

# RMB Global Markets Research

## Africa markets update

25 November 2013

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### The week in focus

#### Botswana

- Government grants two prospecting licenses to foreign firms for coal bed methane
- BWP: Relatively narrow trading range

#### CMA

- Namibia: Government urged to expedite drought alleviation measures
- ZAR: Eyeing sub-10.00 on USD/ZAR

#### Ghana

- Ministry of Finance presents budget assumptions for 2014
- GHS: Sustained corporate demand continues to outpace US dollar inflows.

#### Kenya

- AfDB assigns US\$120m for road improvements in Nairobi
- KES: Unlikely to see a departure from recent trading levels

#### Mozambique

- A view on local elections in light of recent violence
- MZN: Fundamentals do not support a weaker level

#### Nigeria

- CBN retains policy rate at 12% as GDP growth quickens in 3Q13
- NGN: Seasonal monthly inflows should support naira

#### Tanzania

- TANESCO seeks 68% increase in tariffs
- TZS: We expect moderate losses this week

#### Zambia

- Bond yields edge higher following quarterly bond auction
- ZMW: Positive momentum likely to fade as US dollar inflows dissipate

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## Botswana

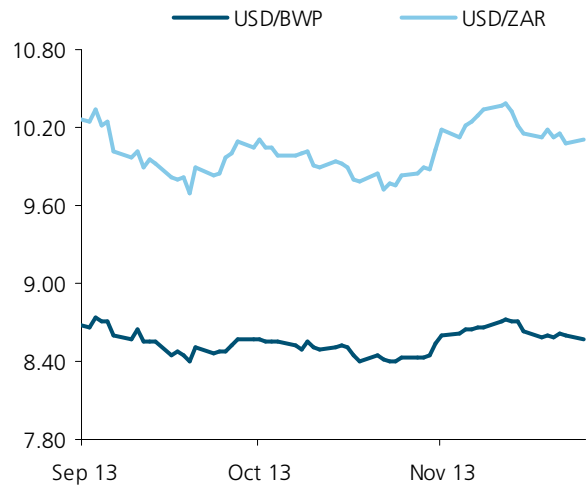
### News flash

- The government has granted two prospecting licenses to offshore firms for the territory geological analysis of coal bed methane within the Central Kalahari Game Reserve. The process is still in its initial stages as no concessions have been granted in respect of extraction licenses. Compared to natural gas from conventional reservoirs, coal bed methane contains very little heavier hydrocarbons and could potentially serve as an important source of energy to Botswana, if it is found to be viable.

### Pula (BWP) in brief

- The overnight trading sessions have done little for the pula this morning as it is still trading at Friday's closing levels. As at 08:10am local time, the unit was trading at 1.1743/73 and 0.1162/65 against the rand and the US dollar respectively. In the absence of any significant unexpected economic developments, these levels should remain. We expect a relatively narrow range with a bias towards US dollar weakness.

Figure 1: Pula struggles to consolidate strength against the US dollar



Source: Bloomberg  
Data as at November 2013

## CMA

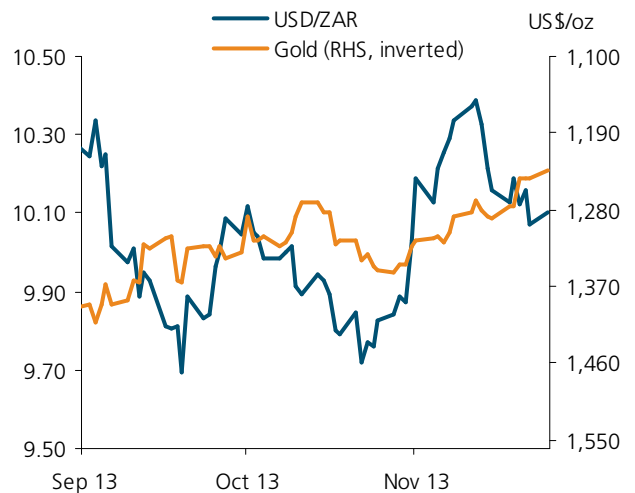
### News flash

- Namibia:** Labour strikes within the South African transport system could hinder December vehicle sales as deliveries are postponed, arousing concern among several dealerships reliant on Christmas sales to boost revenue.
- The government is under increasing pressure to expedite measures to help alleviate drought, particularly in the northern parts of Namibia. Livestock farmers are accumulating losses as they are compelled to accept lower prices amid waning supply. The ministry of agriculture has advised that 28 boreholes are currently being drilled in the Karas region to increase water supply. According to media reports, the Kunene Region has been the hardest hit — two years of poor rains have devastated millet and maize plantations.

### Rand (ZAR) in brief

- Bullish global markets and a relatively empty international data calendar suggest this could be a positive week for the rand. The immediate task is for USD/ZAR to break through the 10.05/08 support area, which would open up moves to sub-10.00.

Figure 2: Rand manages to shrug off negatives from tapering fears



Source: Bloomberg  
Data as at November 2013



## Ghana

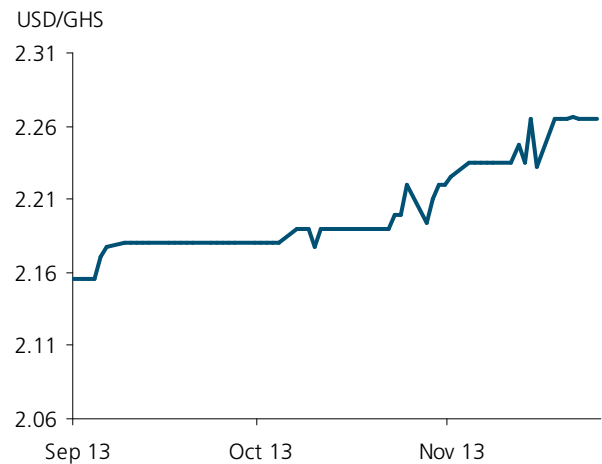
### News flash

- Finance Minister Seth Terkper announced the 2014 budget last week. The main assumptions of the new budget include:
  - 8% GDP growth (on par with our expectation)
  - An 8.5% budget deficit in 2014, and 6% in 2015 (relative to our estimates of -9.4% and -8.5% respectively)
  - An inflation target of 9.5% with a 2% band above or below (we expect 9%)
 The 2014 budget also made reference to a Ghana Infrastructure Fund looking at strategic projects with private sector and multilateral investors, and the possibility of a mining windfall tax (due to be introduced to Parliament).
- Parliament recently approved the long awaited Petroleum (local content and local participation) Regulation Bill which aims to enrich local communities involved in oil and petroleum activities.

### Cedi (GHS) in brief

- We remain bearish in the short-term owing to sustained corporate demand which continues to outpace US dollar inflows. The indicative rate is bid at 2.25, though liquidity conditions and technical indicators would suggest that this could trend higher.

Figure 3: Unrelenting depreciatory pressure



Source: Bloomberg  
Data as at November 2013

## Kenya

### News flash

- The AfDB has assigned US\$120m to the improvement of a 13km stretch of road in Nairobi to help alleviate traffic and improve logistic networks in the capital. According to the AfDB, the main outcomes of the project would include improved property values arising from reduced congestion, and a better business environment for informal traders due to access to new market facilities.
- The proportion of short-dated government securities held by commercial banks has increased by 4% over the last four months. The ability to trade 364-day paper over the counter has enhanced its attractiveness for commercial banks. National Treasury's preference for short-dated instruments is viewed as frontloading ahead of 1Q14 when a large number of securities are due.

Figure 4: Shilling bound to a narrow range



Source: Bloomberg  
Data as at November 2013

### Shilling (KES) in brief

- The shilling is bobbing around in a narrow range of USD/KES86.30 to 86.50 as liquidity conditions begin to normalise, particularly in the money market. We are unlikely to see a departure from recent trading levels in the absence of any market-moving events.



## Mozambique

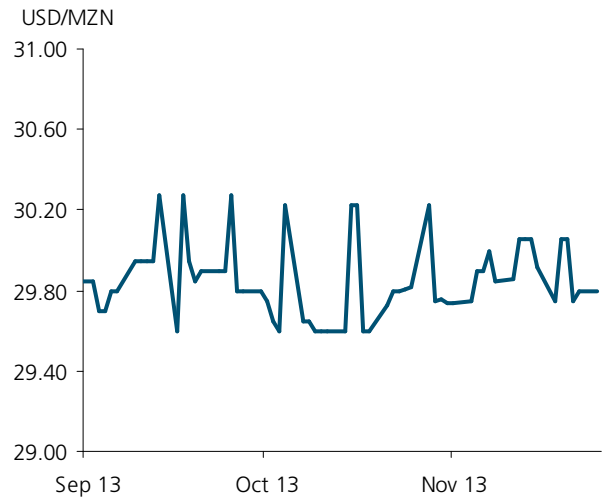
### News flash

- China's Export-Import Bank will provide US\$416.5m to the government to assist in the rehabilitation of the EN6 road, which links Beira to the border town of Machipanda. A quarter of the loan, which is concessional in nature, is available immediately while the remaining amount will be agreed to separately in January.
- The local elections took place last week to elect mayors and local assembly members in 53 municipalities. The election has been in the spotlight due to violence in recent months between government forces and the main opposition Renamo rebels in Sofala. Renamo did not register to run in this election, citing electoral laws must first be overhauled to ensure it has equal representation on election bodies. We expect Frelimo to win the majority of the municipalities as seen in 2008. Presidential polls are planned for next October.

### Metical (MZN) in brief

- Despite a sharp upward adjustment last week (29.61 to 29.95), the metical has evaded USD/MZN30.00. Fundamentals do not support a weaker level.

Figure 5: Metical teetering close to USD/MZN30.00



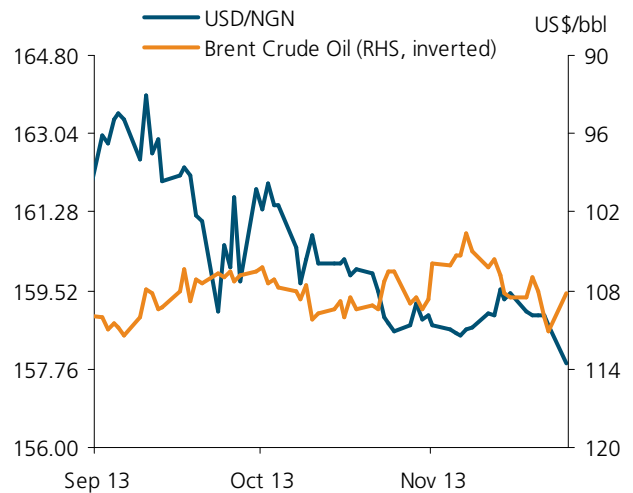
Source: Bloomberg  
Data as at November 2013

## Nigeria

### News flash

- The economy expanded at a quicker pace in 3Q13 relative to the same period last year, registering 6.8% growth. The oil sector continued to wane in importance over the period under review, contributing a mere 12.5% to real GDP growth compared 13.42% in 3Q12. While the oil sector dragged on the economy, the non-oil sector surging ahead, growing at 8% y/y.
- Having surveyed the current macroeconomic landscape, characterised by subsiding inflationary pressures and quickening GDP growth, the CBN opted to retain its policy rate at 12% last week. While headline CPI should remain anchored within the CBN's inflation band of 6% to 9% in 2014, it is vulnerable to the effects of fiscal overspend. The potential for fiscal laxity ahead of the presidential elections in 2015 and the impact on inflation, coupled with the effects of US tapering on portfolio investment increase the likelihood of a rate hike in 2014.

Figure 6: Month-end inflows is a boon for the naira



Source: Bloomberg  
Data as at November 2013

### Naira (NGN) in brief

- The naira is confined to a narrow range of USD/NGN158 to 159 and should amass minor gains this week as oil firms come to market. Seasonal monthly inflows should ensure that the naira remains suspended below USD/NGN160.00.



## Tanzania

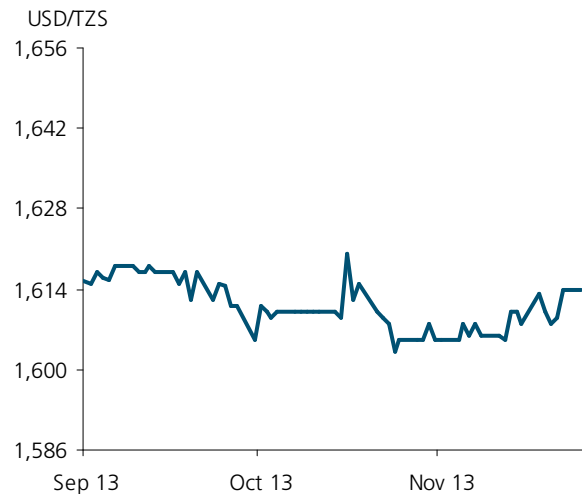
### News flash

- TANESCO is reportedly seeking a 67.9% increase in electricity tariffs to help it bare rising generation costs. The utility incurred losses amounting to TZS178.45bn in 2012 and appears likely to fall short of its 2013 revenue targets due to its inability to meet costs associated with the running oil-fired power plants. Should TANESCO fail to secure the required tariff adjustment, it will be unable to service its debt, thereby reducing its creditworthiness.

### Shilling (TZS) in brief

- Despite an expected weakening in the currency, on the back of rising year-end import demand, we expect moderate losses as flows from the BoT and mining consortiums offset prevailing demand. Volatility should remain subdued.

Figure 7: Shilling to lose ground against the USD but at a measured pace



Source: Bloomberg  
Data as at November 2013

## Zambia

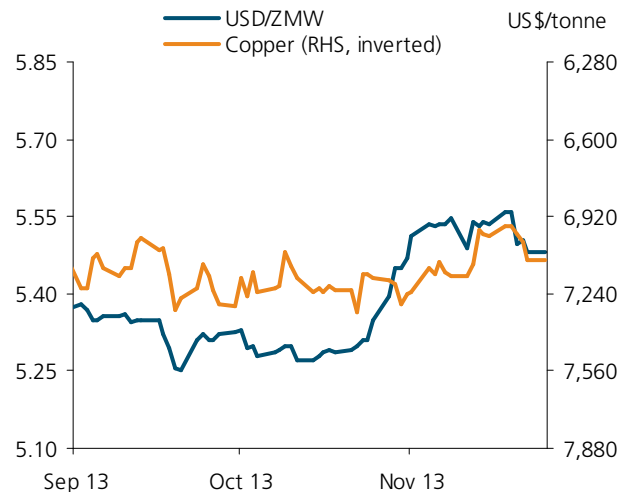
### News flash

- The BoZ conducted its quarterly bond auction last Friday. Tight liquidity conditions; increased government borrowing; a sovereign ratings downgrade; and recent exchange rate weakness drove yields higher across all tenors. With OMO and T-bill yields both ticking up, there was little doubt that we would see bond yields inch higher.

### Kwacha (ZMW) in brief

- The kwacha recouped losses over the course of last week amid an inflow of US dollars which helped to quell local demand. The positive momentum could fade this week if inflows are not sustained. Though EM currencies, notably the rand, have strengthened, the kwacha is unlikely to follow suit as the local market trades off liquidity rather than global events. We are interested to note that the BoZ has not engaged in the direct selling of US dollars to smooth currency fluctuations, despite the kwacha breaching 5.50 on several occasions. This could imply that it assumes the moves are seasonal or is limited in its ability to intervene.

Figure 8: Kwacha receives a temporary reprieve from losses



Source: Bloomberg  
Data as at November 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	8.61	0.34	-1.12	2.02	8.65	8.74	8.88	9.13
EUR/BWP	11.59	0.50	-1.21	0.40	11.70	11.83	12.02	12.37
GBP/BWP	13.91	0.52	-0.57	2.09	14.01	14.15	14.37	14.75
BWP/JPY	11.73	0.55	2.24	0.87	1.17	1.17	1.16	1.16
<b>Ghana</b>								
USD/GHS	2.27	0.05	0.05	3.48	2.21	2.28	2.38	2.54
EUR/GHS	3.05	0.21	-0.04	1.84	3.00	3.08	3.22	3.44
GBP/GHS	3.66	0.23	0.61	3.55	3.59	3.69	3.84	4.10
GHS/JPY	44.58	0.85	1.05	-0.55	223.79	231.86	241.66	257.83
<b>Kenya</b>								
USD/KES	86.30	0.12	-0.12	1.83	87.40	88.43	90.04	93.78
EUR/KES	116.15	0.27	-0.21	0.21	118.50	119.90	122.10	127.23
GBP/KES	139.46	0.30	0.44	1.90	141.79	143.39	145.88	151.69
KES/JPY	1.17	0.78	1.22	1.07	0.86	0.87	0.89	0.93
<b>Mozambique</b>								
USD/MZN	29.75	-1.00	-1.00	0.07	29.71	30.12	30.87	31.97
EUR/MZN	40.04	-0.84	-1.09	-1.52	40.71	40.83	41.86	43.38
GBP/MZN	48.08	-0.82	-0.45	0.14	48.72	48.83	50.02	51.72
MZN/JPY	3.40	1.92	2.12	2.84	3040.30	3047.85	3122.15	3228.75
<b>Nigeria</b>								
USD/NGN	158.98	0.02	-0.23	-0.58	159.75	159.75	159.75	159.75
EUR/NGN	213.97	0.18	-0.32	-2.15	216.60	216.60	216.63	216.75
GBP/NGN	256.91	0.20	0.33	-0.51	259.17	259.04	258.84	258.41
NGN/JPY	0.64	0.88	1.33	3.51	0.63	1.58	1.58	1.58
<b>South Africa</b>								
USD/ZAR	10.16	0.36	-0.55	3.14	10.14	10.21	10.34	10.67
EUR/ZAR	13.67	0.51	-0.64	1.51	13.72	13.84	14.03	14.43
GBP/ZAR	16.41	0.54	0.01	3.21	16.41	16.55	16.76	17.21
ZAR/JPY	9.95	0.54	1.66	-0.22	10.01	9.91	9.78	9.49
<b>Tanzania</b>								
USD/TZS	1,609.00	0.06	-0.06	-0.06	1,629.00	1,664.00	1,729.00	1,815.25
EUR/TZS	2,165.55	0.22	-0.16	-1.65	2,208.67	2,256.19	2,344.65	2,462.87
GBP/TZS	2,600.14	0.24	0.49	0.01	2,642.77	2,698.23	2,801.46	2,936.27
TZS/ZAR	0.06	0.84	1.16	2.98	16.09	16.44	17.09	17.98
<b>Zambia</b>								
USD/ZMW	5.51	0.18	-0.63	4.06	5.34	5.36	5.50	5.77
EUR/ZMW	7.41	0.34	-0.73	2.41	7.24	7.25	7.44	7.82
GBP/ZMW	8.90	0.36	-0.08	4.14	8.66	8.68	8.90	9.33
ZMW/JPY	18.35	0.72	1.74	-1.11	0.05	0.05	0.05	0.06

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



## Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
<b>Metals</b>						
Gold US\$/oz	1,233.58	-8.7	-29.6	17.9	1,244.6	1,247.5
Copper US\$/tonne	7,065.50	-0.8	-8.0	19.0	7,097.0	7,105.0
<b>Softs</b>						
Cattle US\$/lb	163.50	-1.2	10.6	14.8	131.8	128.1
Cocoa US\$/tonne	2,800.00	3.2	9.3	24.9	2,799.0	2,781.0
Coffee — Arabica US\$/lb	107.10	-1.8	-24.7	22.9	107.1	114.4
Coffee — Robusta US\$/tonne	0.00	-	-	27.1	1,576.0	1,523.0
Cotton US\$/lb	75.70	-4.3	8.4	19.8	77.2	75.9
Maize — Yellow R/tonne	2,428.00	7.1	-4.4	24.0	2,428.0	2,060.0
Maize — White R/tonne	2,472.00	2.8	-0.3	23.7	2,472.0	2,128.0
Raw Sugar US\$/lb	17.40	-8.6	-9.1	15.6	18.5	18.5
<b>Energy</b>						
WTI Crude US\$/bbl	93.53	-4.4	5.9	16.0	95.3	91.7

## Interest rates

	3-m T-Bill <sup>1</sup>		Policy rate
	Oct - 13	Current	Current
Botswana	3.65	3.61	8.00
Ghana	24.28	18.15	16.00
Kenya	9.94	9.82	8.50
Mozambique	5.15	5.21	8.25
Namibia	5.15	5.15	5.50
Nigeria	10.07	11.02	12.00
South Africa	5.11	5.11	5.00
Tanzania	13.68	13.40	OMO <sup>2</sup>
Zambia	8.00	7.50	9.75

<sup>1</sup> End of month

<sup>2</sup> Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, RMB Global Markets  
All data as at November 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, FNB subsidiaries and national statistical websites.



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