

15 July 2013

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The week in focus

Botswana

- Inflation continues to decelerate
- BWP: Pula remains a strong bias against the US dollar

CMA

- Namibia: There were no significant news events or data releases last week
- ZAR: Event risks this week are high

Ghana

- Headline inflation prints at 11.4% y/y in June
- GHS: The cedi is still stranded at USD/GHS2.03

Kenya

- CBK retains benchmark policy rate at 8.5%
- KES: Kenya's gaping current account deficit poses upside risk to USD/KES

Mozambique

- Headline CPI inches lower in June
- MZN: Metical trades in slim range

Nigeria

- Government has secured a US\$1.4bn loan from international lenders
- NGN: CBN to sell forward contracts at bi-weekly auctions

Tanzania

- Annual inflation dips below 8% at the end of the second quarter
- TZS: Shilling continues to meander in a narrow range

Zambia

- Main telecommunication providers brought up on criminal charges
- ZMW: Kwacha strengthens after Fed's apparent about turn

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Botswana

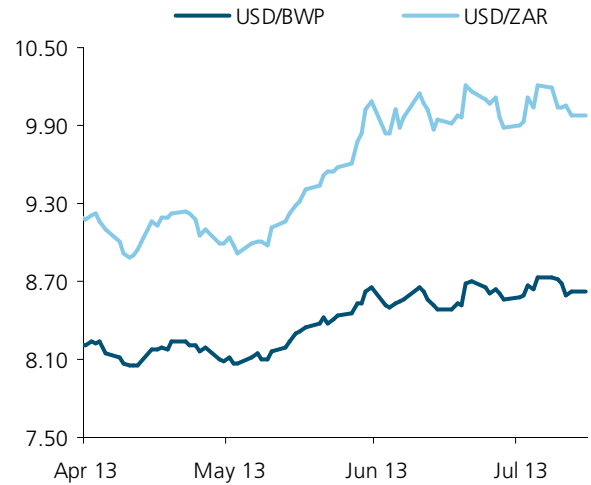
News flash

- Inflation continues to reflect the deflationary effects of the change in the pula crawl, slipping to 5.8%/y/y in June from 6.1% in May. Further falls are likely to take place later this year, implying dips below the 6% upper-end of the Bank of Botswana's inflation forecast band. Inflation could even fall as low as 5% by the end of the year, although we expect an average rate around 6% for the rest of this year. After the higher rates at the beginning of the year, this implies an average rate of 6.5%.

Pula (BWP) in brief

- The pula maintained a strong bias against the greenback toward the end of last week mainly tracking the rand, though the South African currency lost its shine against the dollar after poor local production numbers on Thursday. The wage negotiations in South Africa will be closely watched for direction in USD/ZAR. The pula closed the week at 0.1141/63 from 0.1158/46 in the morning. The pula traded in a tight range against the rand to close the day at 1.1555/1.1617 from 1.1540/1.1707 in the morning.

Figure 1: Pula tracking rand movements closely



Source: Bloomberg
Data as at July 2013

CMA

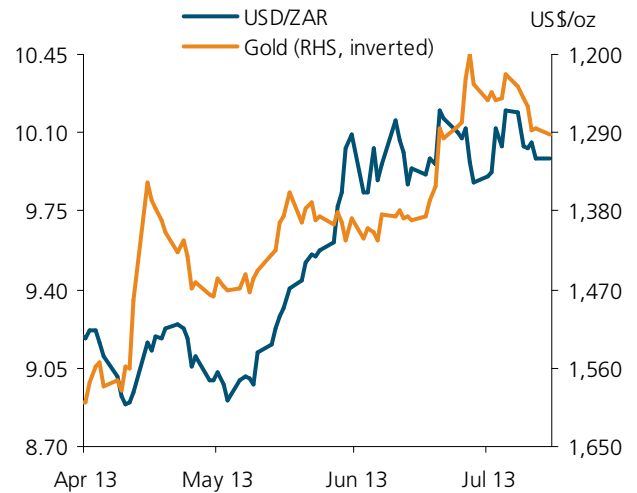
News flash

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

Rand (ZAR) in brief

- Current levels on the rand are very easy to remember: 10.00 on USD/ZAR, 13.00 on EUR/ZAR and 15.00 on GBP/ZAR. But the more important numbers are the floor and ceiling of the USD/ZAR range: 9.83/85 and 10.35/37. This range has now held for 5+ weeks and it's clear that the rand's multi-month direction will be determined by which end breaks first. Event risks this week are high.

Figure 2: The rand is at the mercy of global events this week



Source: Bloomberg
Data as at July 2013



Ghana

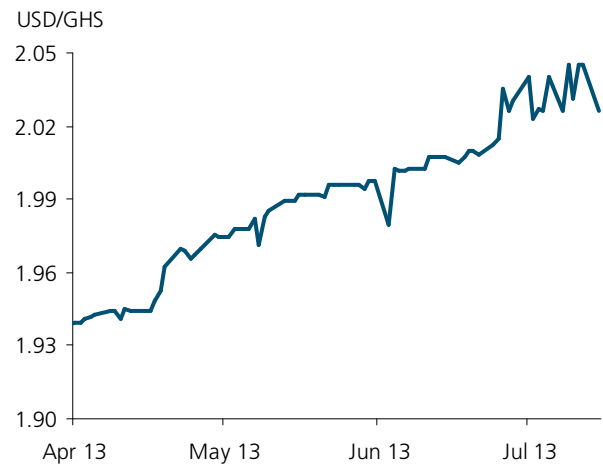
News flash

- Headline inflation surged to a three-year high of 11.4% y/y in June from 11.1% in May. The increase is partly attributed to the revision of the consumer basket, which was carried out to ensure that the index represents current household expenditure patterns. Despite breaching the upper limit of the Central Bank's target band (2% either side of 9%), authorities expect inflation to subside on the back of lower food prices.
- The government's fiscal rectitude is under severe scrutiny ahead of the sovereign's US\$1bn Eurobond issuance scheduled for later this month. In a recent interview, Vice President Amissah-Arthur attempted to allay investor concerns regarding Ghana's fiscal health by setting out the state's plans to rein in expenditure. The government aims to lower the deficit to 9% in 2013.

Cedi (GHS) in brief

- The cedi is still stranded at USD/GHS2.03, though the levels represented on screen do not necessarily reflect the liquidity constraints onshore. A successful Eurobond issuance is likely to provide support to the currency, though this is contingent on investor's views on Ghana's fiscal health.

Figure 3: The cedi is still stranded at USD/GHS2.03



Source: Bloomberg
Data as at July 2013

Kenya

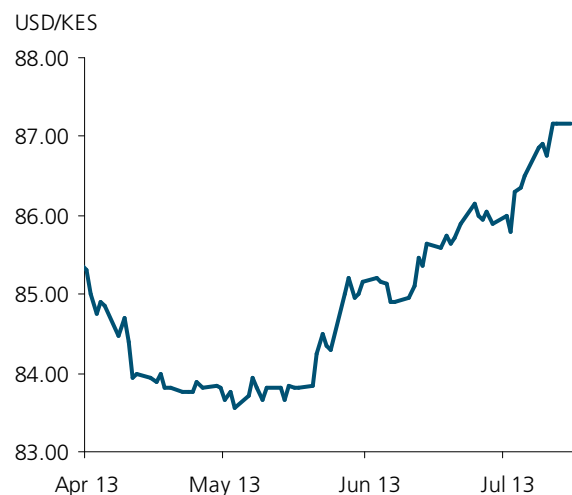
News flash

- After weighing the performance of key macroeconomic aggregates against emergent risks to the economy, the Central Bank of Kenya (CBK) elected to keep its policy rate on hold at 8.5% yesterday. The MPC noted several positive outcomes since its last gathering in May, notably the modest increase in inflation; exchange rate stability; a lessening in the government's domestic borrowing requirement; lower average lending rates and sustained growth in Kenya's banking sector.

Shilling (KES) in brief

- We have long held that Kenya's gaping current account deficit poses upside risk to USD/KES. On-going tensions in Egypt could lead to disruptions in Kenya's tea sector and escalate the price of crude oil, resulting in a negative terms of trade shock. In its July MPC statement, the CBK highlighted its concerns about the effect of the unrest on tea exports - a primary source of foreign exchange. We expect the CBK to apply a heavier hand to the foreign exchange market to restrict the magnitude of shilling weakness.

Figure 4: Shilling maintains a depreciatory trend



Source: Bloomberg
Data as at July 2013



Mozambique

News flash

- Headline CPI inched lower in June, printing at 4.86% y/y compared to 4.9% in May. With the recent depreciation of the rand in neighbouring South Africa, together with commodity prices falling across the board, we expect Mozambique's import bill to be less pressurised. We expect inflation to average 7% in 2013 and 6.8% in 2014.

Metical (MZN) in brief

- The metical continues its to trade in narrow range of USD/MZN29.60 to 29.95, barely touching 30.00 in intra-day trade.

Figure 5: Metical continues to trade steadily



Source: Bloomberg
Data as at July 2013

Nigeria

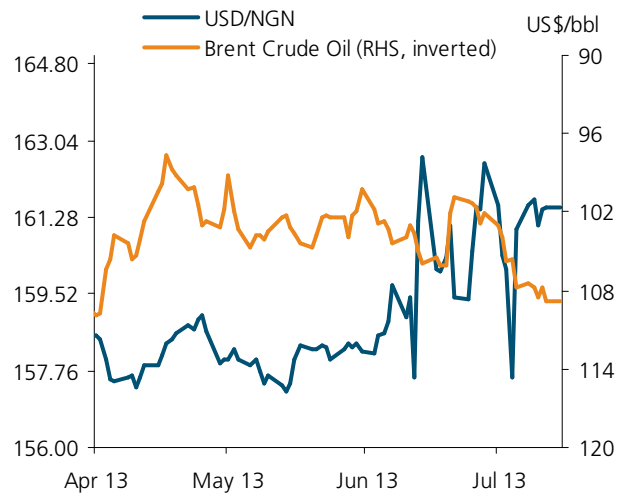
News flash

- The government has secured a US\$1.4bn loan from international lenders to settle a further 41% of NNPC's arduous fuel debt totalling US\$3.4bn. The loan will be repaid over a period of five years and is guaranteed by future oil sales – NNPC has committed 15,000bpd in output as collateral. The repayment of the remaining US\$1.7bn will prove challenging as most of NNPC's planned oil flows are reserved for the next five years.

Naira (NGN) in brief

- The Central Bank of Nigeria's decision to resume the sale of forward contracts reflects its increasing discomfort with the naira's recent depreciatory trend, which was aggravated by NNPC who sold fewer US dollars than anticipated last Wednesday. The mechanism was last used in June 2012—undertaken to support the naira by enlarging the pool of available US dollars. In addition to an offering of US\$500m at its regular bi-weekly auctions, the CBN intends to sell US dollars forward over a period of 30-, 60- or 90-days. The CBN's efforts are likely to restrict excessive naira losses and limit the pass through to inflation.

Figure 6: Naira to derive support from CBN intervention



Source: Bloomberg
Data as at July 2013



Tanzania

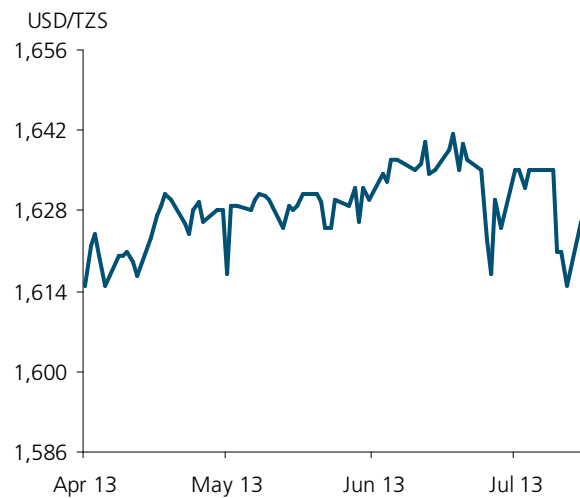
News flash

- Annual inflation dipped below the 8% level in June, coming in at 7.6%. A sustained slowdown in the rate of increase in international oil prices accompanied by fiscal rectitude and receding demand-led pressures has supported the downward trend in inflation. However, the main impetus for lower prices is diminishing supply-side restraints, which will reduce the cost of necessity goods like food, which constitutes almost 48% of the consumer basket.

Shilling (TZS) in brief

- The shilling continues to meander in a narrow range, supported by prudent liquidity management on the part of the central bank and lower demand for US dollars. The breadth of the daily bid offer spreads on USD/TZS implies relatively thin trade. We do not expect the unit to breach 1,630 this week.

Figure 7: Breadth of bid offer spreads implies relatively thin trade



Source: Bloomberg
Data as at July 2013

Zambia

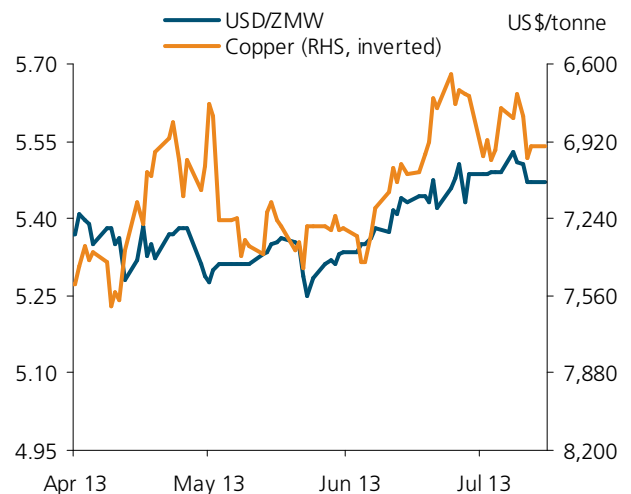
News flash

- The country's main telecommunications providers, Zamtel, MTN and Bharti Airtel, have been brought up on criminal charges after failing to meet minimum standards. According to the domestic ICT authority, the deteriorating levels of quality of service has made communication difficult and resulted in increased public outcry and negative impact on ease of doing business in Zambia.

Kwacha (ZMW) in brief

- The minutes from June's US Federal Reserve meeting, released last Wednesday, rocked global markets as the statement revealed differing views from voting officials. A few contradictory references to data and dates showed that we can't be certain that tapering will begin in September, even after the recent strong payrolls figures. The response was aggressive: US treasury yields fell, the dollar slumped while equities and commodities rallied. This proved to be a powerful concoction, invigorating the demand for risky assets. The kwacha was no exception, strengthening to 5.46, despite significant demand for the greenback on the local market. The shift in global sentiment is likely to outweigh domestic determinants this week, and should support further kwacha gains.

Figure 8: Further kwacha gains are in the offing



Source: Bloomberg
Data as at July 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	8.59	-0.97	-0.43	-0.60	8.81	8.89	9.00	9.22
EUR/BWP	11.19	0.35	0.34	-2.19	11.52	11.62	11.78	12.09
GBP/BWP	12.98	0.12	-0.28	-3.54	13.32	13.43	13.60	13.92
BWP/JPY	11.53	-0.13	-0.52	1.00	1.14	1.13	1.14	1.14
Ghana								
USD/GHS	2.05	0.67	0.93	2.12	2.07	2.14	2.23	2.38
EUR/GHS	2.66	2.01	1.71	0.49	2.71	2.80	2.92	3.11
GBP/GHS	3.09	1.78	1.08	-0.90	3.13	3.23	3.37	3.59
GHS/JPY	48.47	-1.76	-1.86	-1.69	205.53	212.18	220.96	234.98
Kenya								
USD/KES	87.15	0.46	0.93	2.58	87.53	88.46	89.79	93.48
EUR/KES	113.49	1.80	1.71	0.94	114.38	115.63	117.43	122.45
GBP/KES	131.61	1.56	1.08	-0.45	132.19	133.55	135.49	140.95
KES/JPY	1.14	-1.55	-1.86	-2.13	0.88	0.89	0.91	0.95
Mozambique								
USD/MZN	30.05	0.00	0.67	0.83	29.71	30.33	30.52	31.14
EUR/MZN	39.13	1.33	1.45	-0.78	39.48	39.65	39.91	40.79
GBP/MZN	45.38	1.10	0.82	-2.15	45.63	45.79	46.05	46.96
MZN/JPY	3.30	-1.10	-1.61	-0.43	-	-	-	-
Nigeria								
USD/NGN	161.46	0.22	2.45	1.55	159.75	159.75	159.75	159.75
EUR/NGN	210.25	1.56	3.24	-0.07	208.77	208.83	208.94	209.25
GBP/NGN	243.84	1.32	2.61	-1.45	241.28	241.18	241.06	240.87
NGN/JPY	0.61	-1.32	-3.32	-1.13	0.62	1.62	1.62	1.62
South Africa								
USD/ZAR	10.06	0.24	0.21	-0.93	10.03	10.12	10.25	10.52
EUR/ZAR	13.10	1.57	0.99	-2.51	13.11	13.22	13.41	13.78
GBP/ZAR	15.19	1.34	0.37	-3.86	15.15	15.27	15.47	15.86
ZAR/JPY	9.86	-1.33	-1.16	1.34	9.89	9.80	9.67	9.39
Tanzania								
USD/TZS	1,621.00	0.00	-0.86	-0.86	1,637.00	1,662.00	1,709.50	1,782.00
EUR/TZS	2,110.87	1.33	-0.09	-2.44	2,139.34	2,172.60	2,235.86	2,334.14
GBP/TZS	2,448.03	1.10	-0.71	-3.79	2,472.45	2,509.22	2,579.64	2,686.90
TZS/ZAR	0.06	-1.10	-0.09	1.26	16.50	16.76	17.25	18.03
Zambia								
USD/ZMW	5.47	-0.64	-0.36	1.77	5.34	5.36	5.50	5.77
EUR/ZMW	7.12	0.69	0.41	0.14	6.98	7.01	7.19	7.56
GBP/ZMW	8.26	0.46	-0.21	-1.24	8.07	8.10	8.30	8.71
ZMW/JPY	18.12	-0.46	-0.59	-1.35	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
Metals						
Gold US\$/oz	1,291.00	-7.2	-18.8	21.0	1,278.7	1,283.1
Copper US\$/tonne	6,923.00	-1.7	-10.0	20.9	6,956.0	6,975.0
Softs						
Cattle US\$/lb	150.13	4.7	8.0	14.8	126.1	126.6
Cocoa US\$/tonne	2,241.00	-0.2	1.4	25.5	2,236.0	2,268.0
Coffee — Arabica US\$/lb	119.15	-2.5	-35.4	25.8	119.4	128.6
Coffee — Robusta US\$/tonne	0.00	-	-	22.0	1,875.0	1,865.0
Cotton US\$/lb	84.99	-6.9	18.4	21.3	85.1	83.3
Maize — Yellow R/tonne	2,229.00	0.0	-10.7	24.0	2,260.0	2,279.0
Maize — White R/tonne	2,310.00	2.2	-9.0	23.7	2,338.0	2,178.0
Raw Sugar US\$/lb	16.06	-4.3	-29.3	19.9	17.5	17.5
Energy						
WTI Crude US\$/bbl	106.03	8.4	21.7	21.8	102.7	94.9

Interest rates

	3-m T-Bill		Policy rate
	June-13 ¹	Current	Current
Botswana	4.82	4.05	8.50
Ghana	23.09	23.07	16.00
Kenya	5.11	5.75	8.50
Mozambique	4.06	4.87	9.00
Namibia	5.15	5.15	5.50
Nigeria	11.50	11.50	12.00
South Africa	5.23	5.19	5.00
Tanzania	11.82	12.04	OMO ²
Zambia	6.50	7.49	9.75

¹ End of month

² 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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