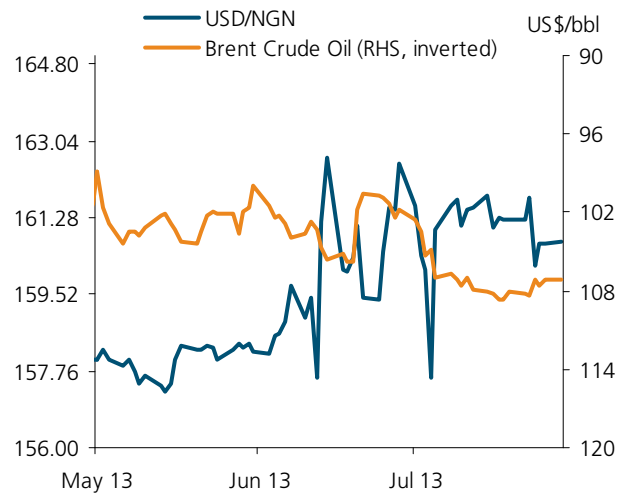
### News flash

- The Central Bank of Nigeria elected to keep its monetary policy rate (MPR) at 12% last week. July's session marks the eleventh consecutive gathering at which the MPC has kept rates on hold.
- The country's liquefied natural gas (NLNG) company has lifted a three-week force majeure on gas exports after a blockade on its ships over a tax dispute. The company has agreed to pay US\$140m back in taxes to the Nigerian Maritime Administration and Safety Agency. The cost of the blockade in lost LNG exports was US\$475m, said NLNG.

### Naira (NGN) in brief

- The naira has strengthened on the back of the CBN's decision to hike the Cash Reserve Requirement on public deposits by 38%. The CBN highlighted the currency's plight in its MPC statement, noting that a change in global risk perceptions around EMs and excess liquidity in the banking system had resulted in persistent naira weakness over the last few weeks. The tightening of liquidity conditions will complement the CBN's recent efforts in stemming naira losses, which have included direct selling of FX reserves to the interbank market. We maintain our year-end forecast of USD/NGN160.00.

Figure 6: Naira recoups losses as liquidity tightens



Source: Bloomberg  
Data as at July 2013



## Tanzania

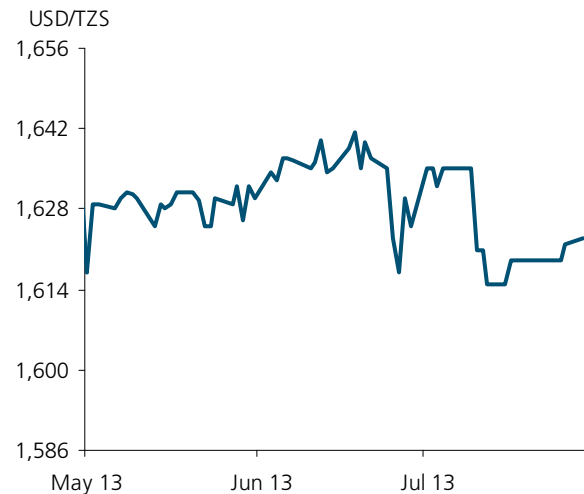
### News flash

- The yield on Tanzania's 2-year government bond edged higher yesterday following the BoT's TZS55bn offering. The central bank accepted approximately 74% of the TZS60.7bn tendered, resulting in a weighted yield to maturity of 14.8%, 50bp higher than the last auction.

### Shilling (TZS) in brief

- The shilling is unlikely to break free of its current trading range this week. The supply of and demand for US dollars appears to be evenly balanced as agricultural export proceeds offset import demand.

Figure 7: Shilling continues to drift in a narrow range



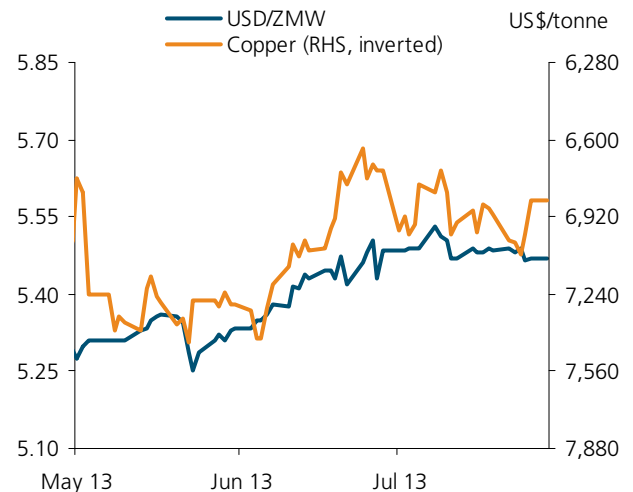
Source: Bloomberg  
Data as at July 2013

## Zambia

### News flash

- Inflation remained unchanged at 7.3% y/y in July from June. It seems the petrol and diesel price increases have completed their filtering into the numbers. However, pressure on food prices after the scrapping of the maize retail price will continue throughout 2H13 — food represents a large weight in the overall consumer basket (above 50%), so we expect headline inflation to average the year at 7.3%. Concerns over inflation have prompted the central bank to hike rates for a second month in a row by 25bp to 9.75% in June. We believe the central bank will remain on hold at July's MPC meeting due to the latest inflation numbers and to see the effects of the previous two rate cuts. Higher wage demands in the coming months could prompt the government to intervene to curb the extent of inflationary pressures.

Figure 8: Kwacha teetering below USD/ZMW5.50



Source: Bloomberg  
Data as at July 2013

### Kwacha (ZMW) in brief

- The kwacha did not respond as positively as its compatriot commodity currencies to an improvement in global sentiment last week, strengthening by a mere 0.4%. An imbalance in US dollar liquidity conditions acted as a vice on kwacha gains. The local unit is teetering below USD/ZMW5.50, lacking the momentum to break meaningfully lower.



## Spot and implied forward exchange rates

	Currency rates				Outright forwards			
		% change			Maturity			
Botswana	Last	1-day	1-week	1-month	1-m	3-m	6-m	12-m
USD/BWP	8.49	0.51	-0.85	-1.78	8.53	8.62	8.74	9.00
EUR/BWP	11.23	0.68	0.24	-0.79	11.32	11.45	11.61	11.97
GBP/BWP	13.02	0.38	0.01	-2.30	13.11	13.24	13.42	13.82
BWP/JPY	11.73	-1.16	-0.07	3.80	1.15	1.15	1.15	1.15
Ghana								
USD/GHS	1.99	-3.28	-2.98	-0.93	2.09	2.16	2.25	2.40
EUR/GHS	2.64	-3.12	-1.91	0.07	2.78	2.87	2.99	3.19
GBP/GHS	3.06	-3.40	-2.14	-1.45	3.21	3.32	3.46	3.68
GHS/JPY	49.96	2.72	2.13	2.90	205.36	210.99	219.85	233.55
Kenya								
USD/KES	87.45	0.17	0.31	1.51	87.78	88.74	90.09	93.93
EUR/KES	115.69	0.35	1.41	2.53	116.57	117.88	119.72	124.97
GBP/KES	134.09	0.05	1.18	0.98	134.99	136.42	138.44	144.25
KES/JPY	1.14	-0.83	-1.22	0.43	0.89	0.90	0.92	0.96
Mozambique								
USD/MZN	30.25	0.00	0.33	1.68	29.71	30.33	30.52	31.15
EUR/MZN	40.02	0.17	1.44	2.71	40.12	40.29	40.55	41.44
GBP/MZN	46.38	-0.12	1.20	1.15	46.46	46.63	46.90	47.84
MZN/JPY	3.29	-0.66	-1.24	0.26	-	-	-	-
Nigeria								
USD/NGN	160.70	0.32	-0.33	0.83	159.75	159.75	159.75	159.75
EUR/NGN	212.59	0.50	0.77	1.84	212.15	212.20	212.30	212.55
GBP/NGN	246.40	0.20	0.54	0.30	245.67	245.58	245.49	245.35
NGN/JPY	0.62	-0.98	-0.59	1.11	0.62	1.61	1.61	1.61
South Africa								
USD/ZAR	9.82	0.50	-1.21	-2.74	9.82	9.90	10.03	10.31
EUR/ZAR	12.99	0.68	-0.13	-1.76	13.03	13.15	13.33	13.72
GBP/ZAR	15.06	0.38	-0.36	-3.25	15.09	15.22	15.42	15.84
ZAR/JPY	10.14	-1.16	0.30	4.81	10.01	9.92	9.78	9.49
Tanzania								
USD/TZS	1,619.00	0.00	0.00	-0.98	1,639.00	1,664.00	1,711.50	1,784.00
EUR/TZS	2,141.78	0.17	1.10	0.02	2,176.65	2,210.34	2,274.44	2,373.66
GBP/TZS	2,482.41	-0.12	0.87	-1.50	2,520.54	2,558.03	2,630.07	2,739.87
TZS/ZAR	0.06	-0.66	-0.92	2.95	16.68	16.94	17.44	18.22
Zambia								
USD/ZMW	5.47	-0.46	-0.46	0.09	5.34	5.36	5.50	5.77
EUR/ZMW	7.23	-0.28	0.64	1.10	7.09	7.12	7.31	7.68
GBP/ZMW	8.38	-0.58	0.41	-0.43	8.21	8.24	8.45	8.87
ZMW/JPY	18.23	-0.20	-0.46	1.85	0.05	0.05	0.06	0.06

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



## Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
<b>Metals</b>						
Gold US\$/oz	1,327.16	7.5	-18.2	19.8	1,321.6	1,325.2
Copper US\$/tonne	6,905.50	2.3	-8.6	19.7	6,862.5	6,885.0
<b>Softs</b>						
Cattle US\$/lb	152.60	2.1	10.8	14.8	125.9	126.0
Cocoa US\$/tonne	2,333.00	6.3	0.1	26.9	2,333.0	2,355.0
Coffee — Arabica US\$/lb	122.25	1.9	-29.6	25.6	122.3	130.5
Coffee — Robusta US\$/tonne	0.00	-	-	24.6	1,921.0	1,920.0
Cotton US\$/lb	85.37	3.2	20.7	20.4	85.4	82.5
Maize — Yellow R/tonne	2,118.00	-4.6	-20.7	24.0	2,118.0	2,144.0
Maize — White R/tonne	2,268.00	1.2	-15.3	23.7	2,268.0	2,092.0
Raw Sugar US\$/lb	16.47	0.5	-26.9	19.5	17.6	17.6
<b>Energy</b>						
WTI Crude US\$/bbl	104.32	8.0	15.7	20.9	102.8	94.1

## Interest rates

	3-m T-Bill		Policy rate
	June-13 <sup>1</sup>	Current	Current
Botswana	4.82	4.05	8.50
Ghana	23.09	21.81	16.00
Kenya	5.11	6.86	8.50
Mozambique	4.06	4.91	9.00
Namibia	5.15	5.15	5.50
Nigeria	11.50	10.73	12.00
South Africa	5.23	5.15	5.00
Tanzania	11.82	12.6	OMO <sup>2</sup>
Zambia	6.50	8.00	9.75

<sup>1</sup> End of month

<sup>2</sup> Open Market Operations

Source: Bloomberg, Reuters, RMB Global Markets

All data as at July 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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