

RMB Global Markets Research

Africa markets update



Traditional values. Innovative ideas.

2 December 2013

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The week in focus

Botswana

- Trade statistics for September confirm an improvement in the trade position
- BWP: Pula trades in tight range

CMA

- Namibia: Private sector contributes NAD8.1m to drought relief programme
- ZAR: Rand still faces a few more weeks of elevated risks

Ghana

- The BoG leaves its key policy rate unchanged at 16%
- GHS: Depreciatory pressure is unrelenting

Kenya

- Inflation dropped slightly to 7.36% y/y in November from 7.76% in October
- KES: Shilling exposed to two-way risk as the year draws to a close

Mozambique

- Government to renegotiate fishing agreement with the EU
- MZN: Metical trading dangerously close to USD/MZN30 but a breach is unlikely

Nigeria

- The National Pension Commission expects assets to triple over the next three years
- NGN: Naira buoyed by anticipated month-end sales by NNPC

Tanzania

- BoT increases discount rate by 400bp to 16%
- TZS: Shilling cushioned by stream of US dollar inflows

Zambia

- The BoZ retains its policy rate at 9.75%
- ZMW: Momentum bias toward losses as local demand intensifies

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Botswana

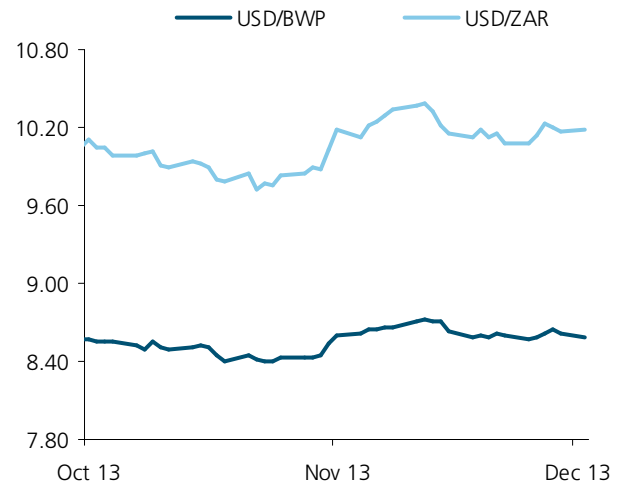
News flash

- Trade statistics for September confirm an improvement in the trade position. A surplus of BWP1.37bn was recorded in 3Q13. This is the first quarterly trade surplus since 3Q07. The adjustment comes about primarily because of a surge in diamond exports. However, import growth has also slowed. The latter is important as it provides some evidence of a slowdown in the very rapid growth rates of domestic spending that has been evident in the last few years.
- In an annual report on Botswana's credit profile, ratings agency Moody's reports that the sovereign's A2 government bond rating and stable outlook are safeguarded by the state's robust balance sheet, net external creditor position and its low debt burden, which offsets the small scale of the economy and its heavy reliance on the diamond industry.

Pula (BWP) in brief

- The pula traded in a tight range against the greenback on Friday following the rand. The pula closed the day hardly unchanged at 0.1158/60 from 0.1156/59 in the morning.

Figure 1: Pula trades in a tight range, tracking the rand



Source: Bloomberg
Data as at December 2013

CMA

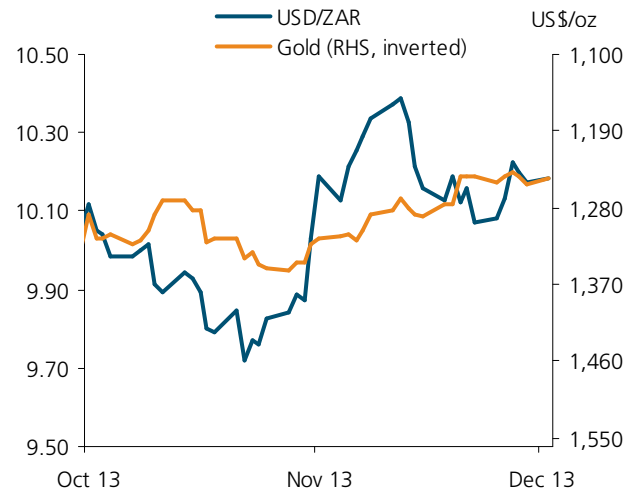
News flash

- **Namibia:** According to the Disaster Risk Management office, the private sector, including the Central Bank, has contributed NAD8.1m to the national drought relief programme. A prolonged dry season has resulted in widespread crop failure across Namibia. The government estimates that the 2013 harvest will be 42% lower than volumes produced in 2012.

Rand (ZAR) in brief

- It's almost the holiday season but the rand still faces a few more weeks of elevated risks. Usually the unit strengthens at this time of the year but the continued aggressive selling of local assets by foreigners leaves us very concerned. USD/ZAR looks set to open the month at slightly under 10.20, safely in the range that has held for the past six months. However, the rand's travails are very evident on the crosses: EUR/ZAR, at 13.80, is at close to post-crisis highs and GBP/ZAR, at 16.70, is making post-crisis highs almost daily.

Figure 2: Rand faces few more weeks of elevated risks



Source: Bloomberg
Data as at December 2013



Ghana

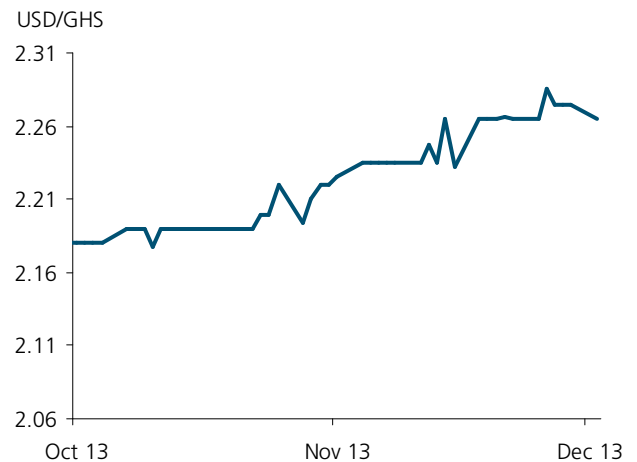
News flash

- The BoG left its key policy rate unchanged at 16% last week, citing that inflationary risks (like the petroleum and electricity tariff increases) have been realised, and current upside risks to inflation was structural, while economic growth remained positive. We believe a hike is still necessary. Possibly in 1Q14, but hard to forecast due to the unexpected and dovish statement by the central bank.
- Fitch Ratings forecasts Ghana to overshoot its 8.5% budget deficit target for 2014, and believes it will come in at slightly over 9%. We forecast a 9.3% deficit for 2014. Fitch dealt the first blow to Ghana's credit worthiness by lowering its long-term foreign and local currency issuer default and senior unsecured ratings one notch from B+ to B.

Cedi (GHS) in brief

- The market seems impervious to the planned new foreign exchange regulations by the BoG, as it continues to demand US dollars ahead of year-end. A continued imbalance in liquidity conditions implies persistent cedi weakness. Resistance is evident at USD/GHS2.30, though intraday breaches are possible.

Figure 3: Cedi continues to lose ground to the US dollar



Source: Bloomberg
Data as at December 2013

Kenya

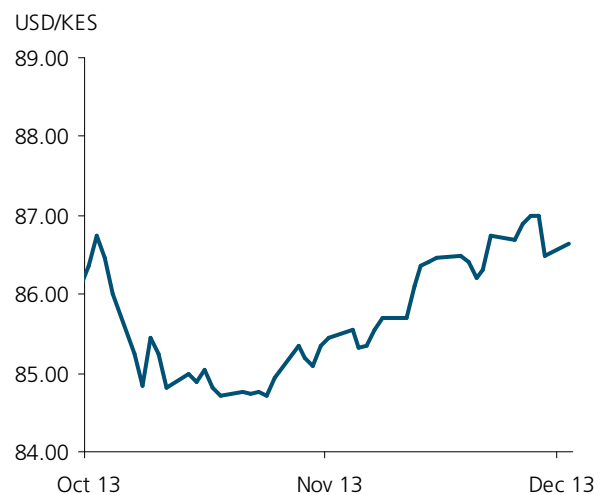
News flash

- In its latest Budget Outlook Paper, the Ministry of Finance reported that the government is still concerned about the current account deficit which is over 10%, but expects declining oil prices to take pressure off and narrow to 7% over the medium term. The budget deficit for the fiscal year 2014/15 is expected to decline to 5.8% of GDP from this year's deficit of 7.9%, while inflation should become stable around the medium term target of 5%.
- Inflation dropped slightly to 7.36% y/y in November from 7.76% in October, placing the rate within the government's preferred band of 2.5 – 7.5%. Food and non alcoholic beverages increased by 0.4% while housing, water and electricity rose by 0.5%. The main reason for the ease in headline CPI is the cut in fuel prices in November. We expect inflation to average 6% in 2013 and 7.5% in 2014

Shilling (KES) in brief

- The shilling is exposed to two-way risk as the year draws to a close. An improvement in money market liquidity has spurred demand, resulting in greater volatility. Although depreciatory pressures have intensified, we do not anticipate significant weakness ahead of 31 December.

Figure 4: Shilling exposed to two-way risks



Source: Bloomberg
Data as at December 2013



Mozambique

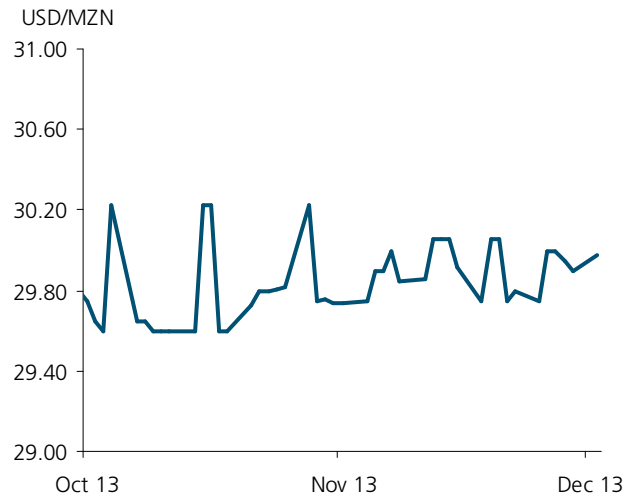
News flash

- Mozambique’s fishing agreement with the EU, which is due to expire in 2014, is likely to be renegotiated to safeguard the interests of the Mozambique Tuna Company (EMATUM) and support local participation. According to fisheries authorities, only one of 130 vessels licensed to fish for tuna is a local vessel.

Metical (MZN) in brief

- Seasonal demand has resulted in increased intra-day volatility. However, the local unit is contained to a range of USD/MZN29.60 to 29.95. Uncertainty over South Africa’s current account deficit and the start of Fed tapering will keep the rand in limbo, reinforcing a downward ZAR/MZN trend, at least in the short-term.

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



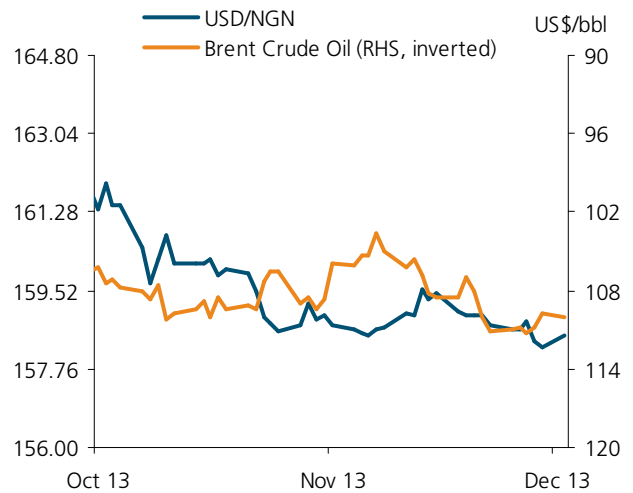
Source: Bloomberg
Data as at December 2013

Nigeria

News flash

- The National Pension Commission expects pension assets to triple over the next three years to US\$70bn by targeting small businesses. The regulator says that current pension contributions were mainly from half of civil service employees or large corporates and believes it can gain more people if it targets the smaller enterprises. Pension assets have grown from about US\$10bn the last eight years, split between 4 million retirement savings accounts. Assets stood at US\$23.5bn at the end of September.
- Resident oil companies will have the opportunity to bid for 31 marginal oil fields (both onshore and in shallow waters) next month. According to the ministry of oil, the process should take four months to complete and will enhance competition within the industry.

Figure 6: Naira boosted by month-end US dollar sales



Source: Bloomberg
Data as at December 2013

Naira (NGN) in brief

- The naira is trading comfortably below 159.00 as month-end inflows boost liquidity. We anticipate further gains over the next few days as the NNPC — the purveyor of US dollars on the interbank market at month-end — comes to market.



Tanzania

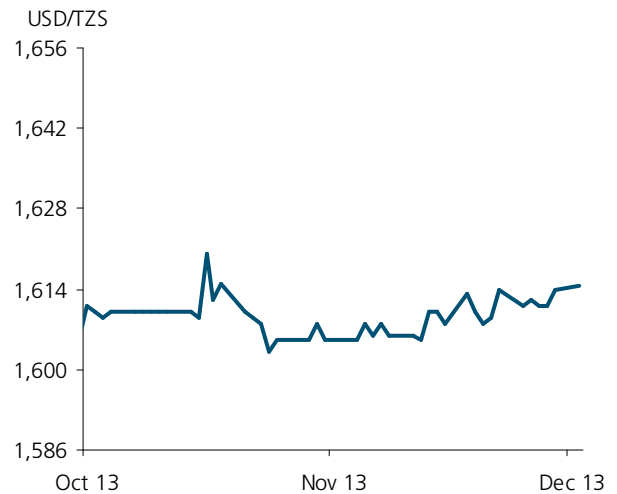
News flash

- The BoT has raised the discount rate — calculated as the Bank rate plus a penal margin — by 400bp to 16%, effective 2 December. The discount rate is applied to commercial banks' borrowings from the BoT as the lender of last resort and is also used to discount treasury securities.
- Foreign Private Investment grew by 10.3% y/y between 2008 and 2011 according to the findings of the 2012 Tanzania Investment report. The Tanzania Investment Centre reports that 25% of projects undertaken between 1996 and 2013 are owned by foreigners.

Shilling (TZS) in brief

- A stream of US dollar conversions has cushioned the shilling, allowing it to trade happily below USD/TZS1,610. The shilling remains relatively calm in comparison to its East African peers, trading in a narrow range of 1,605 to 1,615. These trading levels should be sustained over the next few days.

Figure 7: Shilling cushioned by US dollar inflows



Source: Bloomberg
Data as at December 2013

Zambia

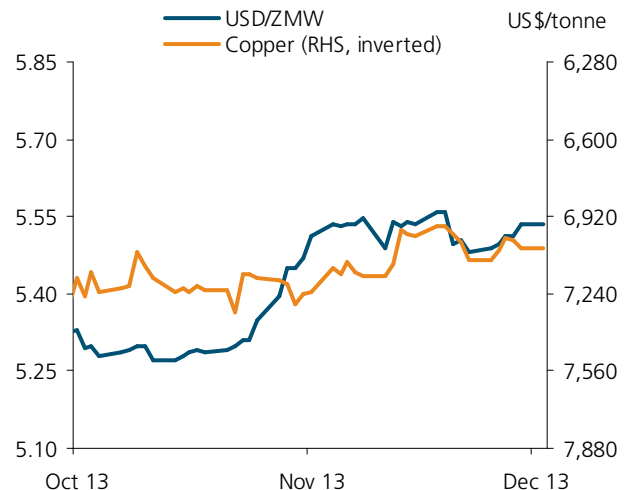
News flash

- The central bank kept its key policy rate unchanged at 9.75% on Friday. Although inflation crept up slightly to 7% in November from 6.9%, it remains stable due to benign food prices. The BoZ expects inflationary pressures to increase at the end of the year due to the festive season increasing consumer demand and recent kwacha weakness. However, the rise should be moderated by tight monetary policy. We believe the policy rate will remain unchanged at the next meeting
- The government intends to raise its external debt ceiling by 75% in 2014 to accommodate greater offshore borrowing for the purposes of local infrastructure development. This has led to speculation that the state might pursue a second Eurobond issuance following the overwhelming success of its maiden offering in 2012. However, the impending tightening of global liquidity is likely to translate into higher yields.

Kwacha (ZMW) in brief

- The kwacha is on the back foot as Asian stock markets swing between gains and losses. Momentum is skewed upwards as there seems to be increased demand for the greenback on the local market.

Figure 8: Kwacha faces uphill battle as local demand gathers pace



Source: Bloomberg
Data as at December 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	8.64	0.26	0.34	2.55	8.62	8.72	8.84	9.11
EUR/BWP	11.75	0.45	1.37	1.10	11.73	11.86	12.03	12.40
GBP/BWP	14.11	0.63	1.41	3.73	14.15	14.30	14.50	14.90
BWP/JPY	11.84	-0.07	0.92	2.12	1.18	1.18	1.17	1.17
Ghana								
USD/GHS	2.28	0.00	0.39	3.69	2.21	2.28	2.38	2.54
EUR/GHS	3.09	0.19	1.41	2.23	3.00	3.10	3.23	3.46
GBP/GHS	3.72	0.37	1.46	4.89	3.62	3.74	3.89	4.15
GHS/JPY	44.97	0.19	0.88	0.99	226.36	233.03	242.95	259.21
Kenya								
USD/KES	87.00	0.00	0.81	1.93	87.25	88.27	89.91	93.56
EUR/KES	118.29	0.19	1.84	0.49	118.58	119.98	122.23	127.26
GBP/KES	142.09	0.37	1.88	3.11	142.78	144.39	146.95	152.65
KES/JPY	1.18	0.19	0.45	2.73	0.85	0.86	0.88	0.92
Mozambique								
USD/MZN	29.95	-0.17	0.67	-0.91	29.71	30.34	30.95	32.06
EUR/MZN	40.72	0.02	1.70	-2.31	40.91	41.24	42.07	43.61
GBP/MZN	48.91	0.20	1.74	0.23	49.26	49.63	50.58	52.31
MZN/JPY	3.42	0.35	0.59	5.68	-	-	-	-
Nigeria								
USD/NGN	158.40	-0.26	-0.36	-0.21	159.75	159.75	159.75	159.75
EUR/NGN	215.36	-0.07	0.65	-1.63	217.11	217.14	217.17	217.30
GBP/NGN	258.70	0.10	0.70	0.94	261.42	261.30	261.10	260.65
NGN/JPY	0.65	0.45	1.64	4.94	0.64	1.56	1.56	1.57
South Africa								
USD/ZAR	10.20	-0.27	0.41	3.64	10.23	10.31	10.45	10.77
EUR/ZAR	13.87	-0.08	1.44	2.18	13.89	14.02	14.21	14.64
GBP/ZAR	16.66	0.10	1.48	4.84	16.73	16.87	17.09	17.57
ZAR/JPY	10.03	0.46	0.85	1.04	10.02	9.93	9.79	9.49
Tanzania								
USD/TZS	1,611.00	0.00	0.12	0.37	1,629.00	1,654.00	1,701.50	1,774.00
EUR/TZS	2,190.32	0.19	1.14	-1.05	2,213.95	2,248.16	2,313.11	2,413.05
GBP/TZS	2,631.09	0.37	1.19	1.53	2,665.76	2,705.41	2,780.93	2,894.48
TZS/ZAR	0.06	0.19	1.14	4.33	15.91	16.16	16.63	17.37
Zambia								
USD/ZMW	5.51	0.00	0.09	2.13	5.34	5.36	5.50	5.77
EUR/ZMW	7.49	0.19	1.11	0.69	7.26	7.29	7.48	7.86
GBP/ZMW	9.00	0.37	1.16	3.31	8.74	8.79	9.01	9.44
ZMW/JPY	18.57	0.19	1.18	2.53	0.05	0.05	0.05	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,247.10	-5.2	-27.3	18.0	1,250.4	1,253.5
Copper US\$/tonne	7,027.00	-3.1	-11.6	18.7	7,056.8	7,063.0
Softs						
Cattle US\$/lb	165.48	1.2	13.6	14.8	134.3	129.8
Cocoa US\$/tonne	2,791.00	5.3	10.0	24.8	2,788.0	2,751.0
Coffee — Arabica US\$/lb	110.25	4.5	-22.4	23.1	110.9	117.6
Coffee — Robusta US\$/tonne	0.00	-	-	26.5	1,642.0	1,584.0
Cotton US\$/lb	78.14	2.0	7.6	19.3	79.4	77.0
Maize — Yellow R/tonne	2,507.00	8.4	0.2	24.0	2,437.0	2,052.0
Maize — White R/tonne	2,520.00	4.7	4.6	23.7	2,520.0	2,100.0
Raw Sugar US\$/lb	17.15	-6.0	-11.3	15.1	18.3	18.3
Energy						
WTI Crude US\$/bbl	93.15	-1.5	4.8	18.4	93.3	90.8

Interest rates

	3-m T-Bill ¹		Policy rate
	Nov - 13	Current	Current
Botswana	3.61	3.61	8.00
Ghana	18.15	18.02	16.00
Kenya	9.82	9.76	8.50
Mozambique	5.21	5.21	8.25
Namibia	5.15	5.15	5.50
Nigeria	11.02	11.71	12.00
South Africa	5.11	5.11	5.00
Tanzania	13.40	13.40	OMO ²
Zambia	7.50	7.50	9.75

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, RMB Global Markets
All data as at December 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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