

2 March 2015

Angola

- AOA: Continued strain on domestic liquidity

Botswana

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CMA

- ZAR: Pushing at 11.70 resistance

Ghana

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- MZN: Depreciatory pressure likely to continue over the short term

Nigeria

- NGN: February a challenging month for the naira

Tanzania

- TZS: Shilling to weaken as US dollar demand outpaces supply

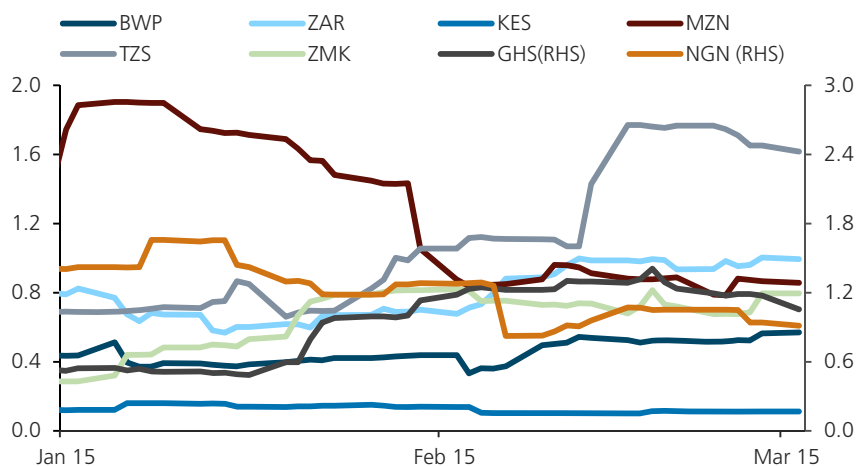
Zambia

- ZMW: Relaxation of regulations reducing market uncertainty

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Figure 1: Currency fluctuations (1-month realised volatility)



Source: Bloomberg
Data as at February 2015

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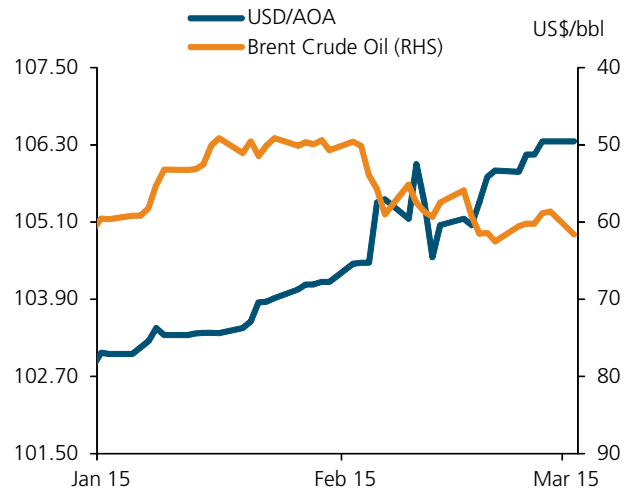


Angola

Kwanza (AOA) in brief

- The parallel rate is trading almost 30% weaker than the official unit, highlighting the severe strain on domestic liquidity that has been exacerbated by stringent capital controls. The central bank's attempts to smooth adverse currency movements by selling US dollar reserves had little impact on the foreign exchange market. USD/AOA105 is a key resistance level. A consistent breach of this mark increases the possibility of a sharp once-off adjustment.

Figure 2: Continued strain on domestic liquidity



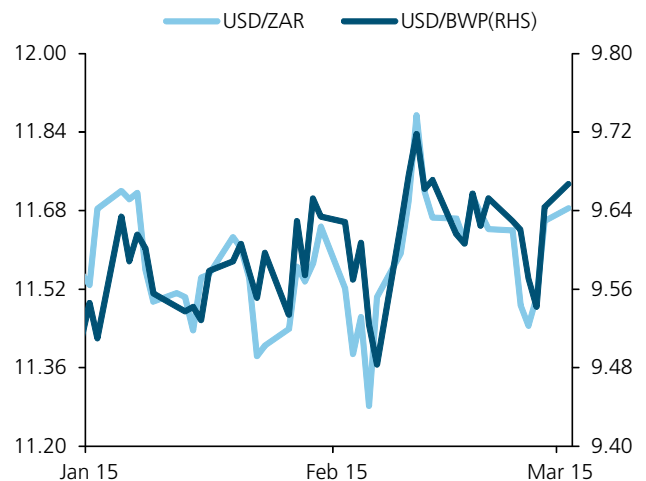
Source: Bloomberg
Data as at 23 February 2015

Botswana

Pula (BWP) in brief

- The pula was largely range-bound on Friday before dropping significantly after the South African trade numbers reported a R24.2bn deficit in January from a R6.7bn surplus in December. The pula tracked the rand's poor performance against the dollar to close the month at 0.1036/38 from 0.1039/42 at the open.
- BWP/ZAR regained momentum owing to South Africa's trade data. This data continues to cast a shadow of doubt on the outlook of Africa's second-largest economy. Limited local data releases today will see the pula maintain its strength to open around 1.2043/73 from 1.2033/63.

Figure 3: Trading range-bound



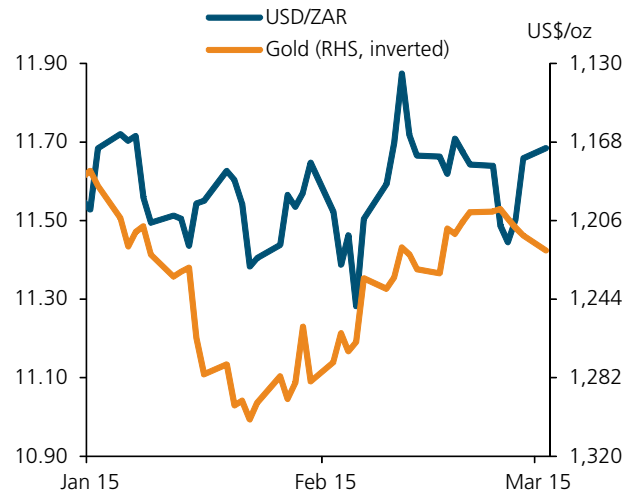
Source: Bloomberg
Data as at 23 February 2015

CMA

Rand (ZAR) in brief

- The rand and local bonds remain under pressure from a rising dollar and poor local data. USD/ZAR starts just under the 11.70 resistance level and EUR/ZAR at 13.05. The R186 closed at 7.645. EUR/USD is under 1.12, slowly edging towards the cyclical low of 1.11 seen in January. Risks are high in what will be a busy week.

Figure 4: Rising dollar pushing rand to resistance levels



Source: Bloomberg
Data as at 23 February 2015

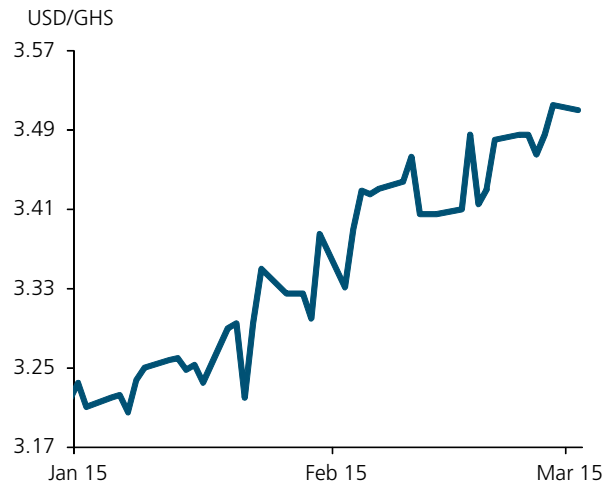


Ghana

Cedi (GHS) in brief

- The cedi closed at 3.49 last week regardless of the positive sentiment from the finalisation of the IMF agreement. Seasonal dollar demand linked to first quarter imports, paired with a hint of speculative dollar buying, has underpinned the cedi's recent bout of weakness. The BoG has kept a close watch on proceedings to ensure that the currency is maintained in a stable band. However, despite its best intentions, the local interbank market remains largely illiquid.

Figure 5: Positive sentiment not helping



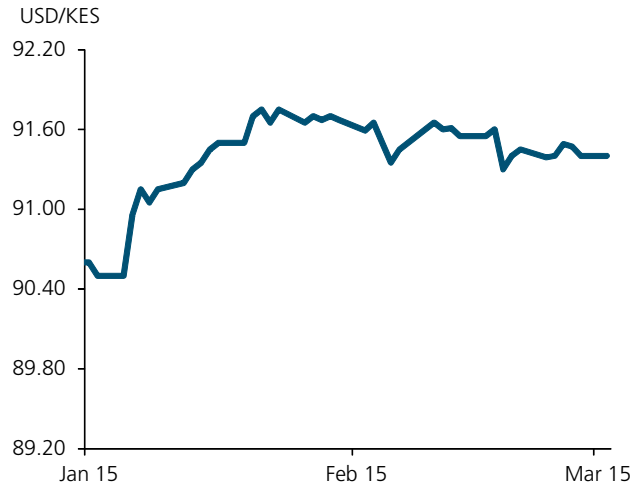
Source: Bloomberg
Data as at 23 February 2015

Kenya

Shilling (KES) in brief

- The shilling was steady against the dollar last week due to dollar inflows from tea exports and NGOs. However, demand from corporates in sectors like energy, manufacturing and telecommunications remain strong. The mop-up of liquidity in the money market throughout last week by the CBK has helped with the pressure. The local unit was perched at USD/KES91.40 last week and should remain hemmed in a narrow range in March.

Figure 6: Dollar flows keeping shilling steady



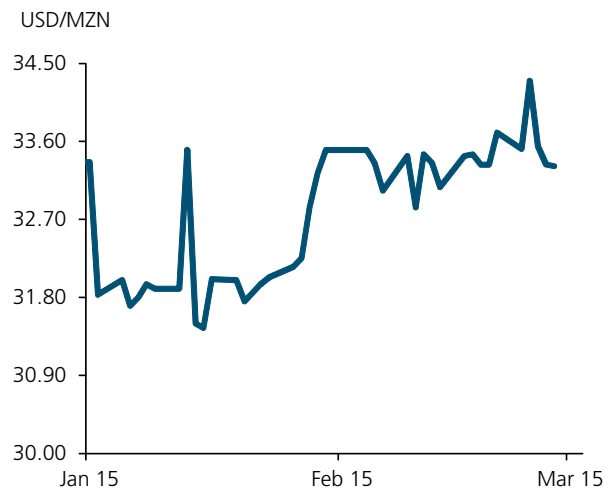
Source: Bloomberg
Data as at 23 February 2015

Mozambique

Metical (MZN) in brief

- Rampant import demand overwhelmed the interbank market, resulting in a sharp ascent from 32.15 to 34.60 in February. Relief efforts will add to the growing economic costs associated with the catastrophic floods. Depreciatory pressure is likely to be sustained over the short term. Recent movements against the US dollar do not necessarily imply a domestic liquidity squeeze as the local unit continues to register gains against the rand, suggesting a fair balance between supply and demand. We envisage a year-end rate of USD/MZN35.00.

Figure 7: Depreciatory pressure to continue



Source: Bloomberg
Data as at 23 February 2015

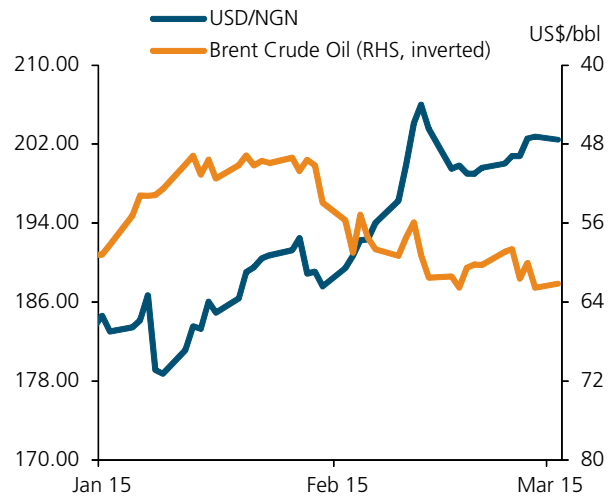


Nigeria

Naira (NGN) in brief

- February was a challenging month for the naira, falling by 8.3% due to lower oil prices and political uncertainty. All foreign exchange demand is now routed through the interbank market, suggesting that the naira will eventually be determined by forces of supply and demand. For now, the CBN will sell US dollars at a set rate to ensure that liquidity is readily available to meet legitimate demand. This serves as an effective devaluation of the naira, following a period of sustained divergence between the interbank and RDAS rates.

Figure 8: Effective devaluation



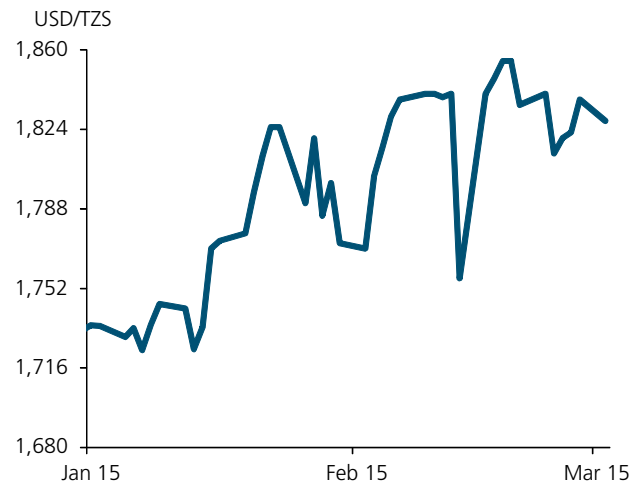
Source: Bloomberg
Data as at 23 February 2015

Tanzania

Shilling (TZS) in brief

- The shilling continued to weaken on Friday as the market traded as high as 1,840/1,850 by the close of business. As more US dollar demand builds up across the market, we expect the resistance levels of 1,845/1,855 to be tested in this week's session. We anticipate a widening of the USD/TZS bid offer spread in March as import demand outpaces the supply of US dollars. Proceeds from external non-concessional borrowing (ENCB), coupled with an expected increase in offshore participation in the local equities market, following the removal of restrictions from September 2014 should buffer the foreign exchange market in 2Q15.

Figure 9: Demand outpacing supply of dollars



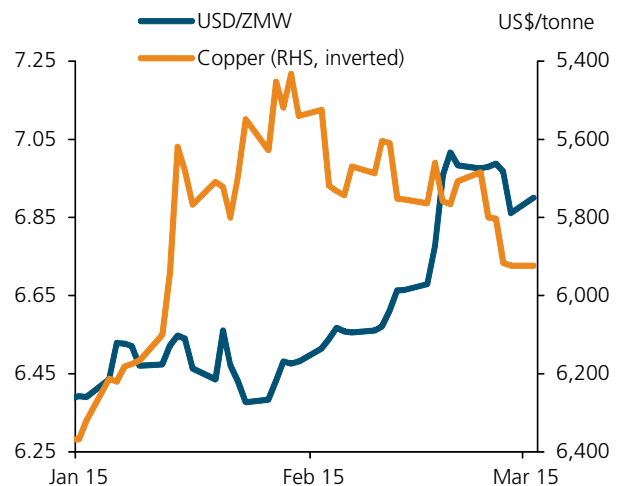
Source: Bloomberg
Data as at 23 February 2015

Zambia

Kwacha (ZMW) in brief

- The relaxation of regulations preventing tax refunds to exporters has reduced uncertainty in the market and saw the local unit close stronger at 6.90 on Friday. While the kwacha is still bullish, broad-based dollar strength is likely to put pressure on the local unit. A basket of emerging currencies has taken a beating against the dollar. Nonetheless, the current levels are very attractive for exporters and, being the beginning of the month, we are likely to see dollar conversions to meet corporate obligations. For now, we expect the local unit to trade under 6.900.

Figure 10: Market uncertainty easing



Source: Bloomberg
Data as at 23 February 2015



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1,220.58	-4.9	-8.0	15.7	-	1,217.0
Copper US\$/tonne	5,880.50	6.8	-17.1	16.3	5,900.5	5,872.0
Softs						
Cattle US\$/lb	201.90	-1.6	17.6	14.8	151.7	145.8
Cocoa US\$/tonne	3,102.00	15.2	5.7	19.5	3,016.0	2,918.0
Coffee – Arabica US\$/lb	136.75	-15.5	-23.9	39.0	140.5	150.0
Coffee – Robusta US\$/tonne	-	-	-	21.6	1,907.0	1,983.0
Cotton US\$/lb	64.73	9.0	-25.2	21.3	64.9	65.8
Maize – Yellow R/tonne	2,408.00	15.0	-20.1	24.0	2,433.0	2,433.0
Maize – White R/tonne	2,740.00	29.1	-10.2	23.7	2,677.0	2,808.0
Raw Sugar US\$/lb	13.93	-5.8	-15.4	24.0	15.8	15.8
Energy						
WTI Crude US\$/bbl	49.40	2.4	-51.8	55.4	53.8	61.5

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Feb-15	Current	Current
Angola	6.48	6.48	9.00
Botswana	3.19	3.19	6.50
Ghana	25.84	25.80	21.00
Kenya	8.64	8.64	8.50
Mozambique	5.43	5.43	8.25
Namibia	6.09	6.08	6.25
Nigeria	13.08	15.91	13.00
South Africa	5.95	5.93	5.75
Tanzania	11.34	8.52	OMO ²
Zambia	13.50	13.50	12.50

1 End of month

2 Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, FNB Zambia, FNB Tanzania,

RMB Global Markets

Data as at February 2015

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba2	B+
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cabo Verde	B	-	B
Congo	B+	Ba3	B+
Cote d'Ivoire	B	B1	-
DRC	-	B3	B-
Egypt	B-	Caa1	B-
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	-	-	B+
Seychelles	B	-	-
South Africa	BBB	Baa2	BBB-
Tunisia	BB-	Ba3	-
Uganda	B	B1	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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