

30 June 2014

Angola

- AOA: Kwanza strengthens as liquidity improves

Botswana

- BWP: Slightly firmer against the dollar

CMA

- ZAR: Expect more rand action this week

Ghana

- GHS: Further losses expected as import demand remains high

Kenya

- KES: Support still evident at 87.00

Mozambique

- MZN: Trading in a tight range as liquidity remains sufficient

Nigeria

- NGN: Waiting for the next round of dollar sales by IOCs

Tanzania

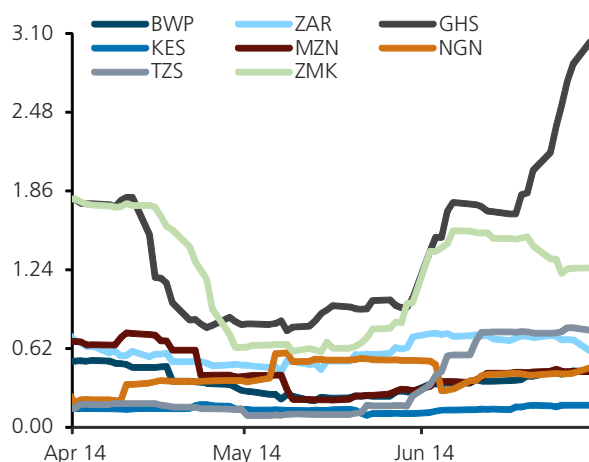
- TZS: Funding requirements for quarter-end helps shilling

Zambia

- ZMW: We remain bias towards kwacha appreciation

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at June 2014

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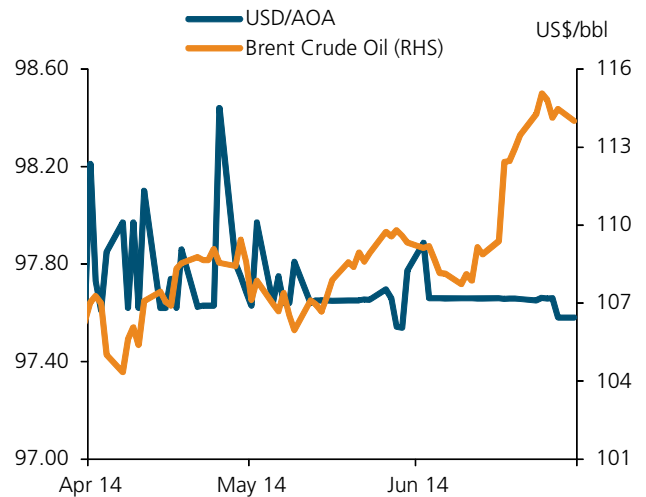


Angola

Kwanza (AOA) in brief

- After a period of erratic trade, the unit strengthened to 97.33, suggesting a slight improvement in liquidity conditions. Developments in the international oil market are kwanza positive as they increase the value of export earnings and the BNA's reserve position.
- However, the trade surplus, which underpins movements in the current account, is likely to contract owing to strong import demand. 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 strengthens as liquidity improves



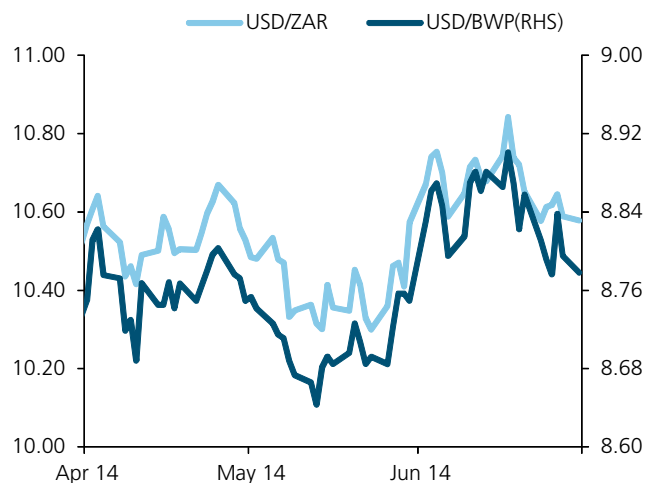
Source: Bloomberg
Data as at June 2014

Botswana

Pula (BWP) in brief

- The pula was marginally firmer against the greenback on Friday as the dollar remained affected by the ensuing risks in Iraq. Weak dollar sentiment, following the 1Q14 GDP downward revision, continued during the day as the dollar lost ground against a basket of major currencies. We expect BWP/USD to open around 0.1137/40 this morning from 0.1135/38 at close. The pula was stuck in fairly limited trade against the rand to close at levels similar to its open around 1.2042/72.

Figure 2: Slightly firmer against the dollar



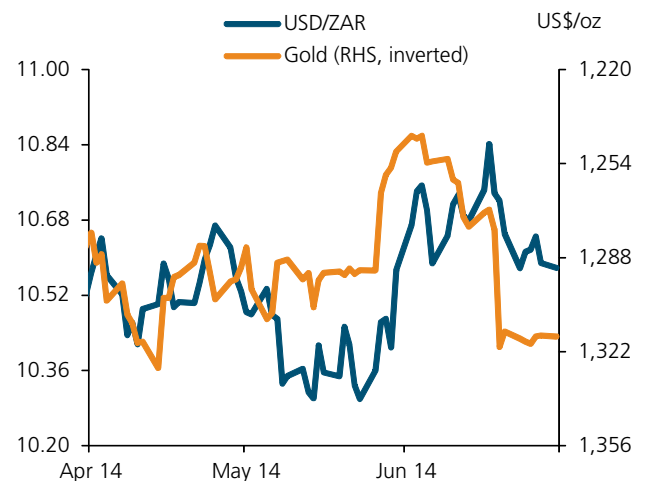
Source: Bloomberg
Data as at June 2014

CMA

Rand (ZAR) in brief

- Expect more action in the rand market this week thanks to a busy data calendar. USD/ZAR is still range-bound and faces two-way risks but starts at 10.57 with a downside bias for yet another test of the 10.54/56 key support level.
- Weekend news was limited and Asian trade has been relatively unexciting so the rand starts with limited pressure, the only notably driver remaining Friday's EUR/USD gains that give USD/ZAR its mild downside bias.
- The week is full of data and event risk from which we should be able to learn three key themes. 1) Is the SA economy rebalancing towards higher exports and lower imports? 2) When will the Fed hike? 3) Will the ECB eventually introduce quantitative easing?

Figure 3: Rand is still range-bound



Source: Bloomberg
Data as at June 2014

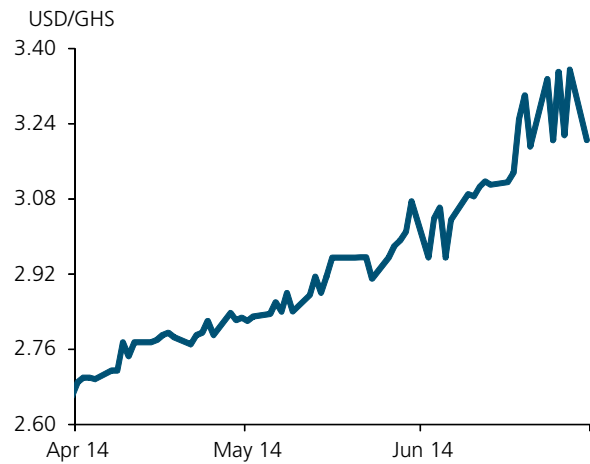


Ghana

Cedi (GHS) in brief

- Last week saw the cedi reach a record 3.32 against the dollar. There is little to suggest that the cedi will register meaningful gains in 2H14 as the central bank continues to consider measures to stem the tide of currency weakness. We envisage further losses as import demand, mainly from the energy sector, remains rife and have revised our year-end forecast upwards to USD/GHS3.95.

Figure 4: Pressure mounting



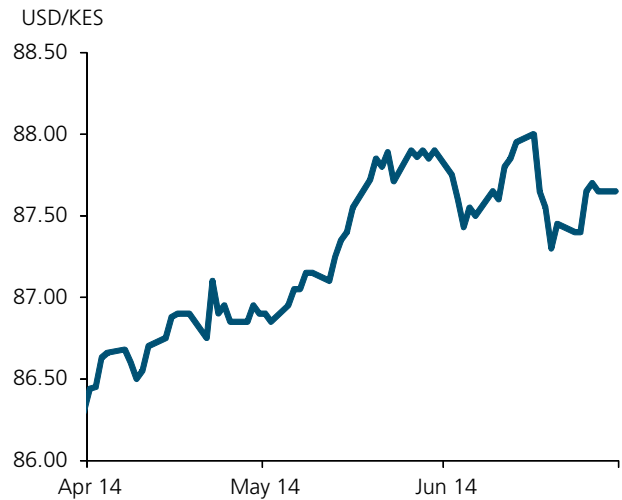
Source: Bloomberg
Data as at June 2014

Kenya

Shilling (KES) in brief

- Support is still evident at 87.00 as inflows, especially from the successful issuance of a US\$2bn sovereign bond, continues to filter through the financial markets. Though inflows remain supportive, the fundamental outlook is bearish, suggesting trend depreciation.
- We maintain our year-end forecasts of USD/KES88.00 in 2014 and 90.00 in 2015.

Figure 5: Support still evident at 87.00



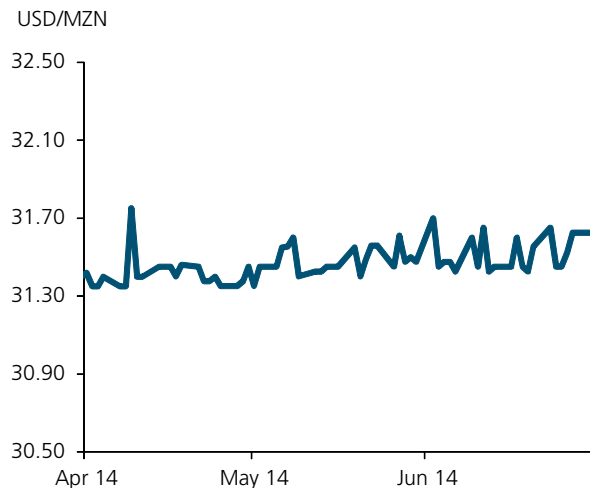
Source: Bloomberg
Data as at June 2014

Mozambique

Metical (MZN) in brief

- The metical continues to trade in a tight range against the dollar as liquidity remains sufficient, bolstered by NGO proceeds and agricultural export earnings. We expect USD/MZN to gravitate toward 30.00 in 2014 before drifting to 29.22 in 2015. Fluctuations will be more apparent on the ZAR/MZN cross as the rand struggles to find its feet due to a confluence of local negatives that have elevated the risk of further rand weakness.

Figure 6: Trading in a tight range



Source: Bloomberg
Data as at June 2014

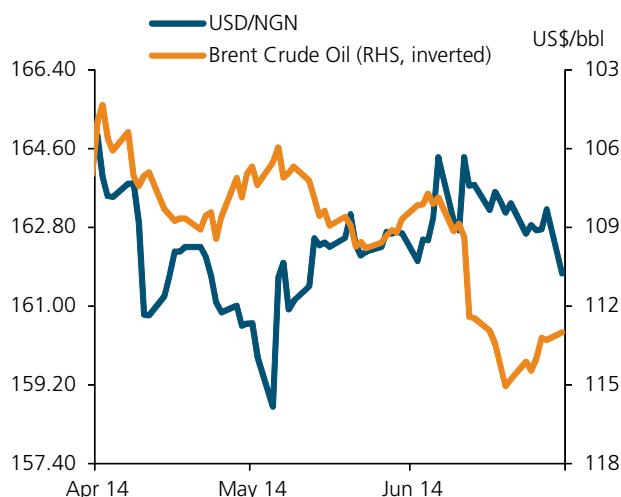


Nigeria

Naira (NGN) in brief

- The absence of any major inflow led to USD/NGN trading at an intraday high of 163.30 at the end of last week. This level triggered selling interest which resulted in some appreciation of the naira against the greenback into the close. We expect USD/NGN to be range-bound between 162.70 and 163.50 until the next round of US dollar sales by local and international oil companies (IOCs).
- Sustained leakages in oil earnings will hinder the reconstitution of the CBN's international reserve position, limiting its ability to smooth adverse currency fluctuations.
- Against this backdrop, we believe the CBN is likely to adjust the reference point from USD/NGN155.00 to USD/NGN160.00 in 4Q14, implying a year-end rate of 164.00.

Figure 7: Waiting for the next round of dollar sales by IOCs



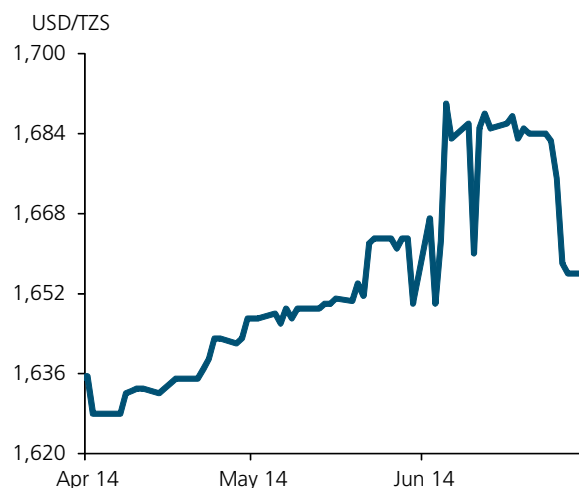
Source: Bloomberg
Data as at June 2014

Tanzania

Shilling (TZS) in brief

- The shilling posted gains last week thanks to the funding requirements for quarter-end. USD/TZS opened at 1,653/1,663 and closed at 1,651/1,661 on Friday. Seeing that much of the FX conversion was made last week, we expect limited volatility in today's session. Support of 1,649/1,659 will likely hold.
- Although the local unit flirted with USD/TZS1,690 in mid-June, it will struggle to breach 1,700 in 3Q14 as seasonal cotton exports should generate a steady stream of US dollar inflows in 3Q14, capping shilling losses.

Figure 8: Shilling stable at quarter-end



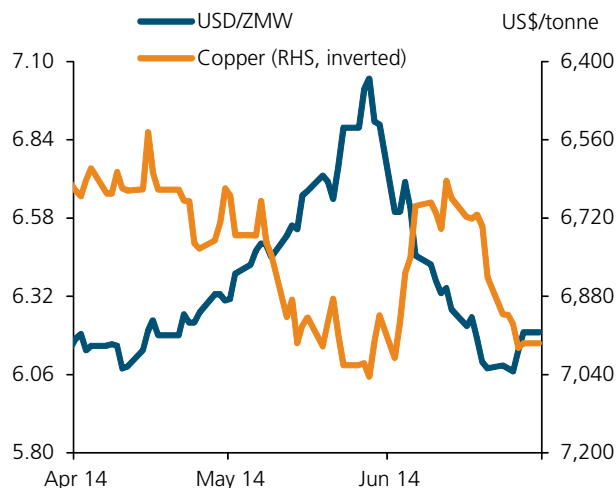
Source: Bloomberg
Data as at June 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha lost some ground against the US dollar towards the end of last week due to an increased demand for the greenback. Needless to say, we remain bias towards kwacha appreciation due to the scarce liquidity in circulation. Recent domestic monetary tightening and the prospect of higher bond yields present favourable re-entry points for foreign investors. This might prompt the BoZ to reinstate broker activity, which should lead to greater price discovery and reduce volatility in the local market.

Figure 9: Kwacha to maintain an appreciatory trend



Source: Bloomberg
Data as at June 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	97.66	0.00	0.00	-0.04	-	-	-	-
EUR/AOA	132.93	-0.19	-0.07	-0.28	-	-	-	-
GBP/AOA	166.22	0.24	-0.16	1.01	-	-	-	-
JPY/AOA	1.04	-0.14	-0.23	-0.23	-	-	-	-
Botswana								
USD/BWP	8.84	0.71	0.18	1.77	8.72	8.80	8.94	9.18
EUR/BWP	12.03	0.51	0.11	1.52	11.90	12.01	12.20	12.55
GBP/BWP	15.04	0.94	0.02	2.84	14.85	14.98	15.19	15.55
JPY/BWP	11.50	-0.84	-0.40	-2.00	1.22	1.22	1.22	1.23
Ghana								
USD/GHS	3.22	-4.03	-2.58	8.78	2.21	2.28	2.38	2.54
EUR/GHS	4.38	-4.21	-2.64	8.52	3.02	3.11	3.24	3.47
GBP/GHS	5.47	-3.80	-2.73	9.92	3.76	3.87	4.04	4.30
JPY/GHS	31.61	4.06	2.41	-8.32	224.06	230.55	240.28	256.29
Kenya								
USD/KES	87.70	0.06	0.46	-0.23	87.98	89.12	91.38	94.50
EUR/KES	119.38	-0.13	0.39	-0.47	120.11	121.68	124.82	129.24
GBP/KES	149.27	0.29	0.30	0.82	149.85	151.70	155.38	160.16
JPY/KES	1.16	-0.19	-0.68	-0.04	0.87	0.88	0.90	0.94
Mozambique								
USD/MZN	31.53	0.24	0.32	0.24	29.71	32.17	32.98	34.45
EUR/MZN	42.91	0.05	0.25	0.00	43.42	43.93	45.05	47.12
GBP/MZN	53.66	0.47	0.16	1.29	54.17	54.76	56.07	58.39
JPY/MZN	3.22	-0.37	-0.54	-0.50	3224.29	3259.82	3338.86	3481.87
Nigeria								
USD/NGN	162.75	0.01	-0.24	0.25	159.75	159.75	159.75	159.75
EUR/NGN	221.54	-0.18	-0.30	0.00	218.08	218.13	218.22	218.47
GBP/NGN	277.00	0.25	-0.40	1.30	272.07	271.93	271.65	270.73
JPY/NGN	0.62	-0.15	0.01	-0.51	0.64	1.57	1.57	1.58
South Africa								
USD/ZAR	10.64	0.26	-0.71	2.75	10.64	10.75	10.93	11.29
EUR/ZAR	14.49	0.07	-0.77	2.50	14.53	14.68	14.94	15.45
GBP/ZAR	18.12	0.50	-0.86	3.83	18.13	18.30	18.59	19.15
JPY/ZAR	9.55	-0.40	0.48	-2.94	9.52	9.42	9.26	8.94
Tanzania								
USD/TZS	1,658.00	-1.01	-1.60	-0.30	1,669.13	1,705.50	1,754.80	1,850.15
EUR/TZS	2,256.87	-1.20	-1.67	-0.54	2,278.61	2,328.76	2,397.05	2,530.23
GBP/TZS	2,821.92	-0.78	-1.76	0.75	2,842.70	2,903.11	2,983.92	3,135.47
JPY/TZS	0.06	0.89	1.40	0.04	16.47	16.83	17.33	18.31
Zambia								
USD/ZMW	6.14	1.15	0.66	-10.76	5.34	5.36	5.50	5.77
EUR/ZMW	8.36	0.96	0.59	-10.97	7.29	7.31	7.51	7.89
GBP/ZMW	10.45	1.39	0.50	-9.82	9.09	9.11	9.34	9.78
JPY/ZMW	16.55	-1.28	-0.88	11.76	0.05	0.05	0.05	0.06

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,316.68	5.4	6.7	12.3	-	1,322.4
Copper US\$/tonne	6,976.00	-0.3	3.3	13.0	6,953.0	6,922.0
Softs						
Cattle US\$/lb	214.33	8.8	43.4	14.8	151.1	155.7
Cocoa US\$/tonne	3,140.00	2.2	43.1	19.9	3,135.0	3,131.0
Coffee – Arabica US\$/lb	170.45	-4.0	42.0	39.4	172.6	181.1
Coffee – Robusta US\$/tonne	0.00	-	-	25.7	2,034.0	2,037.0
Cotton US\$/lb	80.89	-6.2	-2.2	17.8	74.3	78.2
Maize – Yellow R/tonne	1,906.00	-2.0	-14.1	24.0	1,947.0	2,020.0
Maize – White R/tonne	1,810.00	-0.8	-19.3	23.7	1,848.0	1,978.0
Raw Sugar US\$/lb	16.85	-3.0	2.9	21.0	19.6	19.6
Energy						
WTI Crude US\$/bbl	105.44	2.7	9.2	13.4	104.1	97.1

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	May-14 ¹	Current	Current
Angola	3.64	3.64	9.25
Botswana	3.23	3.25	7.50
Ghana	24.07	24.08	18.00
Kenya	8.84	10.25	8.50
Mozambique	5.29	5.29	8.25
Namibia	5.65	5.79	5.75
Nigeria	10.51	10.59	12.00
South Africa	5.78	6.06	5.50
Tanzania	10.95	10.57	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
All data as at June 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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