

21 July 2014

Angola

- AOA: MTD appreciation of 0.64%

Botswana

- BWP: Benign start to the week on account of local public holidays

CMA

- ZAR: Firmer bias should persist

Ghana

- GHS: Cedi to depreciate at a slower pace in 2H14

Kenya

- KES: Shilling to trade weaker as impact from tax conversions wane

Mozambique

- MZN: Metical trading in a narrow but broadly sideways range

Nigeria

- NGN: Naira buoyed by steady stream of portfolio inflows and export earnings

Tanzania

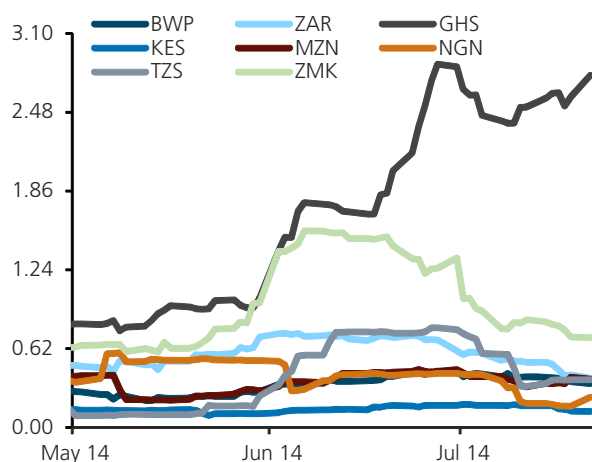
- TZS: Shilling to weaken as liquidity conditions ease

Zambia

- ZMW: Kwacha holding firm at 6.12

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at July 2014

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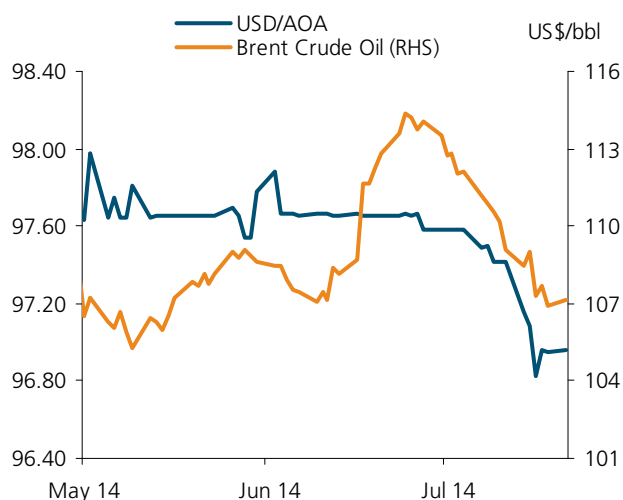


Angola

Kwanza (AOA) in brief

- The kwanza has strengthened by 0.64% this month owing to improved liquidity conditions in the local interbank market. Despite a healthy outlook for domestic oil production, the trade surplus — which underpins movements in the current account — is likely to contract owing to strong import demand and lower international oil prices. This supports our view of a gradual 3.6% depreciation over the next two years, implying USD/AOA99.05 in 2014 and USD/AOA100.05 in 2015.

Figure 1: Kwanza responds to improved liquidity conditions



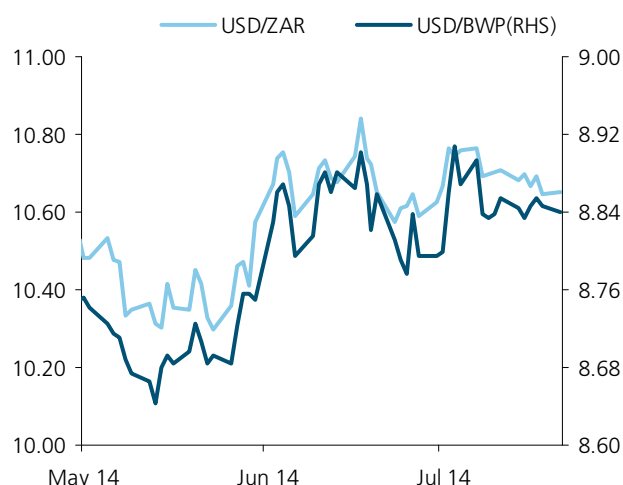
Source: Bloomberg
Data as at July 2014

Botswana

Pula (BWP) in brief

- The pula was caught in choppy trade against the greenback last week tracking USD/ZAR. The 25bp increase in the South African repo rate resulted in moderate rand gains which were slightly dampened after geopolitical tensions were heightened by the shooting down of a Malaysian plane in Ukraine.
- BWP/USD is unlikely to deviate from Friday's closing levels at the start of the week on account of the local public holidays.

Figure 2: Pula caught in choppy trade



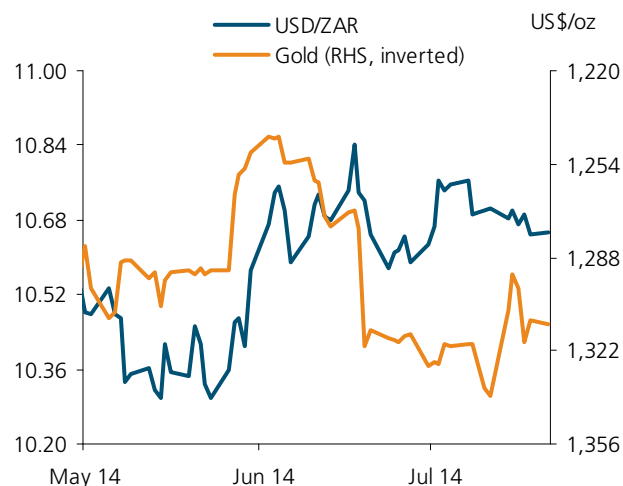
Source: Bloomberg
Data as at July 2014

CMA

Rand (ZAR) in brief

- The risk-on global backdrop has stood the so-called fragile economies in good stead based on the FX performances. Brazil, South Africa, Turkey and Indonesia outperformed other EMs on Friday, ending the week on a strong note. The rand gained over 10 cents against the US dollar and against the euro and has started today's trade on as firm a footing. With little data risk on the calendar today, the firmer bias should persist but the intensification of the crisis between Russia and Ukraine remains a risk.

Figure 3: Rand on firmer footing against the US dollar



Source: Bloomberg
Data as at July 2014

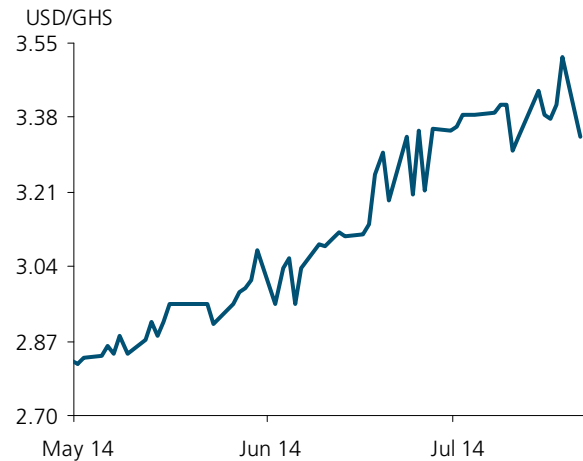


Ghana

Cedi (GHS) in brief

- The earnings accrued from a third Eurobond issuance and Cocobod issuance in 3Q14 could render mild support, though a large chunk of the proceeds is likely to be converted immediately to settle maturing debt. Renewed offshore investor interest in cedi-denominated assets hinges on proof of FX stability and significant fiscal consolidation. External assistance would help to shore up market confidence. We assume the government will receive either limited technical assistance from the IMF or enter into a standby arrangement with the fund in 2015, slowing the rate of depreciation.

Figure 4: Cedi retreats below 3.38



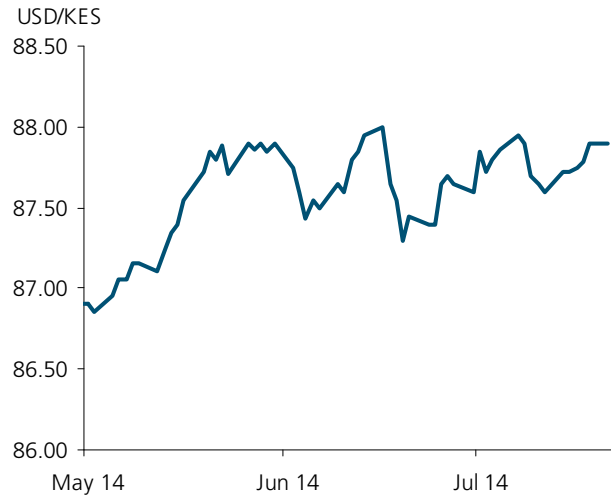
Source: Bloomberg
Data as at July 2014

Kenya

Shilling (KES) in brief

- The shilling is trading perilously close to our year-end target of 88.00 as the boost from quarterly tax settlements begins to fade, leaving the unit exposed to excessive import demand. Moreover, the uptick in short-dated money market yields could deter investment in government securities, eroding another source of US dollar inflows. Resistance is evident at 87.80.

Figure 5: Shilling exposed to mounting import demand



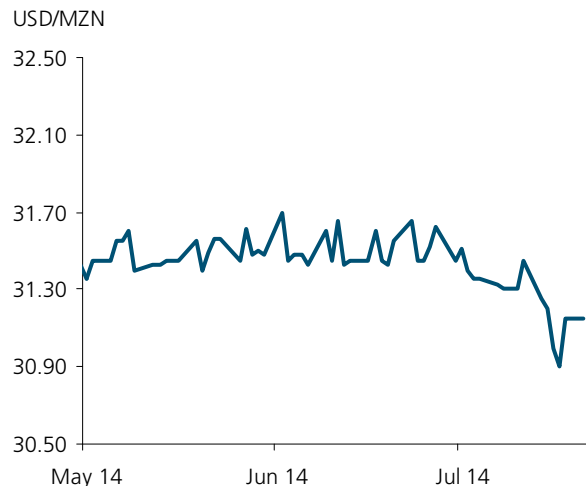
Source: Bloomberg
Data as at July 2014

Mozambique

Metical (MZN) in brief

- The metical traded in the narrowest of ranges last week, 30.70 – 30.91, but maintained a broadly sideways trend. The unit is seemingly deriving support from US dollar agricultural proceeds and NGO conversions which have helped to quell import demand.

Figure 6: Metical trading in narrow range



Source: Bloomberg
Data as at July 2014

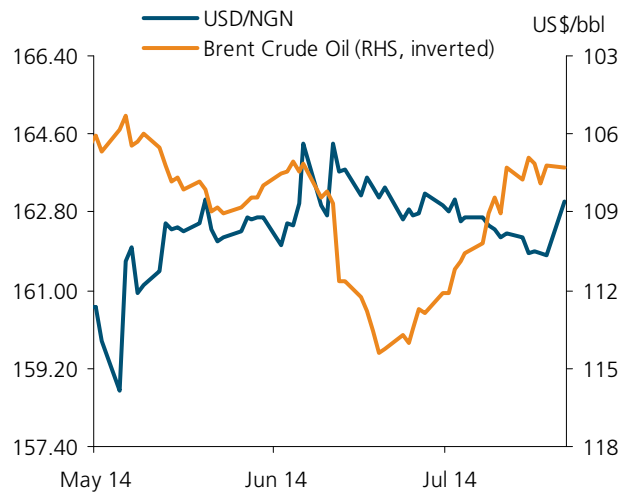


Nigeria

Naira (NGN) in brief

- Over the last two weeks, the naira has been buoyed by a steady stream of portfolio inflows and export earnings, allowing the unit to trade sub-162.00. Sustained US dollar inflows, stemming from offshore interest in naira-denominated assets, should ensure that the status quo remains unchanged. Interest in the government's multiple tap of outstanding lines could augment the CBN's reserve position and enhance its ability to protect the value of the naira, particularly as the election draws near.

Figure 7: Naira buoyed by investor interest in local securities



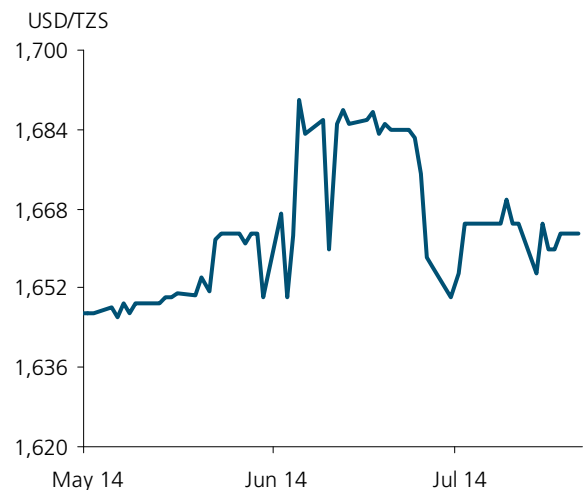
Source: Bloomberg
Data as at July 2014

Tanzania

Shilling (TZS) in brief

- The local unit might clip USD/TZS1,670 this week should liquidity conditions begin to ease, resulting in excess shilling liquidity. A spread of roughly 10 shillings should be maintained, with a bias to slight weakness.

Figure 8: Shilling at risk of weakness as liquidity conditions ease



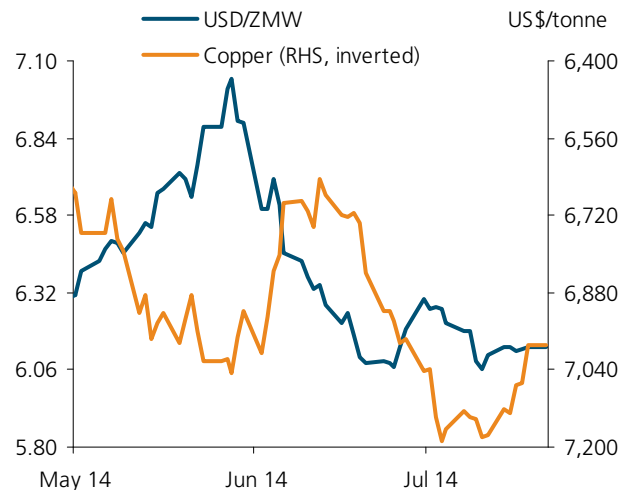
Source: Bloomberg
Data as at July 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha appears to lack the impetus to appreciate further with support firmly at 6.1000. Admittedly, US dollar supply has improved, providing the basis for further gains; however, the market is tightly bid at 6.12. Interestingly, better copper prices and greater production is unlikely to upset the apple cart and stimulate significant gains. A noticeable decrease in volatility will be of comfort to the BoZ as it contemplates easing monetary conditions.

Figure 9: Kwacha lacks impetus to appreciate further



Source: Bloomberg
Data as at July 2014



Spot and implied forward exchange rates

	Currency rates				Implied forwards			
		% change			Maturity			
	Last	1-day	1-week	1-month	1-m	3-m	6-m	12-m
Angola								
USD/AOA	96.96	0.13	-0.47	-0.72	-	-	-	-
EUR/AOA	131.13	0.10	-1.01	-1.05	-	-	-	-
GBP/AOA	165.86	-0.03	-0.54	-0.01	-	-	-	-
JPY/AOA	1.05	-0.49	0.50	0.22	-	-	-	-
Botswana								
USD/BWP	8.85	0.09	0.18	-0.13	8.72	8.79	8.94	9.18
EUR/BWP	11.97	0.06	-0.37	-0.47	11.81	11.90	12.11	12.46
GBP/BWP	15.14	-0.08	0.11	0.57	14.91	15.01	15.25	15.62
JPY/BWP	11.45	-0.44	-0.15	-0.37	1.23	1.23	1.23	1.23
Ghana								
USD/GHS	3.41	0.92	3.09	9.37	2.21	2.28	2.38	2.54
EUR/GHS	4.61	0.89	2.53	9.00	2.99	3.09	3.22	3.45
GBP/GHS	5.83	0.75	3.01	10.15	3.78	3.89	4.05	4.32
JPY/GHS	29.74	-1.26	-2.97	-9.03	223.94	230.34	240.04	255.93
Kenya								
USD/KES	87.78	0.03	0.15	-0.25	88.28	89.16	90.50	93.73
EUR/KES	118.71	0.00	-0.40	-0.59	119.38	120.60	122.47	127.02
GBP/KES	150.16	-0.13	0.08	0.45	150.78	152.21	154.33	159.31
JPY/KES	1.15	-0.39	-0.12	-0.25	0.87	0.88	0.89	0.93
Mozambique								
USD/MZN	30.90	-0.32	-1.28	-1.75	29.71	31.68	32.46	33.91
EUR/MZN	41.79	-0.35	-1.82	-2.08	42.37	42.86	43.93	45.95
GBP/MZN	52.86	-0.49	-1.35	-1.06	53.51	54.09	55.36	57.64
JPY/MZN	3.28	-0.03	1.33	1.27	3174.12	3208.77	3284.72	3423.06
Nigeria								
USD/NGN	161.87	-0.01	-0.20	-0.81	159.75	159.75	159.75	159.75
EUR/NGN	218.91	-0.04	-0.75	-1.15	216.04	216.09	216.18	216.50
GBP/NGN	276.89	-0.18	-0.27	-0.11	272.87	272.72	272.41	271.54
JPY/NGN	0.63	-0.34	0.23	0.32	0.63	1.58	1.58	1.58
South Africa								
USD/ZAR	10.69	0.20	-0.10	-0.49	10.71	10.81	10.99	11.35
EUR/ZAR	14.46	0.17	-0.64	-0.82	14.47	14.62	14.87	15.37
GBP/ZAR	18.29	0.04	-0.17	0.22	18.28	18.46	18.74	19.28
JPY/ZAR	9.48	-0.55	0.13	-0.01	9.47	9.37	9.21	8.90
Tanzania								
USD/TZS	1,660.00	0.00	-0.30	-1.54	1,676.13	1,712.50	1,761.80	1,857.15
EUR/TZS	2,244.98	-0.03	-0.84	-1.88	2,266.73	2,316.42	2,384.11	2,516.81
GBP/TZS	2,839.60	-0.16	-0.37	-0.85	2,862.98	2,923.53	3,004.28	3,156.70
JPY/TZS	0.06	-0.35	0.33	1.06	16.54	16.91	17.41	18.40
Zambia								
USD/ZMW	6.13	0.16	1.16	-1.45	5.34	5.36	5.50	5.77
EUR/ZMW	8.29	0.13	0.60	-1.78	7.22	7.26	7.45	7.84
GBP/ZMW	10.49	0.00	1.08	-0.75	9.12	9.15	9.38	9.82
JPY/ZMW	16.53	-0.52	-1.11	0.96	0.05	0.05	0.05	0.06

Source: Bloomberg, Reuters, RMB Global Markets
Data as at July 2014



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,312.21	-0.2	1.2	13.1	1,310.2	1,312.5
Copper US\$/tonne	7,026.50	3.7	1.5	13.3	6,986.5	6,976.3
Softs						
Cattle US\$/lb	211.65	2.3	39.0	14.8	154.3	145.7
Cocoa US\$/tonne	3,082.00	-1.1	30.4	16.7	3,082.0	3,072.0
Coffee – Arabica US\$/lb	170.70	-1.5	39.2	39.5	172.4	183.6
Coffee – Robusta US\$/tonne	0.00	-	-	24.0	2,001.0	2,010.0
Cotton US\$/lb	68.63	-22.2	-20.7	19.2	68.6	70.7
Maize – Yellow R/tonne	1,775.00	-9.2	-19.3	24.0	1,815.0	1,905.0
Maize – White R/tonne	1,694.00	-8.3	-26.9	23.7	1,734.0	1,859.0
Raw Sugar US\$/lb	16.97	-5.3	4.2	17.8	19.2	19.2
Energy						
WTI Crude US\$/bbl	103.03	-3.9	-4.6	14.9	100.0	94.5

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Jun-14	Jul-14	Current
Angola	3.64	3.64	9.25
Botswana	3.25	3.20	7.50
Ghana	24.08	24.83	19.00
Kenya	10.25	9.72	8.50
Mozambique	5.29	5.29	8.25
Namibia	5.79	5.79	5.75
Nigeria	10.59	10.89	12.00
South Africa	6.06	6.14	5.50
Tanzania	10.57	12.57	OMO ²
Zambia	9.50	9.50	12.00

1 End of month

2 Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, RMB Global Markets
Data as at July 2014

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
Cabo Verde	B+	-	B+
Egypt	B	Caa1	CCC+
Ethiopia	B	B1	B
Gabon	BB-	-	BB-
Ghana	B	B2	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 banks, FNB subsidiaries and national statistical websites.



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