

20 January 2014

Angola

- AOA: Kwanza forecast to depreciate by 3.6% over the next two years

Botswana

- BWP: Pula trading weaker against US dollar

CMA

- ZAR: Negative news, but positive price action

Ghana

- GHS: Cedi weakness is unrelenting

Kenya

- KES: Cheaper funding rates could prompt extension of long US dollar positions

Mozambique

- MZN: Metical trading sideways

Nigeria

- NGN: Chipping away at USD/NGN160.00 as oil firms disappoint

Tanzania

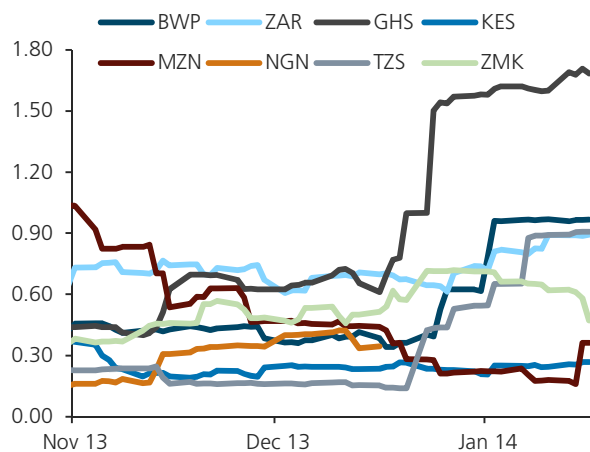
- TZS: Shilling volatility to subside as import demand eases

Zambia

- ZMW: Kwacha at the mercy of local and international determinants

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at January 2014

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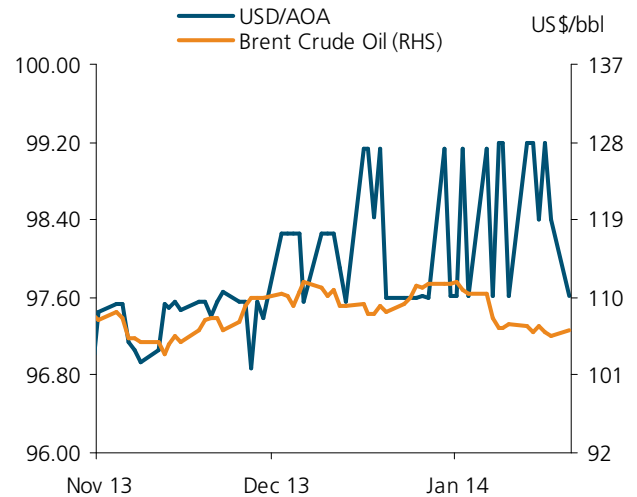


Angola

Kwanza (AOA) in brief

- We have observed greater exchange rate fluctuations since the beginning of 3Q13. Changes to local invoicing requirements have altered the supply and demand of local currency, resulting in greater two-way kwanza volatility since mid-August. We anticipate a 3.6% depreciation over the next two years, implying USD/AOA99.05 in 2014 and USD/AOA100.05 in 2015.

Figure 1: Some FX volatility but stable



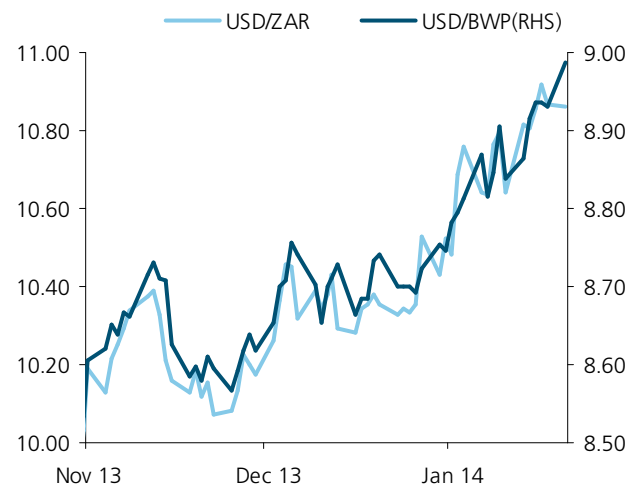
Source: Bloomberg
Data as at January 2014

Botswana

Pula (BWP) in brief

- The pula still remains under pressure as the dollar is expected to strengthen further, especially against emerging market currencies. We expect the pula to open a touch stronger around BWP/USD0.1117/19 compared to the closing level of 0.1115/18. The pula should open little changed around 1.2149/79 compared with 1.2154/85 at close against the South African rand.

Figure 2: Pula under pressure against the US dollar



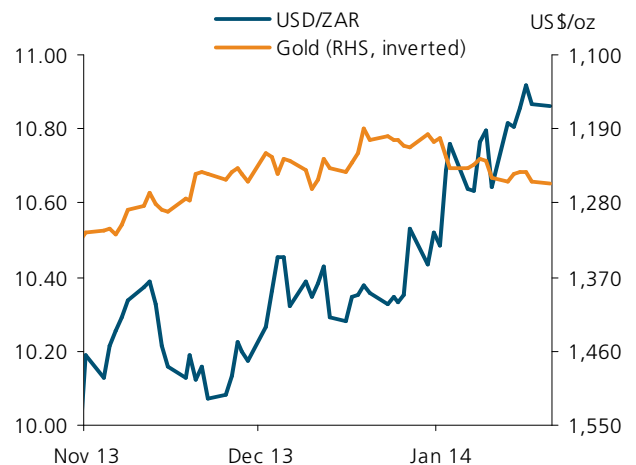
Source: Bloomberg
Data as at January 2014

CMA

Rand (ZAR) in brief

- Global market moves and local news remain strongly rand negative. After Friday's pullback, expect renewed losses today. Whether USD/ZAR will be able to push through Friday's high of 10.96, though, is open to question and will set the tone for the entire week. Trade opens in the high 10.80s. Support is at 10.82/83, resistance at the all-important 10.96. Volumes may be limited early week because of the US holiday tomorrow. EUR/ZAR is somewhat more contained, trading in the low 14.60s. GBP/ZAR remains at 17.85 and looks set to win the race to the big figure (USD/ZAR of 11, EUR/ZAR of 15, and GBP/ZAR of 18).

Figure 3: Renewed losses expected this week



Source: Bloomberg
Data as at January 2014

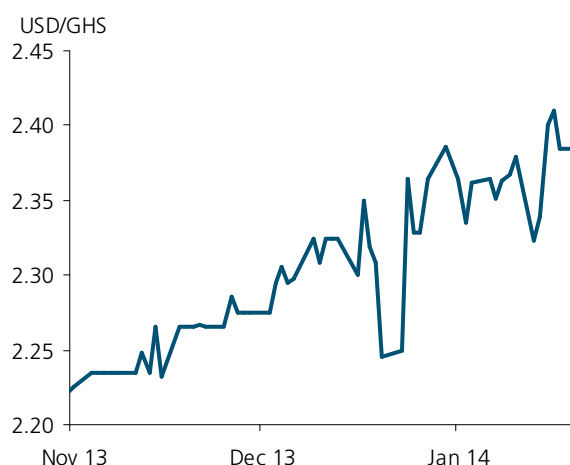


Ghana

Cedi (GHS) in brief

- Depreciatory pressure on the cedi is unrelenting. Resistance levels are failing to hold as persistent onshore demand for foreign exchange continues to outstrip the supply, rendering the cedi vulnerable to further weakness. The BoG's new regulations have failed to restore balance to the market. Additional measures are required to stem the tide of currency losses and restrict the pass through to inflation. The BoG might raise the policy rate, which would heighten the local unit's carry trade appeal. However, the last MPC statement made it clear that current inflationary pressures will not necessarily provoke the MPC, which could indicate an unchanged policy rate for 2014.

Figure 4: Cedi continues to lose ground to the US dollar



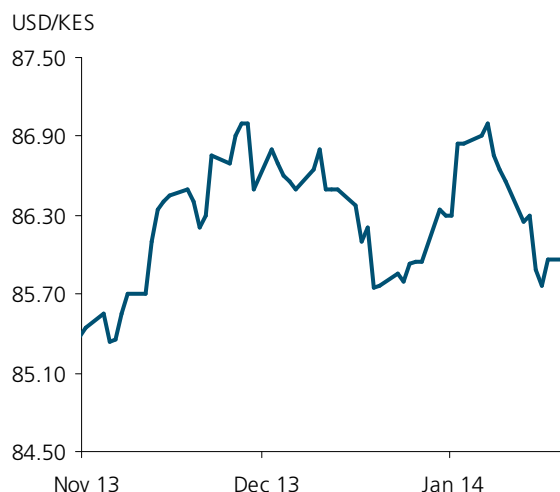
Source: Bloomberg
Data as at January 2014

Kenya

Shilling (KES) in brief

- Having tested USD/KES87.00 at the beginning of the year, the shilling has eased back into a comfortable trading range — 85.50–86.50, amid improved liquidity conditions. The potential for weakness is still apparent as a fall in the weighted average interbank rate might prompt local banks to expand their long dollar positions. Movements above 87.00 are likely to be transitory as the CBK appears reluctant to allow the unit to weaken beyond this level.

Figure 5: Withstanding surge in dollar demand



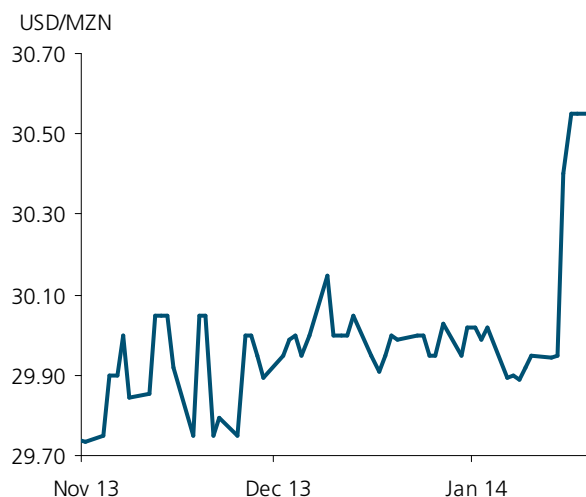
Source: Bloomberg
Data as at January 2014

Mozambique

Metical (MZN) in brief

- The metical traded sideways last week, after briefly touching USD/MZN30.00 at the start of the month. We expect the currency pair to gravitate toward 29.00 in 2014 before drifting down to 28.25 in 2015. Short-term momentum indicators, notably the 14-day moving average, suggest an appreciatory bias but this could change depending on prevailing liquidity conditions.

Figure 6: Metical teetering close to USD/MZN30.00



Source: Bloomberg
Data as at January 2014

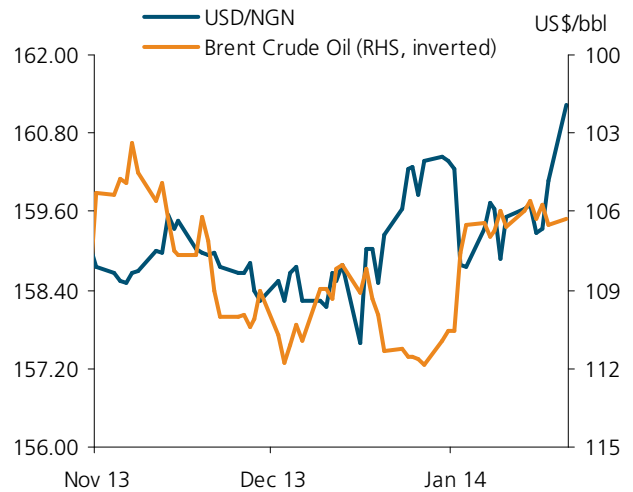


Nigeria

Naira (NGN) in brief

- USD/NGN is chipping away at the 160.00 mark amid thinning US dollar inflows and rising import demand. Naira-denominated assets continue to draw offshore interest though investors appear reluctant to take on duration due to uncertainties over the successor to Governor Sanusi and changes to the political landscape. A better showing by local oil firms at the end of the month should drive the currency pair lower. The CBN is unlikely to increase its participation in the foreign exchange market unless the local unit breaches 163.00.

Figure 7: Naira boosted by month-end US dollar sales



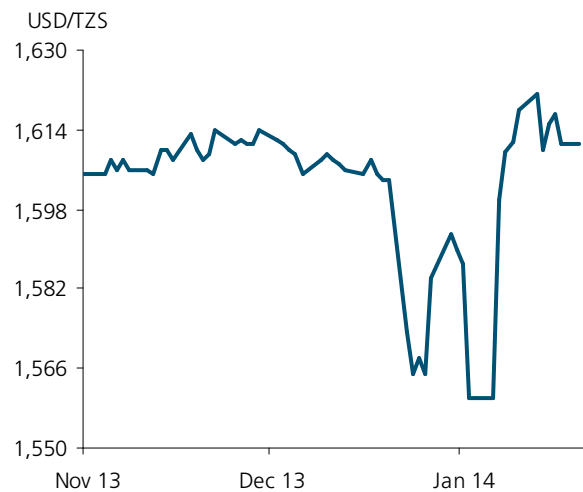
Source: Bloomberg
Data as at January 2014

Tanzania

Shilling (TZS) in brief

- The shilling displayed greater volatility over the first few weeks of 2014 compared to the last few months of 2013. Movements have subsided due to slowing export demand and increased US dollar sales by the BoT. The unit is likely to meander in a narrow range of USD/TZS1,610 – 1,620 this week.

Figure 8: Slowdown in US dollar demand



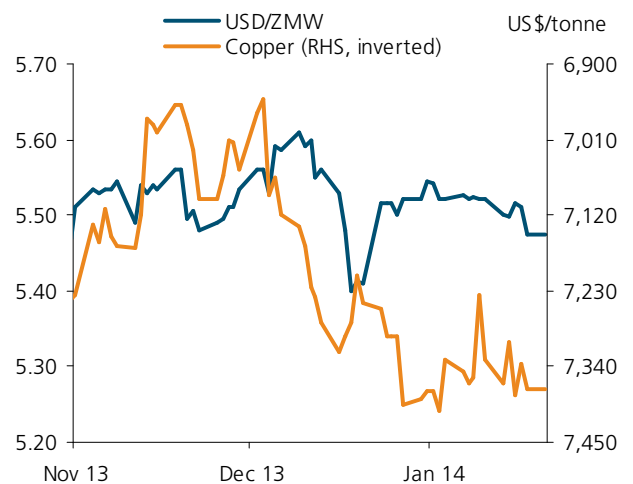
Source: Bloomberg
Data as at January 2014

Zambia

Kwacha (ZMW) in brief

- Having bucked the EM trend at the beginning of the year by registering gains against the US dollar, the kwacha is beginning to lose steam as the inflows from local tax conversions begin to peter out exposing the currency to potential weakness. We have long held that the kwacha is less correlated to global events than its compatriot commodity currencies and is largely a derivative of changes in local liquidity. However, the local unit does respond to global risk sentiment, albeit with a lag. A meaningful movement above USD/ZMW5.55 is unlikely as exporters might cash in on weaker rates. The overall bias for this week is, however, weaker.

Figure 9: Kwacha trading off global fundamentals



Source: Bloomberg
Data as at January 2014



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	8.94	0.00	0.36	3.13	8.84	8.93	9.04	9.34
EUR/BWP	12.15	-0.01	0.43	1.98	11.95	12.08	12.22	12.64
GBP/BWP	14.61	-0.09	-0.35	3.39	14.50	14.65	14.81	15.29
BWP/JPY	11.68	-0.19	-0.71	-1.71	1.23	1.23	1.23	1.23
Ghana								
USD/GHS	2.41	0.42	1.84	4.78	2.21	2.28	2.38	2.54
EUR/GHS	3.28	0.41	1.91	3.62	2.99	3.08	3.21	3.43
GBP/GHS	3.94	0.33	1.12	5.04	3.63	3.74	3.89	4.15
GHS/JPY	43.32	-0.61	-2.15	-3.26	230.55	236.78	246.89	263.37
Kenya								
USD/KES	85.76	-0.14	-1.03	-0.72	86.26	86.95	88.63	91.88
EUR/KES	116.57	-0.15	-0.95	-1.82	116.81	117.73	120.00	124.45
GBP/KES	140.16	-0.23	-1.72	-0.47	141.64	142.70	145.36	150.43
KES/JPY	1.22	-0.05	0.68	2.10	0.83	0.83	0.85	0.88
Mozambique								
USD/MZN	30.55	0.49	2.11	2.00	29.71	30.92	31.53	32.65
EUR/MZN	41.53	0.49	2.18	0.87	41.55	41.87	42.69	44.22
GBP/MZN	49.93	0.41	1.39	2.25	50.38	50.75	51.70	53.45
MZN/JPY	3.42	-0.68	-2.41	-0.62	3200.35	3224.09	3285.56	3395.75
Nigeria								
USD/NGN	159.35	0.04	0.30	1.11	159.75	159.75	159.75	159.75
EUR/NGN	216.60	0.03	0.38	-0.02	216.32	216.31	216.30	216.38
GBP/NGN	260.43	-0.05	-0.40	1.36	262.31	262.19	262.00	261.55
NGN/JPY	0.66	-0.23	-0.65	0.26	0.65	1.53	1.53	1.54
South Africa								
USD/ZAR	10.92	0.56	1.14	6.22	10.91	11.01	11.17	11.51
EUR/ZAR	14.84	0.55	1.22	5.03	14.78	14.91	15.12	15.59
GBP/ZAR	17.85	0.47	0.43	6.48	17.92	18.07	18.31	18.85
ZAR/JPY	9.56	-0.74	-1.48	-4.56	9.56	9.47	9.33	9.04
Tanzania								
USD/TZS	1,617.00	0.12	0.34	0.75	1,632.82	1,663.60	1,729.94	1,773.86
EUR/TZS	2,197.99	0.12	0.42	-0.37	2,211.04	2,252.55	2,342.32	2,402.68
GBP/TZS	2,642.66	0.04	-0.37	0.99	2,681.08	2,730.36	2,837.16	2,904.17
TZS/ZAR	0.06	-0.31	-0.69	0.62	15.65	15.95	16.60	17.05
Zambia								
USD/ZMW	5.51	-0.09	-0.18	-0.36	5.34	5.36	5.50	5.77
EUR/ZMW	7.49	-0.10	-0.11	-1.47	7.23	7.25	7.43	7.81
GBP/ZMW	9.00	-0.18	-0.88	-0.12	8.77	8.79	9.01	9.45
ZMW/JPY	18.95	-0.10	-0.17	1.74	0.05	0.05	0.05	0.06

Source: Bloomberg, Reuters, RMB Global Markets
All data as at January 2014



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,255.31	4.3	-25.5	15.7	1,252.3	1,255.0
Copper US\$/tonne	7,379.50	1.6	-8.4	16.9	7,343.0	7,305.5
Softs						
Cattle US\$/lb	170.00	1.8	18.1	14.8	139.3	133.6
Cocoa US\$/tonne	2,700.00	-4.2	18.2	22.8	2,700.0	2,700.0
Coffee — Arabica US\$/lb	117.15	1.6	-25.0	25.4	117.2	126.7
Coffee — Robusta US\$/tonne	0.00	-	-	27.2	1,710.0	1,639.0
Cotton US\$/lb	86.80	4.4	10.5	20.6	87.1	79.9
Maize — Yellow R/tonne	2,918.00	-0.3	25.9	24.0	2,918.0	2,415.0
Maize — White R/tonne	2,996.00	6.1	37.4	23.7	2,996.0	2,543.0
Raw Sugar US\$/lb	15.22	-7.5	-17.1	18.1	17.0	17.0
Energy						
WTI Crude US\$/bbl	93.69	-5.7	-2.0	17.8	94.0	88.3

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Dec - 13 ¹	Current	Current
Angola	3.69	3.69	9.25
Botswana	3.58	3.47	7.50
Ghana	18.68	19.40	16.00
Kenya	9.63	9.63	8.50
Mozambique	5.21	5.21	8.25
Namibia	5.15	5.13	5.50
Nigeria	10.89	10.89	12.00
South Africa	5.15	5.23	5.00
Tanzania	13.54	13.74	OMO ²
Zambia	7.41	7.75	9.75

¹ End of month

² Open Market Operations

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