

26 May 2014

Angola

- AOA: Imbalance in liquidity conditions continues

Botswana

- BWP: Steady against the dollar

CMA

- ZAR: Stronger, but the going is tough

Ghana

- GHS: Heading for USD/GHS3.00

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- KES: Sentiment weakening the shilling further

Mozambique

- MZN: Metical remains stable at USD/MZN31.00

Nigeria

- NGN: Naira continues to trade within a tight range of USD/NGN162 – 163.

Tanzania

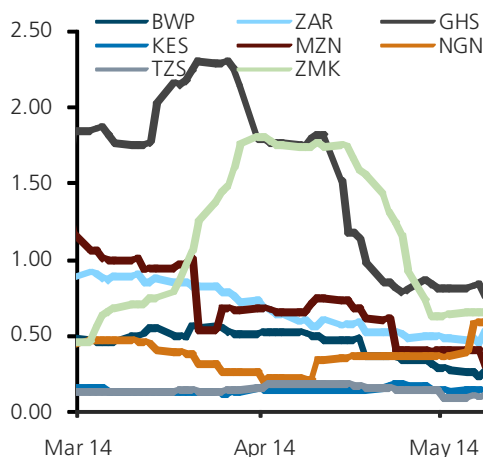
- TZS: Shilling suffering some losses due to limited dollar inflows

Zambia

- ZMW: Kwacha weakness continues as dollar supplies remain scarce

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at May 2014

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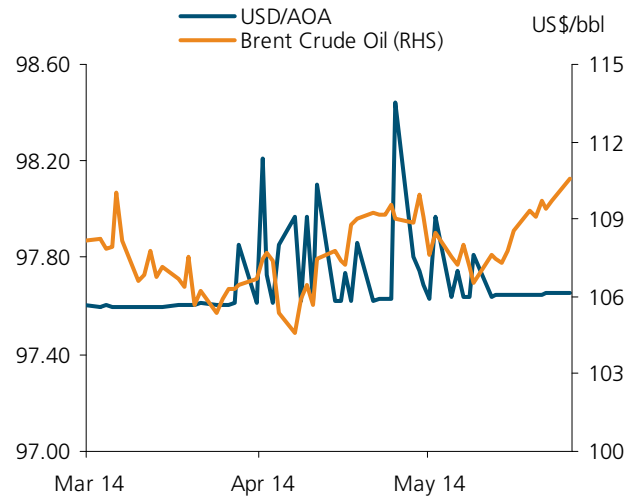


Angola

Kwanza (AOA) in brief

- The imbalance in liquidity conditions continues partly due to a drop in oil production that has constrained the BNA's ability to accumulate reserves. Despite an increase in intraday volatility, we do not anticipate random upward movements in the currency pair as the central bank pursues attempts to limit the pass through to inflation. We expect a 3.6% depreciation over the next two years, implying USD/AOA99.05 in 2014 and USD/AOA100.05 in 2015.

Figure 1: Kwanza trades erratically



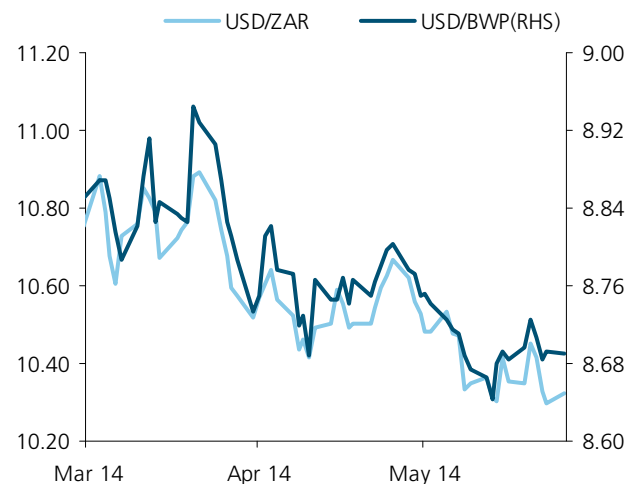
Source: Bloomberg
Data as at May 2014

Botswana

Pula (BWP) in brief

- The pula remained steady against the greenback last week despite the dollar's marginal gains against the euro after German business confidence disappointed. With the US markets on holiday today, we expect BWP/USD to remain within range to open this morning around 0.1152/55 from 0.1149/52 at close. BWP/ZAR lost ground as the rand rallied on the back of the SARB's hawkish comments at Thursday's MPC meeting. The announcement of South Africa's new cabinet on Sunday has also boosted the rand. BWP/ZAR is therefore expected to open this morning around 1.1837/1.1917 from 1.1906/36 at close.

Figure 2: Steady against the dollar



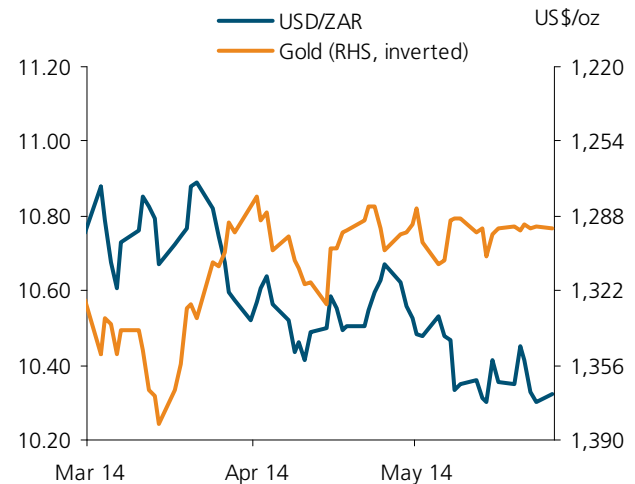
Source: Bloomberg
Data as at May 2014

CMA

Rand (ZAR) in brief

- The rand continues to push stronger but the going is tough. EUR/ZAR has led the running, pushing through 14.10 and on towards 14.00, spurred by ongoing euro weakness. USD/ZAR, however, is still stuck above the key 10.28/30 support level and is showing little signs of breaking. We expect constrained trade today given the US and UK holidays, while event risk for the week as a whole is moderate.
- The major underlying driver of rand gains has been the general risk-on global environment. This has been on-again off-again, but on a net basis it has been positive as indicated by the S&P 500 hitting a record-high on Friday.

Figure 3: Stuck above the key 10.28/30 support level



Source: Bloomberg
Data as at May 2014

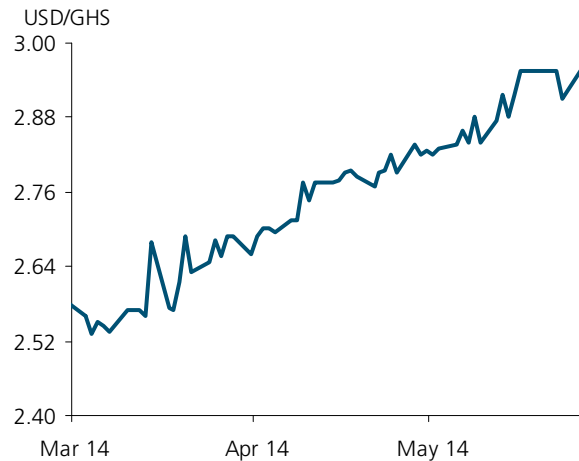


Ghana

Cedi (GHS) in brief

- The cedi is heading straight for (and is ready to breach) the 3.00 level against the greenback. US dollar demand continues to outpace supply despite the lofty cost of funding. Moral suasion and OMOs remain ineffective in mopping up excess liquidity while the dual deficits continue to dampen sentiment. The only respite we see at the moment comes around 3Q14 when Cocobod come to the market for about US\$1.8bn for its syndicated loan. In the meantime, we expect the depreciatory trend to continue.

Figure 4: Heading for USD/GHS3.00



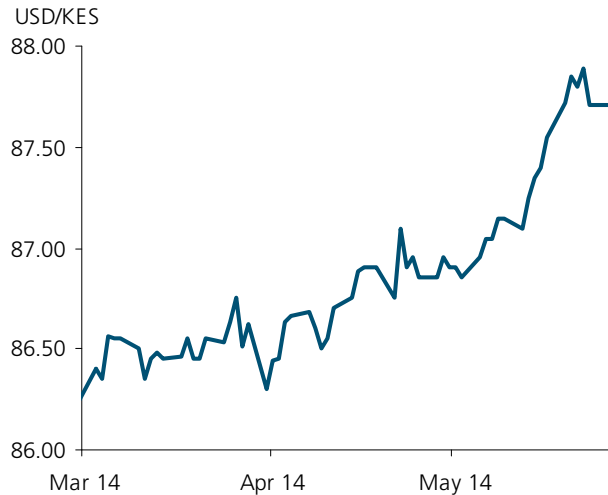
Source: Bloomberg
Data as at May 2014

Kenya

Shilling (KES) in brief

- Shilling losses are accumulating at a rapid pace, propelling the local unit above the technical resistance level of USD/KES88.00. Sentiment is on the wane as more bombings are deterring investors and tourists alike. The bias is for further weakness this week, exacerbated by the start of the dividend payments season as companies seek US dollars to remit to offshore shareholders. The shilling is expected to receive cushioning from the upcoming sovereign bond issuance before the financial year-end in June.

Figure 5: Sentiment weakening the shilling further



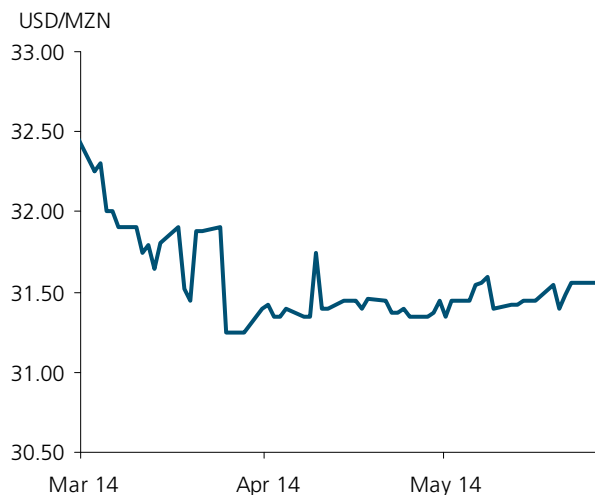
Source: Bloomberg
Data as at May 2014

Mozambique

Metical (MZN) in brief

- For the past two weeks, the metical has remained stable at USD/MZN31.00. A determining factor was tax commitments: the less meticais in the market decreased the demand for foreign currency, resulting in less pressure on USD/MZN. We expect USD/MZN to gravitate towards 29.00 in 2014 before drifting back to 28.25 in 2015.

Figure 6: Metical derive support from May tax requirements



Source: Bloomberg
Data as at May 2014

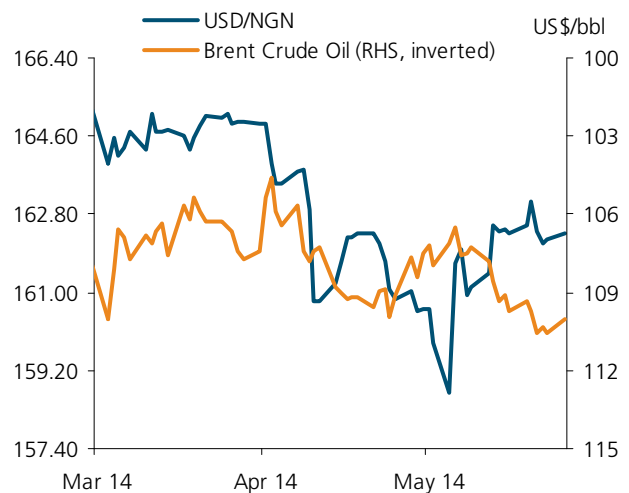


Nigeria

Naira (NGN) in brief

- The naira continued to trade within the expected channel in the interbank market as corporate demand for the greenback persisted. Demand intensified in the absence of sales of dollars by international oil companies, but a retracement was seen as offshore portfolio investors who participated in the T-bill auction sold off US dollars.
- We expect the currency to continue to trade within a tight range of USD/NGN162 – 163.
- The external reserves stand at US\$37.39bn, as at 21 May 2014.

Figure 7: Naira trade remains in tight band



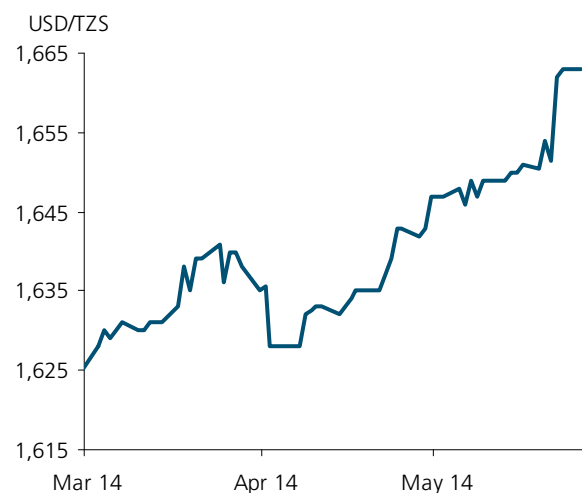
Source: Bloomberg
Data as at May 2014

Tanzania

Shilling (TZS) in brief

- The shilling suffered some losses last week due to limited inflows amid increased dollar demand from the oil and manufacturing sectors. There is also an indication that some dollar demands were being held for quite a long time by importers hoping that there will be a reversal in the trend but this has not been the case. The unit will still be under pressure this week but month-end inflows in the next few days will provide some support. We forecast trend depreciation for the remainder of the year.

Figure 8: Shilling expected to depreciate due to rising import demand



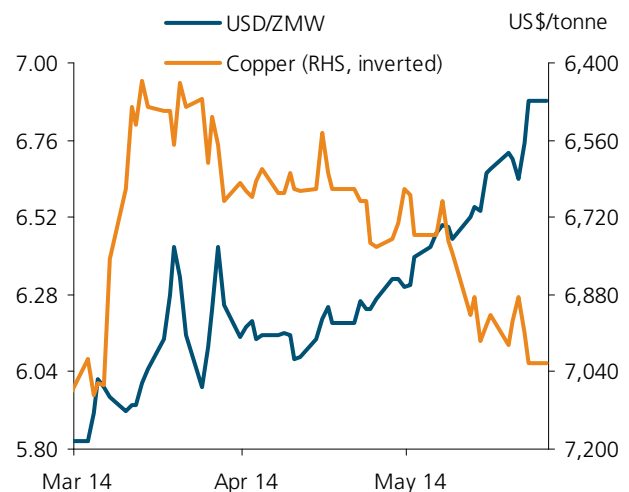
Source: Bloomberg
Data as at May 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha continues to show signs of weakness against the greenback as dollar supplies remain scarce. This, together with nervousness surrounding the market, has seen USD/ZMW make significant intraday jumps. The central bank has been active in the market in a quest to ease pressure on the unit, offloading dollars, but it seems the demand for dollars is too high to stop the depreciating trend. We are of the view that the local unit will continue to weaken unless we see huge dollar flows. As long as demand for dollars persists and markets remain nervous, importers are likely to take advantage of the low levels. However, month-end commitments might slow the rate of depreciation as corporates convert dollars to local currency.

Figure 9: Kwacha continues to weaken



Source: Bloomberg
Data as at May 2014



Spot and implied forward exchange rates

	Currency rates				Implied forwards			
	Last	% change			Maturity			
		1-day	1-week	1-month	1-m	3-m	6-m	12-m
Angola								
USD/AOA	97.65	0.00	0.00	0.03				
EUR/AOA	133.30	-0.09	-0.41	-1.00				
GBP/AOA	164.61	-0.09	0.41	0.38				
JPY/AOA	1.04	0.30	0.19	-0.81				
Botswana								
USD/BWP	8.68	-0.26	-0.09	-0.74	8.71	8.82	8.94	9.18
EUR/BWP	11.85	-0.36	-0.50	-1.76	11.86	12.01	12.17	12.51
GBP/BWP	14.64	-0.36	0.32	-0.39	14.66	14.83	15.02	15.39
JPY/BWP	11.72	0.57	0.28	-0.04	1.19	1.19	1.19	1.20
Ghana								
USD/GHS	2.96	0.00	1.39	6.70	2.21	2.28	2.38	2.54
EUR/GHS	4.03	-0.10	0.97	5.60	3.01	3.10	3.24	3.46
GBP/GHS	4.98	-0.09	1.80	7.07	3.72	3.83	3.99	4.26
JPY/GHS	34.44	0.31	-1.18	-7.01	225.34	231.94	241.76	257.89
Kenya								
USD/KES	87.89	0.10	0.56	1.31	88.19	89.10	90.43	94.18
EUR/KES	119.97	0.01	0.14	0.27	120.19	121.44	123.27	128.47
GBP/KES	148.15	0.01	0.97	1.67	148.40	149.86	151.97	157.89
JPY/KES	1.16	0.20	-0.36	-2.07	0.87	0.87	0.89	0.93
Mozambique								
USD/MZN	31.56	0.23	0.35	0.35	29.71	31.95	32.59	33.77
EUR/MZN	43.08	0.14	-0.07	-0.68	43.20	43.54	44.42	46.06
GBP/MZN	53.20	0.14	0.75	0.70	53.34	53.73	54.76	56.61
JPY/MZN	3.22	0.07	-0.15	-1.13	3231.46	3255.73	3318.59	3432.48
Nigeria								
USD/NGN	162.15	-0.15	-0.18	-0.12	159.75	159.75	159.75	159.75
EUR/NGN	221.33	-0.25	-0.60	-1.15	217.72	217.73	217.77	217.91
GBP/NGN	273.32	-0.25	0.22	0.23	268.81	268.69	268.46	267.81
JPY/NGN	0.63	0.46	0.38	-0.66	0.64	1.57	1.57	1.58
South Africa								
USD/ZAR	10.33	-0.82	-0.81	-1.67	10.38	10.44	10.61	10.99
EUR/ZAR	14.10	-0.91	-1.23	-2.68	14.10	14.24	14.46	14.95
GBP/ZAR	17.41	-0.91	-0.41	-1.32	17.41	17.57	17.83	18.37
JPY/ZAR	9.85	1.13	1.02	0.90	9.86	9.76	9.60	9.28
Tanzania								
USD/TZS	1,662.00	0.64	0.73	1.65	1,676.52	1,702.55	1,757.55	1,823.06
EUR/TZS	2,268.63	0.54	0.31	0.60	2,284.92	2,320.49	2,395.88	2,486.78
GBP/TZS	2,801.47	0.54	1.14	2.01	2,821.04	2,863.53	2,953.57	3,056.20
JPY/TZS	0.06	-0.33	-0.53	-2.39	16.44	16.71	17.26	17.94
Zambia								
USD/ZMW	6.75	1.62	1.43	9.05	5.34	5.36	5.50	5.77
EUR/ZMW	9.21	1.52	1.01	7.92	7.28	7.30	7.49	7.87
GBP/ZMW	11.38	1.53	1.84	9.43	8.99	9.01	9.24	9.68
JPY/ZMW	15.08	-1.29	-1.21	-9.01	0.05	0.05	0.05	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,293.31	-0.8	-6.7	12.8	1,291.9	1,293.5
Copper US\$/tonne	6,991.00	3.0	-3.4	13.9	6,932.0	6,848.0
Softs						
Cattle US\$/lb	192.85	7.1	46.5	14.8	137.1	147.2
Cocoa US\$/tonne	3,022.00	2.6	34.6	16.6	3,022.0	3,030.0
Coffee – Arabica US\$/lb	181.90	-11.2	42.9	44.8	181.9	191.1
Coffee – Robusta US\$/tonne	0.00	-	-	24.7	2,003.0	2,047.0
Cotton US\$/lb	86.31	-7.1	5.9	18.7	86.3	80.3
Maize – Yellow R/tonne	2,005.00	-9.2	-7.5	24.0	1,994.0	2,091.0
Maize – White R/tonne	1,926.00	-13.6	-12.3	23.7	1,893.0	-
Raw Sugar US\$/lb	17.37	1.0	3.1	20.2	19.2	19.2
Energy						
WTI Crude US\$/bbl	104.05	3.4	10.5	14.1	102.4	94.2

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Apr-14 ¹	Current	Current
Angola	3.64	3.64	9.25
Botswana	3.28	3.23	7.50
Ghana	24.06	24.07	18.00
Kenya	8.76	8.84	8.50
Mozambique	5.25	5.29	8.25
Namibia	5.19	5.65	5.50
Nigeria	11.04	10.51	12.00
South Africa	5.78	5.78	5.50
Tanzania	12.17	10.95	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
All data as at May 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
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 banks, FNB subsidiaries and national statistical websites.



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