

# RMB Global Markets Research

## Africa markets update

22 April 2013

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### The week in focus

#### Botswana

- Inflation edged up slightly from 7.5% y/y in February to 7.6% in March
- BWP: Mild losses against the greenback

#### CMA

- Namibia: Inflation increases to 6.3% y/y in March from 6.2% in February
- ZAR: Rand fails to capitalise on positive global backdrop

#### Ghana

- Ghana to register GDP growth of around 8% in 2013 — IMF
- GHS: Cedi is poised for further weakness

#### Kenya

- The latest Reuters poll shows a 5.5% growth expectation in 2013
- KES: 2.9% appreciation over the last three months

#### Mozambique

- The BDM keeps main lending rate at 9.5%
- MZN: Pace of weakness has been slow

#### Nigeria

- Inflation falls to five-year low
- NGN: Naira's time at 157.50, short-lived

#### Tanzania

- Reuters poll shows 7% growth expectation in 2013
- TZS: Currency pair could journey as high as USD/TZS1,640

#### Zambia

- Vendanta Resources closes the Nchanga smelter following leak
- ZMW: Ferocity of USD/ZMW moves guided by local liquidity

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## Botswana

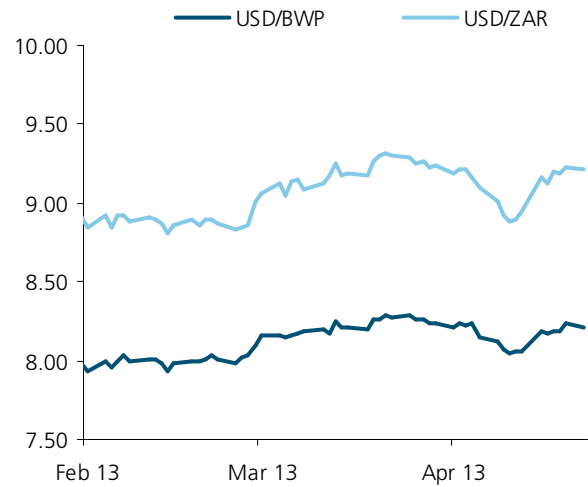
### News flash

- Inflation edged up slightly from 7.5% y/y in February to 7.6% in March. Inflation should decelerate as the year progresses. Our expectations are for inflation to average 7% this year and 6.5% in 2014. These rates would be much lower than in previous years and reflect the deflationary forces of the lower crawl depreciation rate.

### Pula (BWP) in brief

- The local unit exhibited mild gains against the greenback, toward the end of last week, closing at 0.1212/17 versus Monday's close of 0.1216/21. The pula is unlikely to register meaningful gains over the next few days as the underlying currencies to which it is pegged remain weak against the US dollar.

Figure 1: Pula dragged weaker by underlying weakness in pegged currencies



Source: Bloomberg  
Data as at April 2013

## CMA

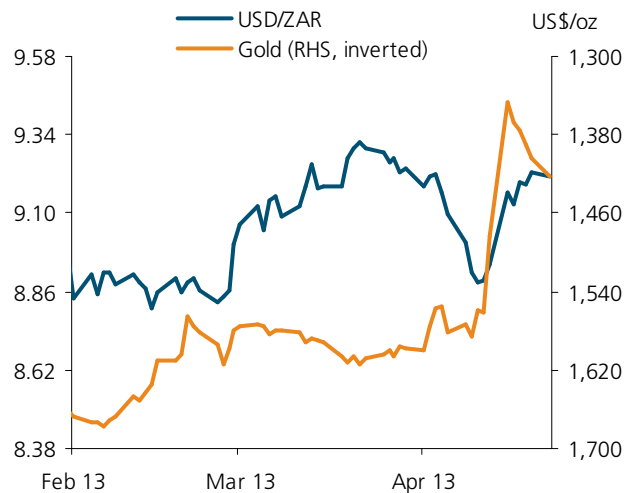
### News flash

- Inflation has increased slowly to 6.3% y/y in March from 6.2% in February, with higher food and transport inflation driving the basket higher. Cost and demand factors pose upside risks to our inflation outlook of 6.5% for 2013 as shown partly by the GDP deflator and the impact of the weakened exchange rate on local production cost. Overall, we believe inflation will peak around 7.1% in June 2013 but the risks are clearly to the upside.

### Rand (ZAR) in brief

- Global markets ended last week on a positive note after trading with a distinct volatile and negative tone for most of the week. Unfortunately, the rand failed to capitalise on this positive backdrop and closed at USD/ZAR9.25 — markedly weaker than Friday morning's open of USDZAR9.18. It is difficult to identify a reason for the rand's decoupling from the global risk rally. The most obvious explanation is that domestic imbalances continue to plague the local unit. Then again, inflows into the bond market were relatively strong in the first few days of last week. In any event, the rand's weakness seems out of line with global markets and we expect the local unit to catch up today.

Figure 2: Rand decouples from global risk rally



Source: Bloomberg  
Data as at April 2013



## Ghana

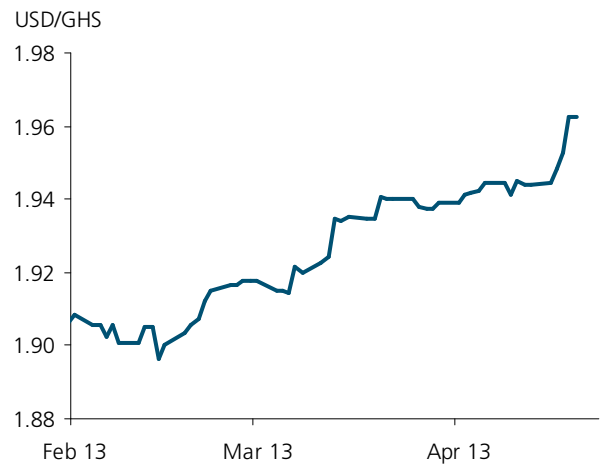
### News flash

- Despite initial teething problems, the oil sector should begin to contribute meaningfully to Ghana’s economic expansion, thereby offsetting declines in non-oil activities on account of energy disruptions and elevated interest rates. According to the IMF, this should enable Ghana to register GDP growth of around 8% in 2013 — 0.5% higher than our expectation. However, the IMF has cautioned the government against fiscal imprudence, noting that the measures to reduce Ghana’s fiscal deficit are inadequate to meet targeted levels.

### Cedi (GHS) in brief

- At USD/GHS1.95, the cedi is poised for further weakness as corporate demand for US dollars runs rampant. Resistance is evident at USD/GHS2.00 but a sharp upward move would require intense deterioration in Ghana’s macroeconomic fundamentals. We are mindful of the effects of fiscal slippage on the currency.

Figure 3: Cedi poised for further weakness



Source: Bloomberg  
Data as at April 2013

## Kenya

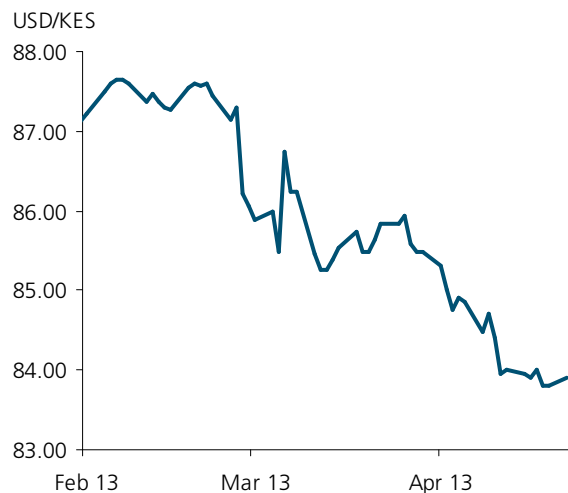
### News flash

- In the latest Reuters poll, analysts believe Kenya would grow by an average of 5.5% in 2013, while inflation should remain moderate. Like in the rest of East Africa, the central bank undertake operations to keep the currency stable.

### Shilling (KES) in brief

- The shilling has appreciated 2.9% over the last three months, signifying financial market’s resilience to changes in sentiment following the presidential election. We continue to hold that the currency is overvalued at current levels and does not fully reflect Kenya’s balance of payments issues. The auction of government securities this week should attract large-scale interest as investors continue to seek out high-yielding assets. The resulting inflows should generate currency gains.

Figure 4: Shilling continues to reflect financial market’s resilience



Source: Bloomberg  
Data as at April 2013



## Mozambique

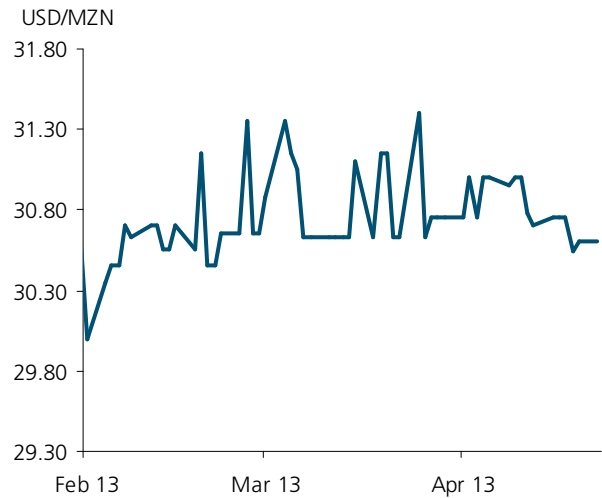
### News flash

- The BDM retained its main lending rate at 9.5% yesterday. Government concerns about weak global growth and its effects on the domestic market is balanced by low base effects in inflation and the recent floods, leading us to believe the MPC will keep rates unchanged at 9.5% for the foreseeable future.
- Anadarko has uncovered additional gas deposits at the Orca-1 well in the Rovuma basin. The block is jointly owned by India's Bharat Petroleum Corp Ltd and a unit of Videocon Industries. According to initial reports, the global exploration unit came upon 58 net metres of natural gas pay adding to the discoveries made last year.

### Metical (MZN) in brief

- The metical is holding steady at slightly above USD/MZN30.00 but continues to exhibit trend depreciation. Although the pace of weakness has been slow, it contradicts our view of relative stability which we attributed to continuous investment related US dollar inflows. The BDM are unlikely to apply a heavier hand to the foreign exchange market as the pass through to inflation appears to be limited.

Figure 5: Holding steady at slightly above USD/MZN30.00



Source: Bloomberg  
Data as at April 2013

## Nigeria

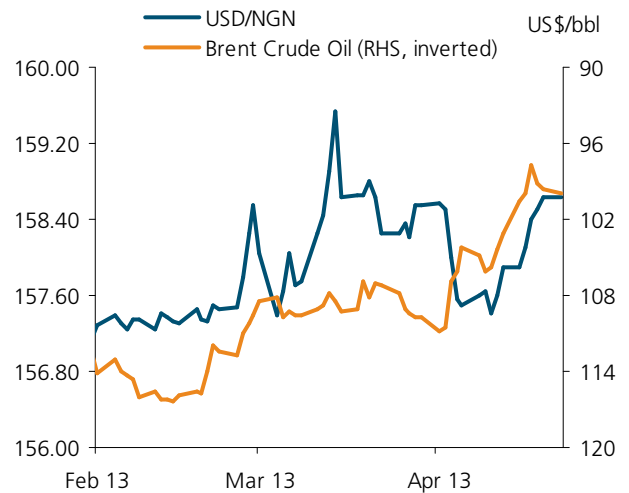
### News flash

- Annual headline CPI printed at 8.6% last month — its lowest level since April 2008. Inflation dropped 1.5% primarily due to base effects related to a surge in prices following the partial removal of the fuel subsidy in the first quarter of last year. Core inflation, which excludes variations in the prices of farm produce, registered a dramatic fall, dipping to 7.2% y/y from 11.25%.
- The Debt Management Office allotted NGN116.1bn in Federal Government bonds yesterday, with tenors ranging from 7- to 20- years. The notes were re-openings of previously issued bonds with almost 10% of the amount offered sold on a non-competitive basis.

### Naira (NGN) in brief

- The naira's time at 157.50 was short-lived owing to incessant import demand, which has thinned US dollar liquidity. We cannot rule out further depreciation this week if demand persists, as the interbank market is short on US dollars. Although the CBN have the ability to increase its offerings at the official window, certain importers cannot bid at the auctions resulting in a spillover onto the interbank market.

Figure 6: Incessant import demand keeps naira under pressure



Source: Bloomberg  
Data as at April 2013



## Tanzania

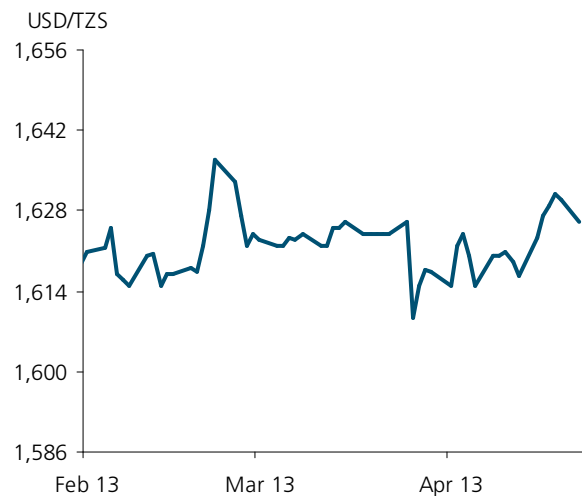
### News flash

- The latest Reuters poll shows a 7% growth expectation in 2013, driven mainly by capital inflows into the oil and gas sector. The poll also suggests that headline CPI in Tanzania will see the largest moderation in East Africa, falling into single digits due to central bank intervention to support the shilling.
- The yield on the 5-year Treasury bond edged higher at auction to 14.99% from 14.38% at a previous auction in February.

### Shilling (TZS) in brief

- Renewed corporate demand for US dollars resulted in shilling losses last week. Depending on the extent of the liquidity squeeze, the currency pair could journey as high as USD/TZS1,640, though central bank activities should ensure that excessive depreciatory moves are kept at bay.

Figure 7: currency pair could journey as high as USD/TZS1,640



Source: Bloomberg  
Data as at April 2013

## Zambia

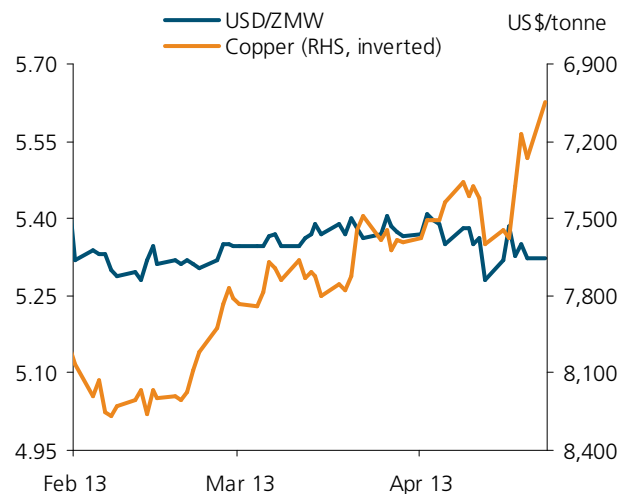
### News flash

- Vendanta Resources has closed the Nchanga smelter in the Konkola Copper Mines following a metal leak. Further reports detailing the extent of the damage are yet to be released but a prolonged closure of the smelter could impair copper production. Zambia is the largest producer of copper in Africa.

### Kwacha (ZMW) in brief

- The ferocity of USD/ZMW moves were guided by local liquidity conditions rather than global sentiment last week. The unit tracked USD/ZAR temporarily but responded nonchalantly to global happenings toward the latter part of the week. While volatility has subsided, we are mindful of dips in the copper price which could impair export earnings and generate bouts of kwacha weakness.

Figure 8: Taking its cue from local liquidity conditions



Source: Bloomberg  
Data as at April 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     |
| <b>Botswana</b>     |                |          |        |         |                   |          |          |          |
| USD/BWP             | 8.18           | -0.05    | 1.51   | -0.13   | 8.30              | 8.40     | 8.53     | 8.75     |
| EUR/BWP             | 10.70          | 0.37     | 1.16   | 0.81    | 10.85             | 10.98    | 11.16    | 11.47    |
| GBP/BWP             | 12.52          | 0.31     | 0.84   | 1.26    | 12.64             | 12.78    | 12.98    | 13.32    |
| BWP/JPY             | 11.99          | 0.77     | -2.97  | 2.98    | 1.11              | 1.11     | 1.10     | 1.10     |
| <b>Ghana</b>        |                |          |        |         |                   |          |          |          |
| USD/GHS             | 1.95           | 0.22     | 0.39   | 0.90    | 1.99              | 2.05     | 2.09     | 2.28     |
| EUR/GHS             | 2.55           | 0.64     | 0.04   | 1.85    | 2.60              | 2.68     | 2.73     | 2.99     |
| GBP/GHS             | 2.99           | 0.58     | -0.27  | 2.30    | 3.03              | 3.12     | 3.18     | 3.47     |
| GHS/JPY             | 50.25          | 0.50     | -1.88  | 1.93    | 198.04            | 204.22   | 207.88   | 226.52   |
| <b>Kenya</b>        |                |          |        |         |                   |          |          |          |
| USD/KES             | 83.80          | -0.24    | -0.18  | -2.25   | 84.39             | 85.72    | 87.51    | 91.82    |
| EUR/KES             | 109.60         | 0.18     | -0.52  | -1.33   | 110.16            | 111.95   | 114.37   | 120.22   |
| GBP/KES             | 128.21         | 0.12     | -0.83  | -0.90   | 128.51            | 130.50   | 133.19   | 139.71   |
| KES/JPY             | 1.17           | 0.96     | -1.33  | 5.22    | 0.85              | 0.86     | 0.88     | 0.93     |
| <b>Mozambique</b>   |                |          |        |         |                   |          |          |          |
| USD/MZN             | 30.55          | -0.65    | -0.74  | -0.25   | 30.55             | -0.65    | -0.74    | -0.25    |
| EUR/MZN             | 39.96          | -0.24    | -1.08  | 0.69    | 39.96             | -0.24    | -1.08    | 0.69     |
| GBP/MZN             | 46.74          | -0.30    | -1.39  | 1.13    | 46.74             | -0.30    | -1.39    | 1.13     |
| MZN/JPY             | 3.21           | 1.38     | -0.77  | 3.11    | 3.21              | 1.38     | -0.77    | 3.11     |
| <b>Nigeria</b>      |                |          |        |         |                   |          |          |          |
| USD/NGN             | 158.50         | 0.06     | 0.57   | -0.09   | 158.63            | 158.63   | 158.63   | 158.63   |
| EUR/NGN             | 207.30         | 0.48     | 0.23   | 0.85    | 207.08            | 207.17   | 207.32   | 207.69   |
| GBP/NGN             | 242.49         | 0.42     | -0.09  | 1.29    | 241.58            | 241.50   | 241.42   | 241.37   |
| NGN/JPY             | 0.62           | 0.66     | -2.07  | 2.95    | 0.62              | 1.62     | 1.62     | 1.62     |
| <b>South Africa</b> |                |          |        |         |                   |          |          |          |
| USD/ZAR             | 9.19           | -0.09    | 3.25   | 0.06    | 9.25              | 9.34     | 9.46     | 9.66     |
| EUR/ZAR             | 12.01          | 0.33     | 2.90   | 1.01    | 12.10             | 12.20    | 12.36    | 12.67    |
| GBP/ZAR             | 14.05          | 0.27     | 2.58   | 1.45    | 14.11             | 14.22    | 14.39    | 14.73    |
| ZAR/JPY             | 10.68          | 0.81     | -4.61  | 2.79    | 10.74             | 10.65    | 10.51    | 10.25    |
| <b>Tanzania</b>     |                |          |        |         |                   |          |          |          |
| USD/TZS             | 1,631.00       | 0.12     | 0.74   | 0.43    | 1,646.25          | 1,677.25 | 1,719.75 | 1,804.75 |
| EUR/TZS             | 2,133.18       | 0.54     | 0.40   | 1.38    | 2,149.08          | 2,190.47 | 2,247.58 | 2,362.89 |
| GBP/TZS             | 2,495.27       | 0.48     | 0.08   | 1.82    | 2,507.08          | 2,553.47 | 2,617.28 | 2,746.11 |
| TZS/ZAR             | 0.06           | 0.60     | -2.23  | 2.41    | 16.54             | 16.86    | 17.30    | 18.20    |
| <b>Zambia</b>       |                |          |        |         |                   |          |          |          |
| USD/ZMW             | 5.35           | 0.45     | -0.19  | -0.76   | 5.34              | 5.36     | 5.50     | 5.77     |
| EUR/ZMW             | 7.00           | 0.87     | -0.53  | 0.17    | 6.97              | 7.00     | 7.19     | 7.56     |
| GBP/ZMW             | 8.18           | 0.81     | -0.84  | 0.61    | 8.13              | 8.15     | 8.36     | 8.78     |
| ZMW/JPY             | 18.34          | 0.27     | -1.32  | 3.64    | 0.05              | 0.05     | 0.06     | 0.06     |

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



## Commodities prices

|                             | Current | m/m % change | y/y % change | Implied volatility | 3-month future | 12-month future |
|-----------------------------|---------|--------------|--------------|--------------------|----------------|-----------------|
| <b>Metals</b>               |         |              |              |                    |                |                 |
| Gold US\$/oz                | 1422.27 | -11.6        | -13.4        | 19.4               | 1395.6         | 1399.6          |
| Copper US\$/tonne           | 6975.00 | -8.4         | -14.1        | 18.5               | 6991.0         | 7065.0          |
| <b>Softs</b>                |         |              |              |                    |                |                 |
| Cattle US\$/lb              | 134.03  | -0.5         | -10.7        | 16.7               | 121.3          | 127.3           |
| Cocoa US\$/tonne            | 2319.00 | 7.4          | 0.9          | 24.3               | 2333.0         | 2348.0          |
| Coffee — Arabica US\$/lb    | 141.65  | 4.7          | -20.3        | 25.5               | 143.2          | 152.7           |
| Coffee — Robusta US\$/tonne | 2211.00 | 0.0          | 8.8          | 20.2               | 2091.0         | 2126.0          |
| Cotton US\$/lb              | 83.50   | -4.3         | -7.3         | 21.7               | 85.4           | 85.1            |
| Maize — Yellow R/tonne      | 2113.00 | -8.9         | 2.1          | 25.2               | 2092.0         | 2167.0          |
| Maize — White R/tonne       | 2110.00 | -10.7        | -3.2         | 23.2               | 2119.0         | 2211.0          |
| Raw Sugar US\$/lb           | 17.97   | -1.3         | -18.1        | 21.3               | 19.4           | 19.4            |
| <b>Energy</b>               |         |              |              |                    |                |                 |
| WTI Crude US\$/bbl          | 88.51   | -5.5         | -14.1        | 24.9               | 88.5           | 86.3            |

## Interest rates

|              | 3-m T-Bill          |         | Policy rate      |
|--------------|---------------------|---------|------------------|
|              | Mar-13 <sup>1</sup> | Current | Current          |
| Botswana     | 5.36                | 5.36    | 9.50             |
| Ghana        | 21.61               | 22.96   | 15.00            |
| Kenya        | 10.32               | 10.54   | 9.50             |
| Mozambique   | 2.80                | 2.71    | 9.50             |
| Namibia      | 5.15                | 5.15    | 5.50             |
| Nigeria      | 10.45               | 10.49   | 12.00            |
| South Africa | 4.99                | 5.18    | 5.00             |
| Tanzania     | 11.64               | 11.67   | OMO <sup>2</sup> |
| Zambia       | 5.50                | 5.50    | 9.25             |

<sup>1</sup> End of month

<sup>2</sup> Open Market Operations

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

## All rated sub-Saharan countries

|              | Fitch   | Moody's | S&P     |
|--------------|---------|---------|---------|
| Angola       | BB- (P) | Ba3 (P) | BB-     |
| Benin        | B       | –       | B       |
| Botswana     | –       | A2      | A-      |
| Burkina Faso | –       | –       | B       |
| Cameroon     | B       | –       | B       |
| Cape Verde   | B+      | –       | B+      |
| Gabon        | BB-     | –       | BB-     |
| Ghana        | B+ (N)  | B1      | B       |
| Kenya        | B+      | B1      | B+      |
| Lesotho      | BB- (N) | –       | –       |
| Mauritius    | –       | Baa1    | –       |
| Mozambique   | B (P)   | –       | B+      |
| Namibia      | BBB-    | Baa3    | –       |
| Nigeria      | BB-     | Ba3     | BB-     |
| Rwanda       | B       | –       | B (P)   |
| Senegal      | –       | B1      | B+ (N)  |
| Seychelles   | B       | –       | –       |
| South Africa | BBB     | Baa1    | BBB (N) |
| Uganda       | B       | –       | B+      |
| Zambia       | B+ (N)  | B1      | B+      |

P = Positive outlook N = Negative outlook SD = Selective Default  
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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