

30 September 2013

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The week in focus

Botswana

- There were no significant economic data or news events last week
- BWP: Emerging market volatility still a risk for rand and therefore the pula

CMA

- Namibia: There were no significant economic data or news events last week
- ZAR: Under pressure from US politics

Ghana

- 5-yr bond oversubscribed
- GHS: The cedi has plateaued at 2.1650

Kenya

- 12-year infrastructure bond generates great interest
- KES: Shilling should derive support from the proceeds of the infrastructure bond

Mozambique

- There were no significant economic data or news events last week
- MZN: A slight narrowing in the bid/ask spread reflects an easing in liquidity

Nigeria

- CBN keeps policy rate and cash reserve requirements on hold
- NGN: Naira is still outside the CBN's 3% band around the official reference rate

Tanzania

- There were no significant economic data or news events last week
- TZS: The shilling accumulated mild gains over the course of last week

Zambia

- Headline inflation slows to 7% y/y in September
- ZMW: We anticipate two-way trade over the next few days

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Botswana

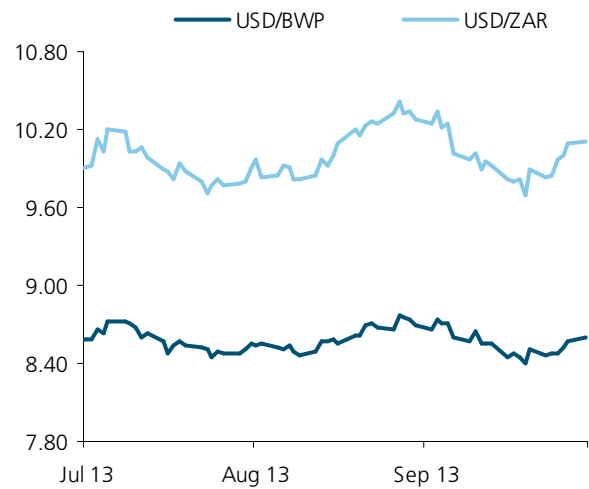
News flash

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

Pula (BWP) in brief

- Last week saw the local unit trading weaker against the US dollar, closing at around 0.1177/80. Conversely, the BWP strengthened against the rand, closing at 1.1618/47 from an opening level of 1.1603/32. Markets are closed today due to the public holiday.

Figure 1: Pula strengthens temporarily against the rand



Source: Bloomberg
Data as at September 2013

CMA

News flash

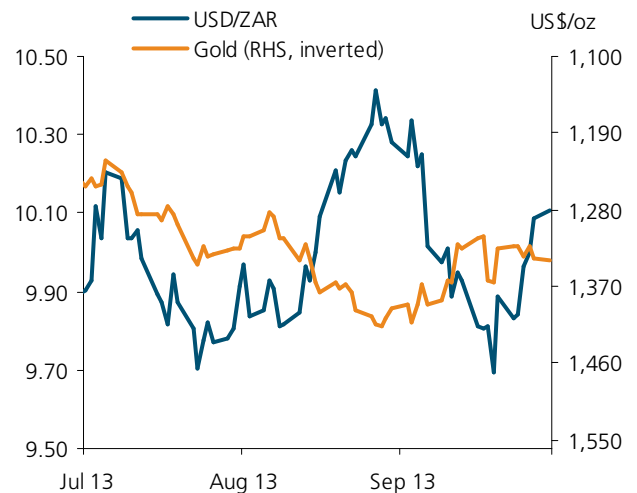
- There were no significant economic data or news events last week.

Rand (ZAR) in brief

- The likely shutdown of the US government will continue to weaken the rand. USD/ZAR risks moves into the 10.20s and even the 10.30s today but first needs to break Friday's high of 10.17. Volatility will be accentuated by the busy data calendar this week.

The US government will shut down at midnight EST tonight, unless there is a last minute compromise between Democrats and Republicans. The shutdown will cover all non-essential services, putting around 1m workers on forced unpaid leave. The cost of this will depend of how long the government is closed. Uncertainty is exacerbated by the impending deadline to raise the debt ceiling by 17 October. Today ends what has been a very volatile quarter, with the rand ranging from 9.55 to 10.45. There has been some positive news though: commodities had their best quarter this year and foreign investors have started returning to our local markets after the aggressive selling in 2Q13 and earlier this quarter.

Figure 2: US politics to continue weakening the rand



Source: Bloomberg
Data as at September 2013



Ghana

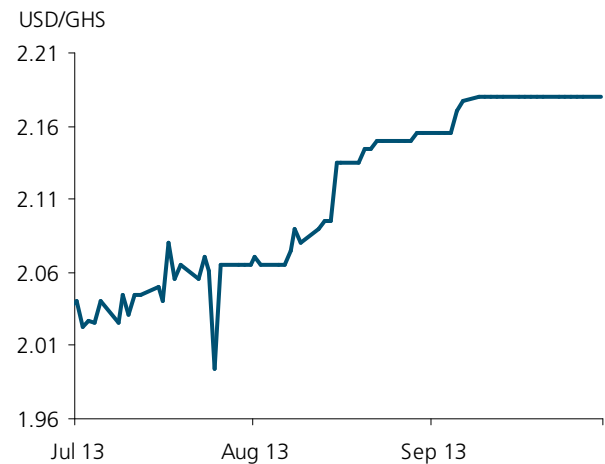
News flash

- In a heavily oversubscribed issue, the 5-year government bond yield dropped to 19.04%, with US\$300m worth of bids accepted by the central bank. Ninety-seven percent of the bids accepted were offshore. The bond is part of the government's debt restructuring programme and to support the cedi. Governor Wampah said the proceeds would be used to settle debts maturing on 30 September.
- The government has hiked utility prices, more specifically electricity and water by 79% and 52% respectively. The new prices will take effect on 1 October. The move is an attempt to reign in its large budget deficit (12% in 2012) and reflects positively on the government's commitment to control the spending overrun.

Cedi (GHS) in brief

- The cedi has plateaued at 2.1650, drawing support from offshore participation in the local bond market as well as proceeds from the Cocobod's recent syndicated loan. Although the cedi could end the year above our target of 2.05, we remain constructive on the unit in the short-term and believe it is undervalued at current levels.

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



Source: Bloomberg
Data as at September 2013

Kenya

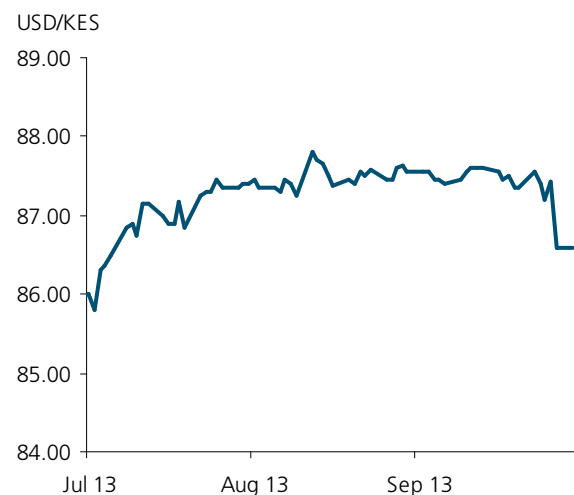
News flash

- The CBK offered a 12-year, KES20bn (US\$229m) infrastructure bond on 26 September. The issuance generated greater interest than the last offering in 2011, and was 1.8 times oversubscribed yielding a weighted average rate of 12.36%. The proceeds will be used to fund water, sewerage and irrigation programmes as part of Vision 2030.

Shilling (KES) in brief

- A squeeze on shilling liquidity, due to quarter-end tax obligations, allowed the local unit to settle below USD/KES87.00 after a momentary breach of 87.55 as markets responded to the siege of Westgate Shopping Mall. The shilling should derive additional support from the proceeds of the infrastructure bond which attracted considerable interest from offshore participants.

Figure 4: Shilling should find support from infrastructure bond proceeds



Source: Bloomberg
Data as at September 2013



Mozambique

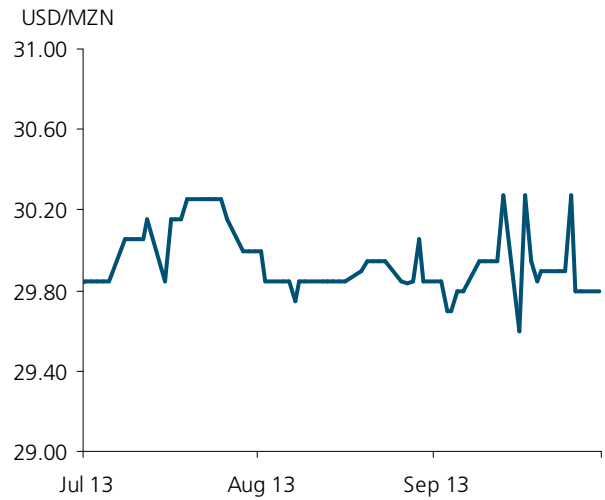
News flash

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

Metical (MZN) in brief

- Liquidity pressures have eased as evidenced by a slight narrowing in the bid/ask spread on the spot metical rate over the last week. A 30-day simple moving average suggests broadly sideways trade.

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



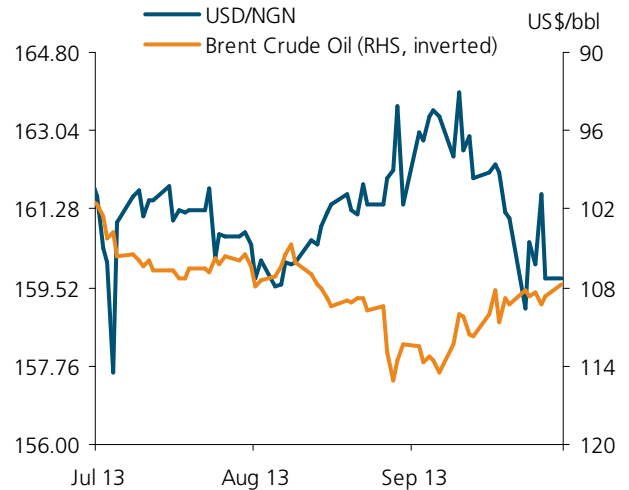
Source: Bloomberg
Data as at September 2013

Nigeria

News flash

- The CBN kept its benchmark rate unchanged at 12% last week. The committee opted to hold the Cash Reserve Requirements on public sector funds and private sector deposits at 50% and 12% respectively.
- The Sovereign Investment Authority (SIA) invested US\$200m (20% of the US\$1bn strong fund) to buffer the economy against a commodity price shock.
- According to the CBN's latest circular on FX, there has been:
 - An upward review of the limit for the usage of Naira debit and credit card overseas from US\$40,000 to US\$150,000.
 - WDAS (wholesale DAS) has been suspended effective 2 October 2013 and replaced with RDAS (Retail DAS).

Figure 6: Month-end sales to support the naira



Source: Bloomberg
Data as at September 2013

Naira (NGN) in brief

- Although residual month-end US dollar sales are likely to provide a fillip to the naira, we do not expect the currency pair to replicate the strength it showed following the Fed meeting in September. At USD/NGN161.10, the naira is still outside the CBN's 3% band around the official reference rate. Its rhetoric at the September MPC would imply greater intervention should the naira begin to trend higher.



Tanzania

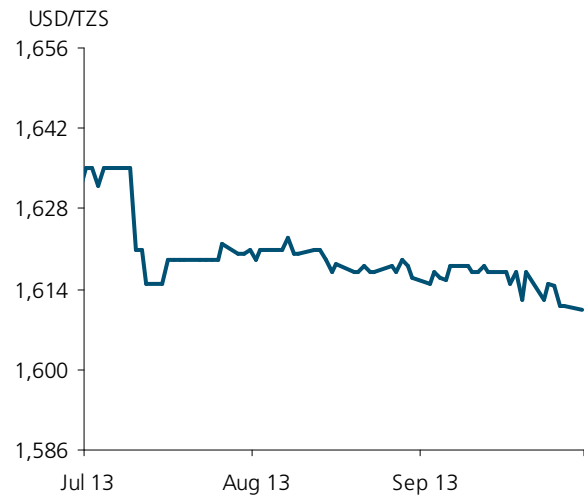
News flash

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

Shilling (TZS) in brief

- Despite an increase in intra-day liquidity, the shilling accumulated mild gains over the course of last week on the back of quarter-end inflows. The unit could inch closer to USD/TZS1,600 this week though a break of this key support level is unlikely as import demand is likely to ensue ahead of the festive season, altering liquidity conditions.

Figure 7: Shilling continues to meander in a narrow range



Source: Bloomberg
Data as at September 2013

Zambia

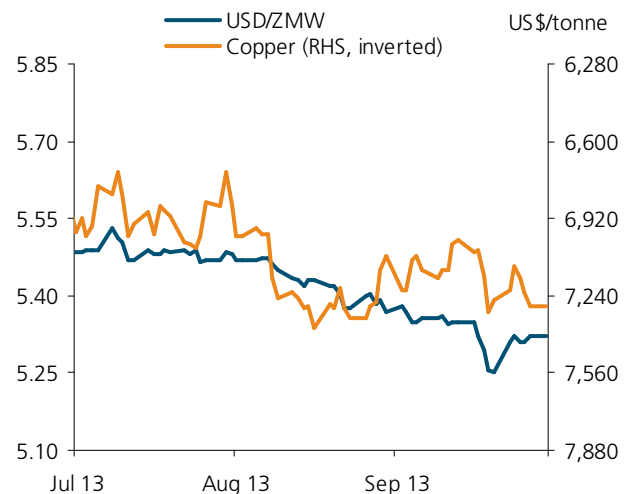
News flash

- Headline inflation slowed to 7% y/y in September from 7.1% in August mainly due to a slight drop in food prices. The CPI basket is dominated by the food component (more than 50%), and is therefore sensitive to any changes in the prices. Inflation is still above the BoZ's 6% year-end target, spurred by higher than budgeted civil service wage increases, lower commercial lending rates, electricity price hikes, and heightened food demand. We therefore believe the central bank will keep monetary policy tight to relieve current inflationary pressures. We expect the key benchmark policy rate to remain unchanged at 9.75% today.

Kwacha (ZMW) in brief

- The kwacha has weakened 1.65% over the last 10 days, surrendering most of its gains over the course of last week as US dollar inflows, particularly from the mining sector, began to wane. A lack of local data meant that the local unit was largely guided by international sentiment which remained guarded in the wake of the Fed minutes. We anticipate two-way trade over the next few days as global risk currencies begin to stabilise. However, a meaningful downward move is dependent on a resurgence in US dollar flows.

Figure 8: Waning dollar inflows weakening kwacha



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	8.53	0.51	1.58	-1.62	8.53	8.59	8.76	9.01
EUR/BWP	11.49	0.10	1.26	-0.85	11.51	11.60	11.83	12.18
GBP/BWP	13.65	0.12	1.47	1.20	13.79	13.88	14.14	14.53
BWP/JPY	11.62	-0.09	-1.94	2.02	1.19	1.19	1.18	1.18
Ghana								
USD/GHS	2.18	0.00	0.00	1.40	2.21	2.28	2.38	2.54
EUR/GHS	2.94	-0.41	-0.31	2.19	2.99	3.07	3.21	3.43
GBP/GHS	3.49	-0.39	-0.11	4.31	3.57	3.67	3.83	4.09
GHS/JPY	45.44	0.43	-0.39	-1.02	217.25	222.71	232.35	247.53
Kenya								
USD/KES	87.42	0.25	0.08	-0.03	87.06	88.15	89.67	93.02
EUR/KES	117.78	-0.16	-0.23	0.75	117.73	119.22	121.31	125.92
GBP/KES	140.01	-0.14	-0.03	2.84	140.47	142.17	144.53	149.75
KES/JPY	1.13	0.17	-0.47	0.40	0.89	0.90	0.91	0.95
Mozambique								
USD/MZN	29.80	-1.57	-0.17	-0.17	29.71	30.17	30.75	31.84
EUR/MZN	40.15	-1.97	-0.48	0.62	40.46	40.81	41.61	43.10
GBP/MZN	47.73	-1.95	-0.27	2.70	48.28	48.66	49.57	51.25
MZN/JPY	3.32	2.03	-0.23	0.53	2938.41	2961.61	3016.79	3116.47
Nigeria								
USD/NGN	161.60	0.97	0.25	0.13	159.75	159.75	159.75	159.75
EUR/NGN	217.72	0.56	-0.06	0.92	216.03	216.06	216.12	216.25
GBP/NGN	258.82	0.57	0.14	3.00	257.76	257.65	257.49	257.18
NGN/JPY	0.61	-0.54	-0.64	0.23	0.62	1.61	1.62	1.62
South Africa								
USD/ZAR	10.00	0.38	3.16	-3.14	10.16	10.23	10.36	10.69
EUR/ZAR	13.47	-0.03	2.84	-2.38	13.70	13.83	14.02	14.44
GBP/ZAR	16.02	-0.01	3.05	-0.36	16.35	16.50	16.70	17.18
ZAR/JPY	9.90	0.05	-3.44	3.62	9.69	9.60	9.47	9.17
Tanzania								
USD/TZS	1,611.00	-0.22	-0.06	-0.43	1,629.98	1,665.62	1,710.34	1,783.55
EUR/TZS	2,170.50	-0.62	-0.37	0.35	2,204.23	2,252.77	2,313.87	2,414.35
GBP/TZS	2,580.18	-0.61	-0.17	2.43	2,629.98	2,686.34	2,756.75	2,871.25
TZS/ZAR	0.06	0.64	-0.33	0.80	16.60	16.97	17.44	18.22
Zambia								
USD/ZMW	5.31	0.00	1.05	-1.67	5.34	5.36	5.50	5.77
EUR/ZMW	7.15	-0.41	0.73	-0.89	7.22	7.23	7.42	7.80
GBP/ZMW	8.50	-0.39	0.94	1.16	8.62	8.65	8.87	9.30
ZMW/JPY	18.65	0.43	-1.42	2.07	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	1,338.40	-4.1	-24.5	19.6	1,339.2	1,342.8
Copper US\$/tonne	7,252.50	2.2	-12.3	19.4	7,300.5	7,348.0
Softs						
Cattle US\$/lb	164.13	4.6	14.1	14.8	132.1	127.3
Cocoa US\$/tonne	2,639.00	9.4	4.9	23.7	2,639.0	2,631.0
Coffee — Arabica US\$/lb	113.70	1.4	-34.5	24.0	113.7	123.1
Coffee — Robusta US\$/tonne	0.00	-	-	27.1	1,611.0	1,659.0
Cotton US\$/lb	85.66	2.3	23.9	19.3	86.6	81.3
Maize — Yellow R/tonne	2,189.00	1.3	-4.4	24.0	2,189.0	2,052.0
Maize — White R/tonne	2,373.00	2.6	4.7	23.7	2,373.0	2,106.0
Raw Sugar US\$/lb	16.87	3.2	-13.8	17.2	18.4	18.4
Energy						
WTI Crude US\$/bbl	101.59	-5.6	10.2	20.0	101.5	93.6

Interest rates

	3-m T-Bill		Policy rate
	Aug - 13 ¹	Current	Current
Botswana	4.18	3.60	8.00
Ghana	22.76	20.80	16.00
Kenya	10.40	9.10	8.50
Mozambique	5.06	5.11	8.75
Namibia	5.15	5.15	5.50
Nigeria	11.50	10.85	12.00
South Africa	5.16	5.10	5.00
Tanzania	12.44	13.84	OMO ²
Zambia	7.99	7.99	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+

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



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