

27 May 2013

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The week in focus

Botswana

- There were no significant news events last week
- BWP: The BWP/USD continues to face downside pressure

CMA

- Namibia: There were no significant news events last week
- ZAR: Weakening trend but little momentum

Ghana

- The Bank of Ghana hikes benchmark policy rate to 16%
- GHS: Relentless demand for US dollars continues

Kenya

- Government expects 6% growth in 2013
- KES: The shilling traded above the 84.00 level against the dollar last week

Mozambique

- Brazil's Vale has cut its 2013 coal export target
- MZN: Metical breaching USD/MNZ30.00, but should pull back

Nigeria

- The central bank kept rates unchanged at 12%
- NGN: Month-end dollar sales to keep naira stable

Tanzania

- The World Bank expects growth to average 7%
- TZS: Some anticipation of further weakness

Zambia

- There were no significant news events last week
- ZMW: Kwacha weakness expected this week

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Botswana

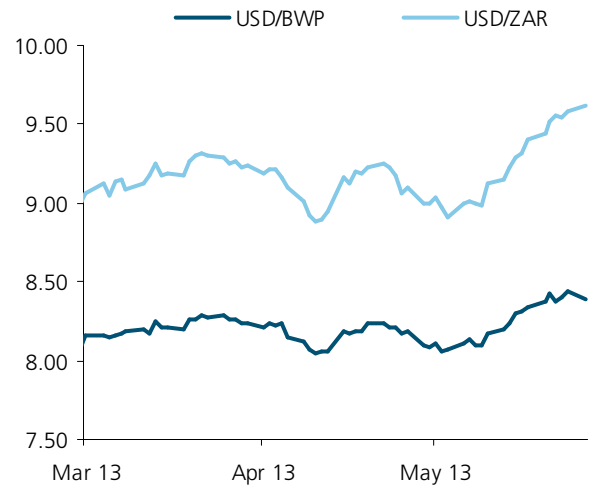
News flash

- There were no significant news events last week.

Pula (BWP) in brief

- The pula traded in a tight range against the US dollar last week, though still with a weak bias. It closed Friday hardly unchanged at BWP/USD 0.1186/89 from opening at 0.1187/90. It continues to face downside pressure and BWP/ZAR upside pressure as the rand weakens. However, we stick with our forecast of a stronger pula, a reflection of our expectations that rand losses should reverse as the year progresses.

Figure 1: Trading in a narrow range



Source: Bloomberg
Data as at May 2013

CMA

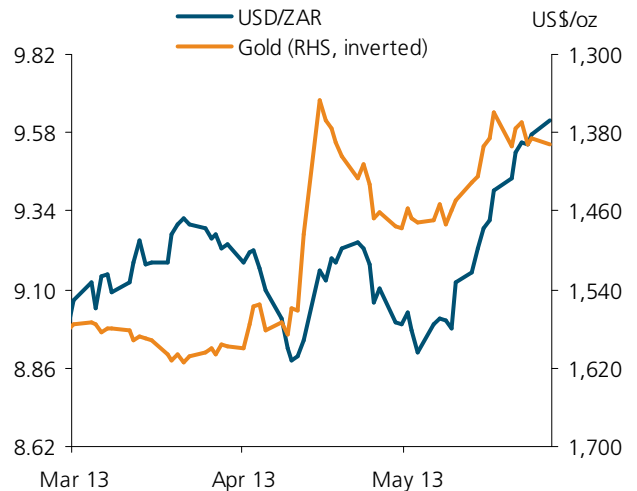
News flash

- There were no significant news events last week

Rand (ZAR) in brief

- The trend remains for rand weakness but there isn't strong momentum. Expect USD/ZAR to trade in the low 9.60s today, with volatility limited by the US holiday. Uncertainty is the new theme globally. Last week's ambiguous comments by Fed Chairman Bernanke have left uncertainty over when QE is likely to taper off. Chinese data has created fears of a renewed economic deceleration. And Japan's "Abenomics" is being tested by the markets through a yen and bond yield surge.

Figure 2: Weakening trend but little momentum



Source: Bloomberg
Data as at May 2013

Global markets have responded negatively. Equities have broken their brilliant run. Volatility has spiked. Most importantly from a local perspective, EM bonds continue to sell-off while risk currencies are all being pushed weaker.

While global themes dominate at present, the rand remains very sensitive to any negative local news. Risks this week come from the busy data calendar that includes 1Q13 GDP and the April trade figures.



Ghana

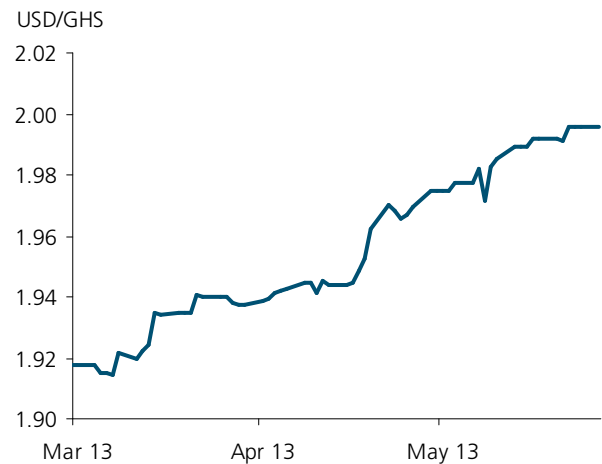
News flash

- The Bank of Ghana hiked its benchmark policy rate by 100bp to 16% yesterday. The MPC highlighted that the risks to inflation — including exchange rate pressures, the burdensome fiscal position, and energy sector woes — outweigh the dangers that weaker commodity prices pose to the country's growth rate. Inflation rose to its highest level in almost three years, printing at 10.6% y/y in April from 10.4% in March, mainly due to a rise in food and non-alcoholic drinks and goods and service. The cedi depreciation; the harvesting season which is yet to start; and second-round effects from the removal of the fuel subsidy all played major roles in the increase. Even though the inflation rate remains within the central bank's target band of 2% above and below the 9% level, it is fast closing in on the upper-end.

Cedi (GHS) in brief

- Despite the efforts of the BoG, relentless demand for US dollars continues to drive USD/GHS dangerously close to 2.00. Worries about the pass through to inflation could prompt the BoG to apply a heavier hand to the foreign exchange market.

Figure 3: Demand for US dollars continue



Source: Bloomberg
Data as at May 2013

Kenya

News flash

- The government expects 6% growth in 2013 from 4.6% in 2012 due to faster growth in sectors like agriculture. It added that the positive macroeconomic outlook and increased investor confidence is supported by the peaceful elections at the beginning of 2013. Our growth expectation of 5.3% for 2013 is based not only on a pick-up in agriculture, but also domestic demand. Political stability coupled with more accommodative monetary policy should foster an easing of credit standards and increase economic activity, particularly industry and services, which were constrained by the high interest rate environment last year.

Shilling (KES) in brief

- The shilling traded above the 84.00 level against the dollar last week. Falling interest rates have spurred the demand for dollars, which should keep the shilling above 84.00 for the remainder of this week. Our year-end forecast is currently under review. While we remain concerned about Kenya's current account, we are mindful of the increase in financial flows.

Figure 4: Breaching the USD/KES84 level, but stable



Source: Bloomberg
Data as at May 2013



Mozambique

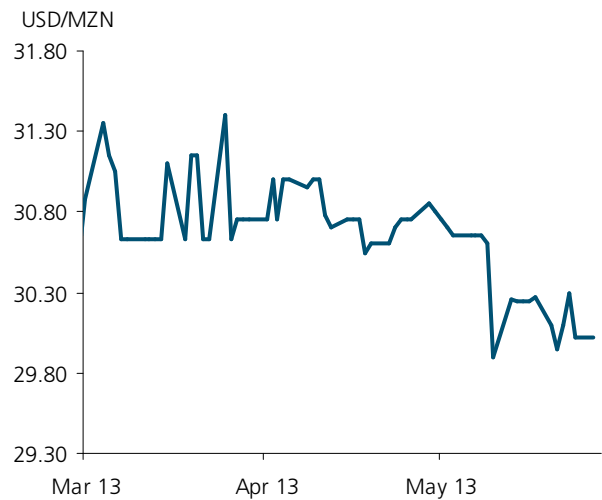
News flash

- Brazil's Vale has cut its 2013 coal export target by 30% to 3.4m tonnes. The firm had to declare force majeure as the Sena railway line was shut for two weeks in February. Vale also struggled to reach forecast production in 2012 due to infrastructure difficulties in Mozambique. The firm expects coal production from Moatize to reach 6.4m tonnes in 2014, and to rise to 9.2m annually thereafter. Vale's infrastructure plans include a US\$4.4bn project to rehabilitate the northern Ncala corridor (including the railway and deep-water port) to eventually push overall output to 22m tonnes. Meanwhile, Vale plans to start construction of a 300MW coal-fired power plant early in 2014 and expects it to be completed within 30 months.

Metical (MZN) in brief

- The metical has breached the USD/MZN30.00 level last week but is expected to oscillate around the 29.70 level this week. This supports our view of 29.00 at year-end based on sustained FDI. Short-term momentum indicators show a downward bias but, as we well know, this could change depending on prevailing market conditions.

Figure 5: Downward bias still evident



Source: Bloomberg
Data as at May 2013

Nigeria

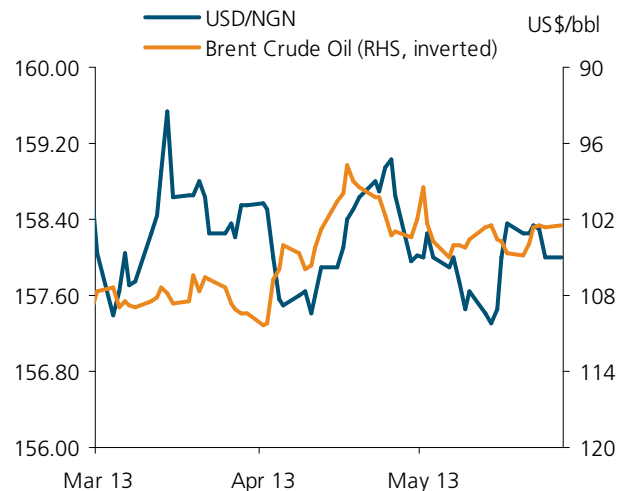
News flash

- The Central Bank kept rates unchanged at 12%. It is currently satisfied with banking stability, low inflation, exchange rate stability, strong reserve buffers and a recovery in the equities market. We believe a moderation in domestic demand could necessitate monetary policy easing in 2H13
- AMCON is set to complete the sale of its shares in Enterprise Bank, Afribank, and Bank PHB by 2Q14. AMCON will retire NGN2 trillion worth of its NGN5.7 trillion of bonds in 2013 and 2014 from bad loan recoveries and refinance what is left with the Central Bank.
- The government is planning to raise foreign borrowing to around 40% from an original 12% of total debt over the next three to five years to lower its funding costs. The DMO expects the debt-to-GDP ratio to fall to 17% over the period from 21%.

Naira (NGN) in brief

- Continued strong demand saw the naira slip slightly last week. However, it should remain relatively stable and even strengthen to around USD/NGN158.00 due to month-end dollar sales by oil companies.

Figure 6: Corporate demand for US dollars remain strong



Source: Bloomberg
Data as at May 2013



Tanzania

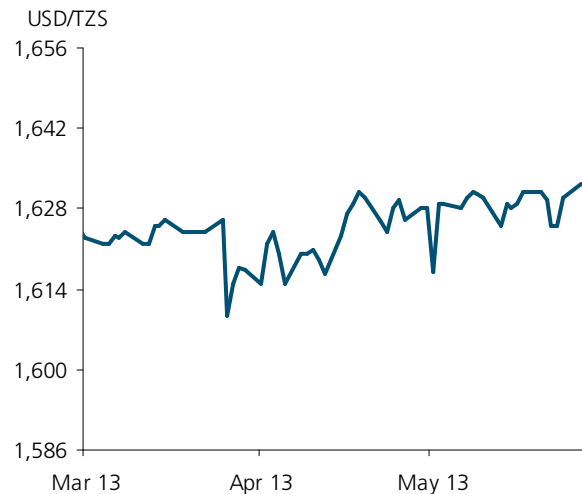
News flash

- The World Bank expects growth to average 7% over the next two years from 6.9% in 2012, while it expects inflation to average 5% to 7%. The Bank believes growth will be driven by five key sectors: communications, transport, construction, manufacturing and financial services, and that the gas industry will boost growth within the next 10 years.
- Tanzania's debut US\$600m international bond is likely to be added to JP Morgan's Emerging Markets Index at the end of May.

Shilling (TZS) in brief

- The shilling continued to hold steady last week as the market remained intact in the USD/TZS 1,625 – 1,635 range, although further weakness towards the 1,640 level was anticipated. We expect the unit to trade around that level in the week ahead.

Figure 7: Some anticipation of further weakness



Source: Bloomberg
Data as at May 2013

Zambia

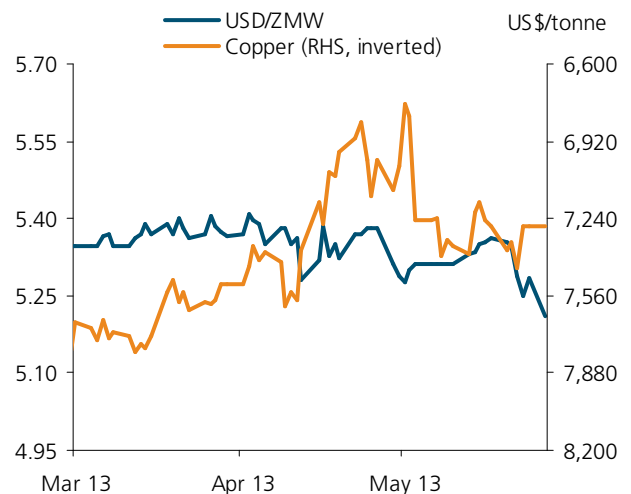
News flash

- There were no significant news events last week.

Kwacha (ZMW) in brief

- Regardless of rand weakness against the US dollar last week, the kwacha has traded steadily, which suggests that it was mostly driven by supply and demand dynamics rather than international determinants. However, Asian markets headed for their longest losing streak since November and commodities have also taken a beating, which could see the kwacha weaken this week. The rand has also continued to weaken, trading at 9.60 against the dollar, which will most likely set a trend for the local unit. Nevertheless, a quiet day is expected with very little volatility due to the US holiday today. We expect to see USD/ZMW trading in the range of 5.310/40.

Figure 8: Kwacha weakness expected



Source: Bloomberg
Data as at May 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	8.41	0.34	1.09	2.06	8.49	8.58	8.70	8.92
EUR/BWP	10.87	0.85	1.37	1.16	10.98	11.10	11.26	11.57
GBP/BWP	12.71	0.74	-0.14	1.04	12.85	12.97	13.15	13.47
BWP/JPY	12.12	-1.89	-1.30	0.51	1.13	1.13	1.13	1.13
Ghana								
USD/GHS	2.00	0.03	0.23	1.32	2.02	2.08	2.13	2.31
EUR/GHS	2.58	0.54	0.50	0.43	2.61	2.69	2.75	3.00
GBP/GHS	3.02	0.42	-1.00	0.30	3.06	3.14	3.21	3.49
GHS/JPY	51.05	-1.59	-0.45	1.24	204.70	209.97	214.59	232.78
Kenya								
USD/KES	84.35	-0.18	0.66	0.72	84.73	85.56	87.13	90.69
EUR/KES	109.09	0.33	0.93	-0.17	109.61	110.72	112.84	117.66
GBP/KES	127.51	0.22	-0.57	-0.29	128.18	129.38	131.71	137.02
KES/JPY	1.21	-1.39	-0.88	1.85	0.84	0.84	0.86	0.90
Mozambique								
USD/MZN	30.30	0.66	0.17	-0.99	30.30	0.66	0.17	-0.99
EUR/MZN	39.19	1.18	0.44	-1.86	39.19	1.18	0.44	-1.86
GBP/MZN	45.80	1.06	-1.06	-1.98	45.80	1.06	-1.06	-1.98
MZN/JPY	3.36	-2.21	-0.39	3.60	3.36	-2.21	-0.39	3.60
Nigeria								
USD/NGN	158.30	-0.03	0.19	-0.31	158.01	158.01	158.01	158.01
EUR/NGN	204.73	0.49	0.46	-1.19	204.40	204.48	204.63	205.01
GBP/NGN	239.30	0.37	-1.03	-1.31	239.04	238.95	238.85	238.75
NGN/JPY	0.64	-1.54	-0.41	2.90	0.64	1.55	1.55	1.56
South Africa								
USD/ZAR	9.55	-0.09	2.49	3.24	9.66	9.70	9.82	10.09
EUR/ZAR	12.34	0.43	2.77	2.33	12.44	12.55	12.72	13.04
GBP/ZAR	14.43	0.31	1.24	2.20	14.55	14.67	14.84	15.18
ZAR/JPY	10.68	-1.48	-2.65	-0.64	10.53	10.44	10.30	10.05
Tanzania								
USD/TZS	1,625.00	0.00	-0.25	-0.05	1,646.00	1,671.00	1,718.50	1,791.00
EUR/TZS	2,101.61	0.51	0.03	-0.93	2,129.24	2,162.46	2,225.57	2,323.73
GBP/TZS	2,456.51	0.40	-1.46	-1.05	2,490.04	2,526.97	2,597.72	2,706.11
TZS/ZAR	0.06	-1.56	0.02	2.63	16.25	16.50	16.98	17.74
Zambia								
USD/ZMW	5.25	-0.69	-1.97	-2.23	5.34	5.36	5.50	5.77
EUR/ZMW	6.79	-0.18	-1.70	-3.10	6.91	6.93	7.11	7.48
GBP/ZMW	7.94	-0.29	-3.17	-3.21	8.08	8.10	8.31	8.72
ZMW/JPY	19.41	-0.88	1.78	4.92	0.05	0.05	0.05	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,392.45	-4.8	-11.5	21.5	1,387.5	1,392.0
Copper US\$/tonne	7,240.00	2.6	-5.9	20.0	7,299.8	7,357.8
Softs						
Cattle US\$/lb	144.55	1.9	-8.8	16.7	119.2	127.3
Cocoa US\$/tonne	2,246.00	-5.0	6.4	22.7	2,254.0	2,270.0
Coffee — Arabica US\$/lb	127.25	-5.0	-24.2	25.5	127.3	138.5
Coffee — Robusta US\$/tonne	0.00	-	-	17.8	1,952.0	2,025.0
Cotton US\$/lb	81.49	-0.9	10.7	23.6	81.5	83.9
Maize — Yellow R/tonne	2,167.00	1.7	7.7	25.2	2,167.0	2,242.0
Maize — White R/tonne	2,196.00	4.0	7.7	23.2	2,196.0	2,180.0
Raw Sugar US\$/lb	16.84	-3.0	-14.2	19.0	18.7	18.7
Energy						
WTI Crude US\$/bbl	93.57	0.6	3.0	21.7	94.3	90.7

Interest rates

	3-m T-Bill		Policy rate
	Apr-13 ¹	Current	Current
Botswana	5.36	4.20	9.00
Ghana	22.96	23.02	15.00
Kenya	10.20	9.50	8.50
Mozambique	2.71	3.21	9.50
Namibia	5.15	5.15	5.50
Nigeria	10.35	11.99	12.00
South Africa	5.16	5.11	5.00
Tanzania	11.80	11.90	OMO ²
Zambia	5.50	6.50	9.25

¹ End of month

² Open Market Operations

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