

27 January 2014

Angola

- AOA: Kwanza plateaus at USD/AOA97.38 after weeks of heightened volatility

Botswana

- BWP: Pula weakens in tandem with other EM currencies

CMA

- ZAR: The risk of a further run is extremely high

Ghana

- GHS: Cedi at the mercy of interbank liquidity

Kenya

- KES: Shilling at risk of weakness as month-end demand overwhelms the market

Mozambique

- MZN: Metical leaps to USD/MZN30.60

Nigeria

- NGN: Naira is flirting with USD/NGN160.00

Tanzania

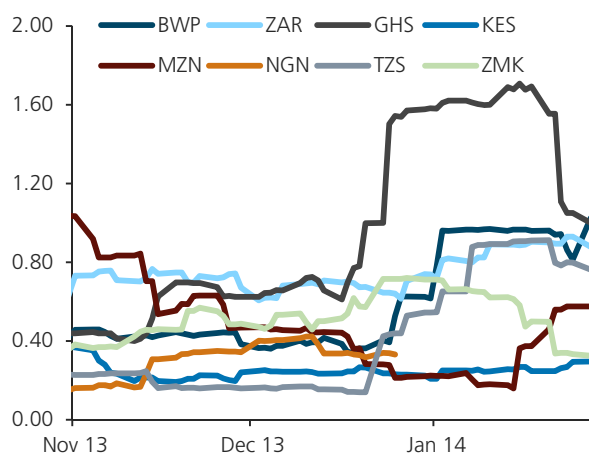
- TZS: Changes in local liquidity will continue to dictate short-term shilling moves

Zambia

- ZMW: Kwacha prospers against the rand

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at January 2014

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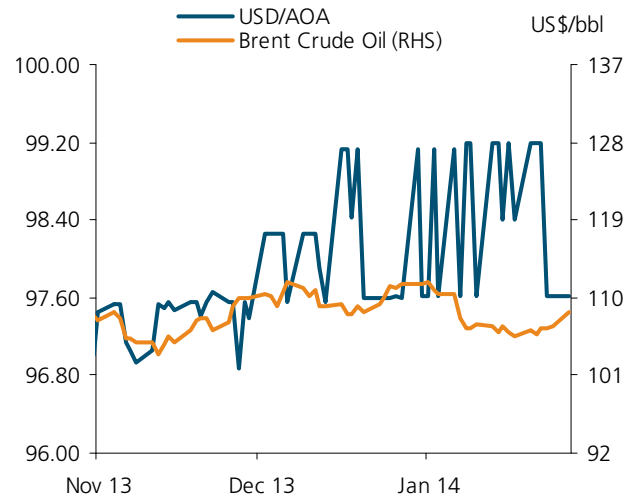


Angola

Kwanza (AOA) in brief

- The kwanza has plateaued at USD/AOA97.38 after weeks of heightened volatility, suggesting that the central bank is applying a heavier hand to the foreign exchange market. The BNA has sustained a high import-to-reserve ratio allowing it to contend with adverse shocks. We anticipate 3.6% depreciation over the next two years, implying USD/AOA99.05 in 2014 and USD/AOA100.05 in 2015.

Figure 1: Kwanza has plateaued at 97.38



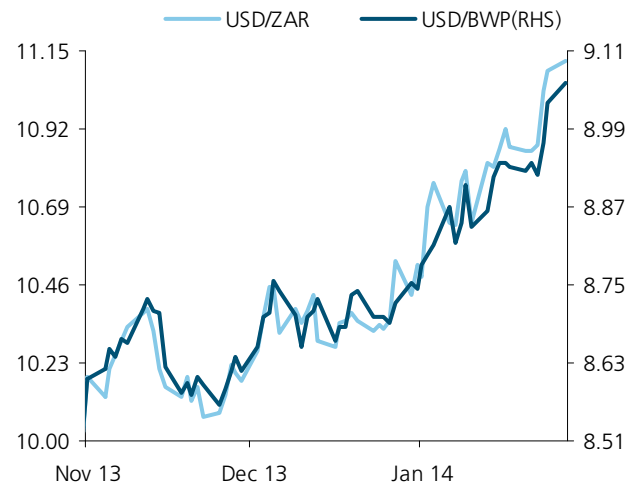
Source: Bloomberg
Data as at January 2014

Botswana

Pula (BWP) in brief

- The pula weakened further against the greenback on Friday in tandem with a general sell-off in emerging market currencies. The rand was especially weak amid the second day of strike by platinum mine workers. As a result, the pula closed the day at BWP/USD0.1106/0.1109 compared with the previous day's close at 0.1113/16. The local unit was stronger against the rand, closing the day at BWP/ZAR 1.2288/1.2319 from 1.2200/30 the previous day.

Figure 2: Pula weakening in tow with the rand



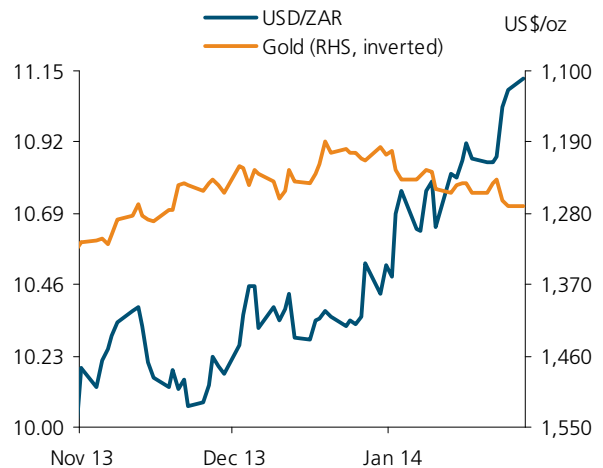
Source: Bloomberg
Data as at January 2014

CMA

Rand (ZAR) in brief

- Global markets are on edge after the sharp falls at the end of last week. The risk of a further run is extremely high. Weakness was evident in Asian risk markets but edged back into uneasy sideways trade. This leaves USD/ZAR at 11.12, below Friday's high of 11.19, but ready to run at any stage. An extremely busy events calendar, which contains the Fed meeting on Wednesday, compounds the risks.
- What we are seeing is primarily an aggressive emerging market (EM) sell-off. Local negatives are merely a sideline issue. Core markets have also been under pressure, the Dow dropped almost 2% on Friday to complete its worst week since 2011. But this is a case of the tail wagging the dog, core markets are worried about the EM problems.

Figure 3: Rand hit by aggressive EM sell-off



Source: Bloomberg
Data as at January 2014

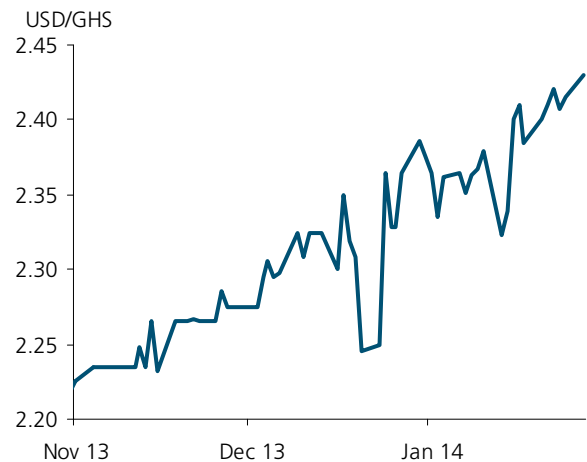


Ghana

Cedi (GHS) in brief

- Long-term cedi movements are all but impossible to forecast as fundamentals suggest that the currency is undervalued at current levels. In the short term, it appears entrenched in a depreciatory trend, registering new lows and highs against the dollar week-on-week. The currency is at the mercy of interbank liquidity which has waned considerably. The situation demands regulatory intervention

Figure 4: Cedi weakness unrelenting as interbank liquidity remains weak



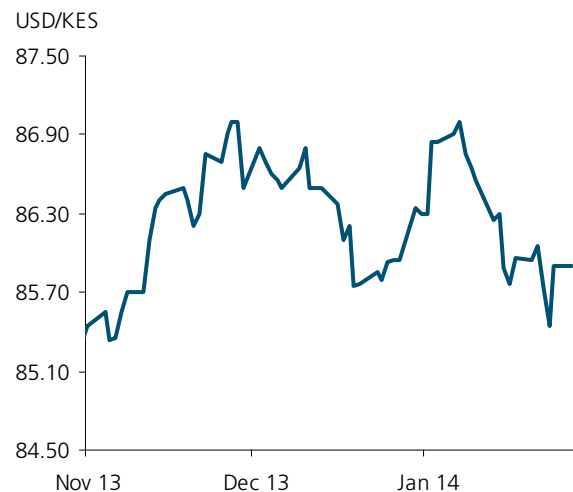
Source: Bloomberg
Data as at January 2014

Kenya

Shilling (KES) in brief

- The shilling is at risk of weakness as month-end corporate demand overwhelms the market. Portfolio inflows, specifically proceeds from the equity market, should cushion the local unit from extensive depreciation.

Figure 5: Shilling capped well below 86.00



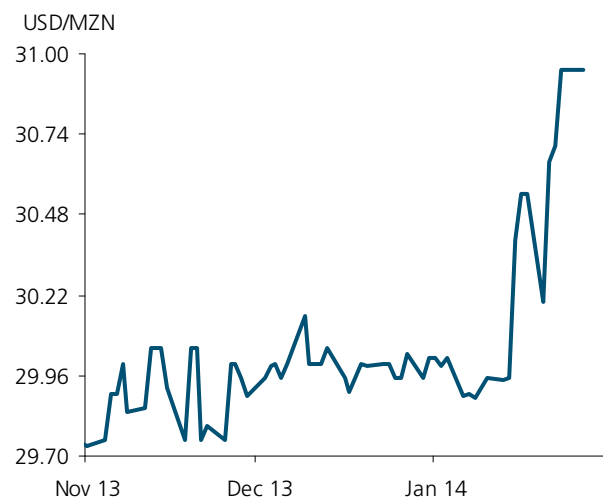
Source: Bloomberg
Data as at January 2014

Mozambique

Metical (MZN) in brief

- The metical leapt to 30.60 against the US dollar at the end of last week, breaching a key psychological level. Short-term momentum indicators, notably the 30-day moving average, suggest a slight appreciatory bias but, as we well know, this could change depending on prevailing liquidity conditions. We expect USD/MZN to gravitate towards 29.00 in 2014 before drifting back to 28.25 in 2015.

Figure 6: Metical breaches key psychological level



Source: Bloomberg
Data as at January 2014

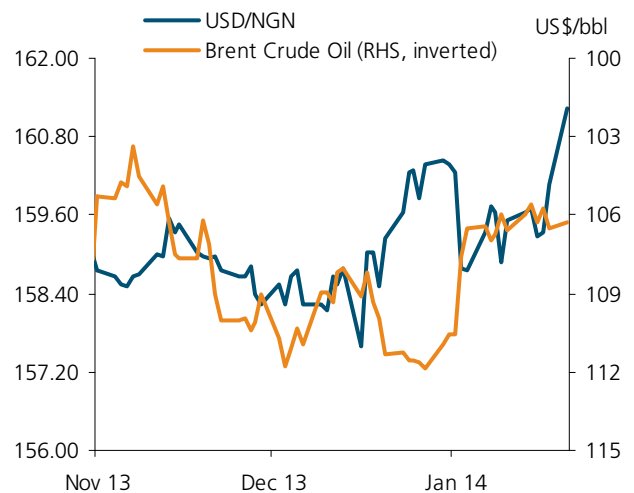


Nigeria

Naira (NGN) in brief

- The naira is flirting with USD/NGN160.00, much to the dismay of the CBN which increased its US dollar offering to the foreign exchange market to restrict the pace of depreciation. The central bank remains committed to preserving the value of the currency through the use of international reserves. However, reserve holdings are at risk of being eroded if oil earnings fall at a quicker pace than anticipated and portfolio outflows ensue, following instances of Fed tapering.

Figure 7: Naira flirting with 160.00 though CBN likely to limit losses



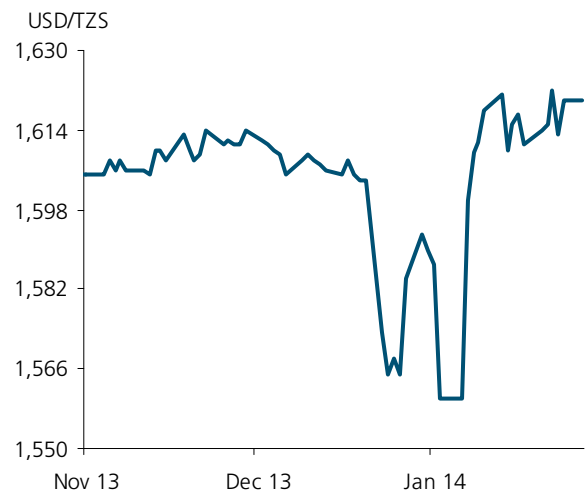
Source: Bloomberg
Data as at January 2014

Tanzania

Shilling (TZS) in brief

- The shilling is trading within a familiar range, bounding between USD/TZS1,605 and 1,620. Movements were concentrated at the upper-end of the trading range last week due to increased demand for US dollars amid limited supply. Changes in local liquidity will continue to dictate short-term shilling moves though long-run fundamentals, particularly Tanzania’s bloated current account deficit, suggest that the unit should be weaker.

Figure 8: Shilling trading within a familiar range



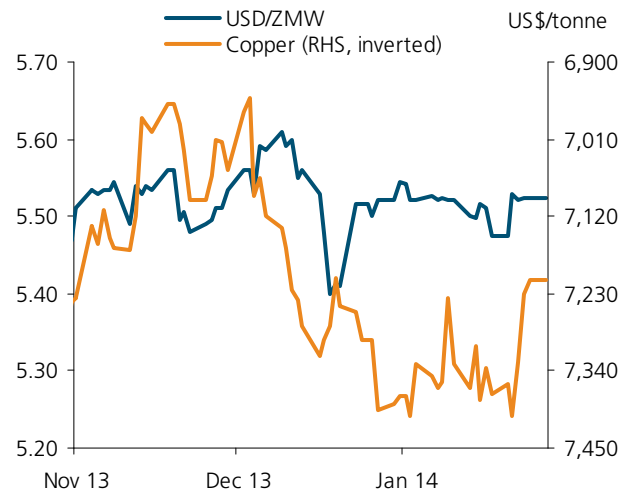
Source: Bloomberg
Data as at January 2014

Zambia

Kwacha (ZMW) in brief

- While the kwacha has prospered against the rand, it has lost ground to the US dollar, ending the week at USD/ZMW5.52. Intra-day volatility is not as pronounced as other commodity-linked currencies due to the local supply of dollars which has tempered demand. The kwacha’s strengthening bias against the rand might encourage market participants to further unwind short rand positions, propelling USD/ZMW higher.

Figure 9: Kwacha loses ground to USD but makes gains against the ZAR



Source: Bloomberg
Data as at January 2014



Spot and implied forward exchange rates

	Currency rates				Outright forwards			
		% change			Maturity			
	Last	1-day	1-week	1-month	1-m	3-m	6-m	12-m
Botswana								
USD/BWP	8.97	0.54	0.36	3.10	9.08	9.19	9.29	9.58
EUR/BWP	12.26	1.46	0.96	2.91	12.42	12.57	12.71	13.12
GBP/BWP	14.90	0.78	2.04	4.71	14.98	15.16	15.31	15.77
BWP/JPY	11.54	-1.43	-1.25	-3.52	1.23	1.22	1.23	1.23
Ghana								
USD/GHS	2.41	-0.52	-0.10	7.00	2.21	2.28	2.38	2.54
EUR/GHS	3.29	0.39	0.50	6.81	3.02	3.12	3.25	3.47
GBP/GHS	4.00	-0.28	1.56	8.67	3.64	3.75	3.91	4.17
GHS/JPY	42.98	-0.39	-0.79	-7.05	226.17	233.24	243.09	259.25
Kenya								
USD/KES	85.45	-0.33	-0.36	-0.47	86.47	87.41	89.05	92.48
EUR/KES	116.85	0.59	0.24	-0.64	118.26	119.56	121.80	126.55
GBP/KES	141.98	-0.09	1.30	1.09	142.50	143.99	146.58	151.96
KES/JPY	1.21	-0.58	-0.53	-0.07	0.85	0.85	0.87	0.91
Mozambique								
USD/MZN	30.95	0.81	1.31	3.17	29.71	31.33	31.94	33.06
EUR/MZN	42.32	1.74	1.92	2.99	42.50	42.84	43.68	45.24
GBP/MZN	51.43	1.06	3.00	4.78	51.21	51.60	52.57	54.32
MZN/JPY	3.34	-1.70	-2.17	-3.59	-	-	-	-
Nigeria								
USD/NGN	160.20	0.53	0.53	0.36	159.75	159.75	159.75	159.75
EUR/NGN	219.07	1.45	1.14	0.18	218.50	218.49	218.51	218.61
GBP/NGN	266.19	0.78	2.21	1.93	263.27	263.15	262.97	262.51
NGN/JPY	0.65	-1.43	-1.42	-0.89	0.65	1.55	1.55	1.55
South Africa								
USD/ZAR	11.03	1.48	1.05	6.86	11.17	11.24	11.40	11.81
EUR/ZAR	15.09	2.41	1.66	6.67	15.23	15.37	15.59	16.11
GBP/ZAR	18.33	1.72	2.74	8.53	18.35	18.51	18.77	19.35
ZAR/JPY	9.38	-2.34	-1.92	-6.92	9.19	9.10	8.97	8.66
Tanzania								
USD/TZS	1,613.00	-0.55	-0.25	2.51	1,634.00	1,648.85	1,719.81	1,788.10
EUR/TZS	2,205.78	0.36	0.35	2.33	2,234.93	2,255.16	2,352.34	2,446.94
GBP/TZS	2,680.16	-0.31	1.42	4.11	2,692.84	2,716.09	2,830.98	2,938.32
TZS/ZAR	0.06	-0.35	-0.65	-2.97	15.97	16.12	16.82	17.53
Zambia								
USD/ZMW	5.53	0.09	0.27	0.18	5.34	5.36	5.50	5.77
EUR/ZMW	7.56	1.01	0.88	0.01	7.30	7.33	7.52	7.90
GBP/ZMW	9.18	0.33	1.95	1.75	8.80	8.83	9.06	9.49
ZMW/JPY	18.73	-0.99	-1.16	-0.72	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	1,271.43	4.8	-23.3	15.5	1,264.5	1,267.2
Copper US\$/tonne	7,240.00	-1.8	-10.2	16.2	7,182.0	7,147.3
Softs						
Cattle US\$/lb	170.70	2.2	18.0	14.8	140.1	133.7
Cocoa US\$/tonne	2,792.00	0.3	28.5	23.3	2,801.0	2,785.0
Coffee — Arabica US\$/lb	114.40	-1.7	-22.9	23.3	114.4	124.1
Coffee — Robusta US\$/tonne	0.00	-	-	25.4	1,708.0	1,636.0
Cotton US\$/lb	86.75	3.1	7.7	21.5	87.5	78.5
Maize — Yellow R/tonne	2,946.00	10.5	27.8	24.0	2,946.0	2,406.0
Maize — White R/tonne	3,069.00	11.3	41.6	23.7	3,069.0	2,517.0
Raw Sugar US\$/lb	15.11	-8.0	-17.8	19.6	17.0	17.0
Energy						
WTI Crude US\$/bbl	96.72	-3.6	0.9	18.3	95.6	88.7

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	18.51	16.00
Kenya	9.63	9.17	8.50
Mozambique	5.21	5.24	8.25
Namibia	5.15	5.19	5.50
Nigeria	10.89	11.23	12.00
South Africa	5.15	5.11	5.00
Tanzania	13.54	13.74	OMO ²
Zambia	7.41	7.99	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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