

9 June 2014

Angola

- AOA: Kwanza continues to trade erratically

Botswana

- BWP: Confined to a limited range

CMA

- ZAR: Strike bug bites

Ghana

- GHS: Cedi is ostensibly a one-way bet

Kenya

- KES: Shilling to benefit from hype around maiden Eurobond issuance

Mozambique

- MZN: Metical to maintain a sideways trend

Nigeria

- NGN: Change in CBN rhetoric regarding interest rates could harm the naira

Tanzania

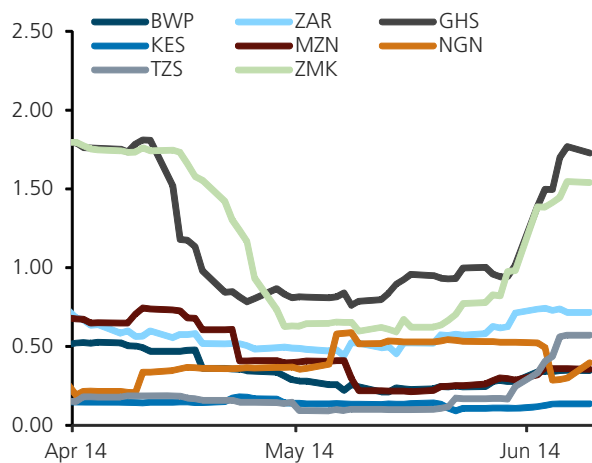
- TZS: Shilling to post further losses but a breach of USD/TZS1,700 is unlikely

Zambia

- ZMW: Kwacha to maintain stronger bias as BoZ measures take hold

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at June 2014

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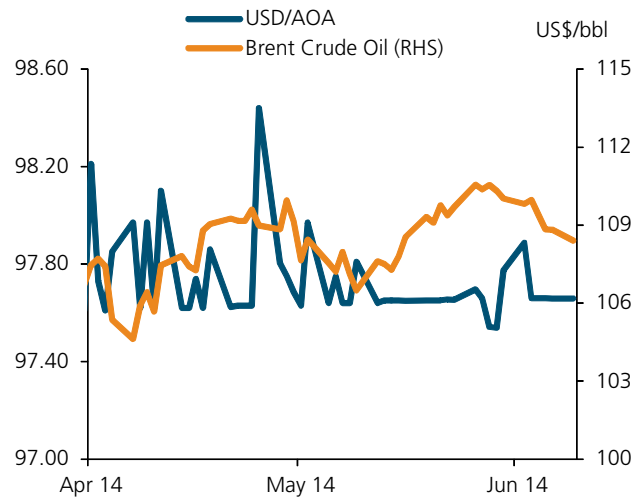


Angola

Kwanza (AOA) in brief

- The kwanza continues to trade erratically, bobbing between USD/AOA 96.60 and 98.20 intraday, reflecting an imbalance in local liquidity conditions. The onus is on the BNA to ensure that losses are capped through prudent liquidity management, though the lower international oil price might slow the pace of reserve accumulation and ultimately the bank's ability to smooth currency fluctuations.

Figure 1: Kwanza could gap higher



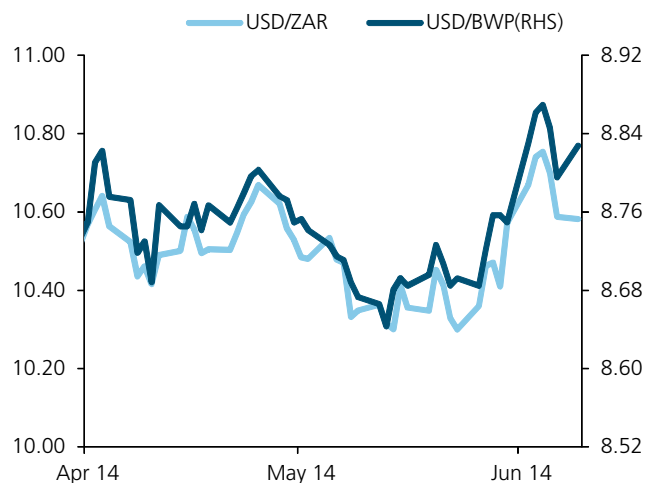
Source: Bloomberg
Data as at June 2014

Botswana

Pula (BWP) in brief

- The pula was confined to a limited range in early trade against the greenback on Friday ahead of US jobs data. The data came in as expected, showing that the US added 217,000 jobs to the labour market in May. The month-on-month decline from April's 288,000 figure sent the dollar downhill against most emerging market currencies which were already tracking higher following the ECB's rate cut decision the day before. BWP/USD therefore closed at 0.1135/39 from 0.1130/33 in the morning. The unit is expected to open this morning around levels similar to close. BWP/ZAR was on the back foot and closed the day at 1.2028/58 from 1.2066/96 in the morning.

Figure 2: Pula benefits from US dollar weakness against EM currencies



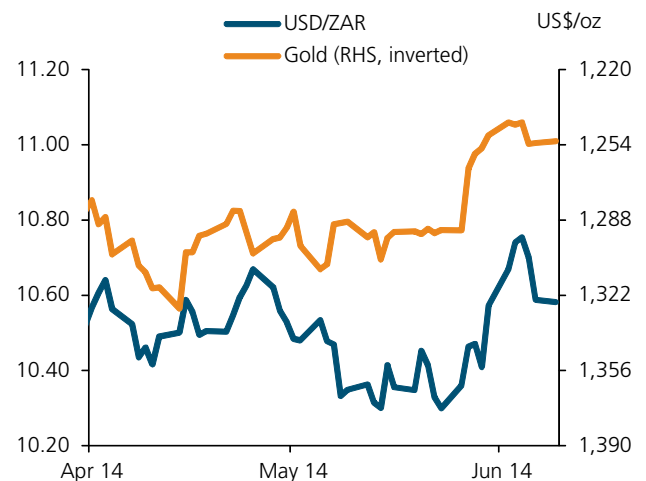
Source: Bloomberg
Data as at June 2014

CMA

Rand (ZAR) in brief

- The rand is doing better again but an empty data calendar should keep it moving sideways mostly until Friday's likely fireworks from the sovereign ratings actions. USD/ZAR starts at just under 10.60. Mild downside bias is still evident although it seems unlikely that the market can break 10.50 today, and even less chance of a test of the key 10.30 support level this week. EUR/ZAR is in the mid-14.40s, still experiencing large intra-day volatility but no direction.

Figure 3: Rand faces mild downside bias



Source: Bloomberg
Data as at June 2014

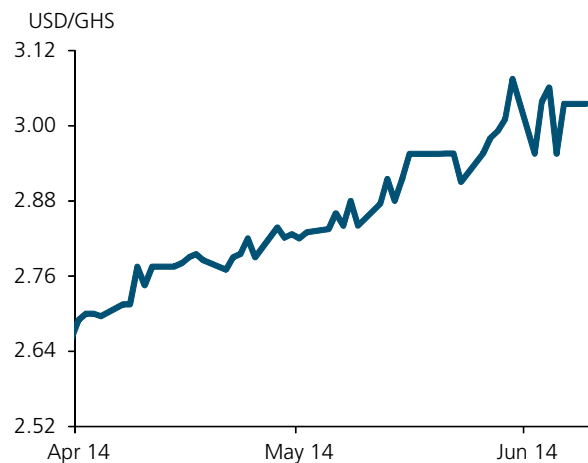


Ghana

Cedi (GHS) in brief

- It seems illogical to call support and resistance levels on the cedi as the currency is ostensibly a one-way bet. The local unit has weakened by 25% over the last six months compared to 21% over the course of 2013, reflecting a quickening in the rate of depreciation. The government is relying heavily on anticipated proceeds from a proposed Eurobond issuance in 3Q14 and the Cocoaobod auction, though the level of demand is likely to absorb these earnings, providing momentary relief to the cedi. Sustainable inflows are required to offset the overwhelming import demand.

Figure 4: Weakness intensifies



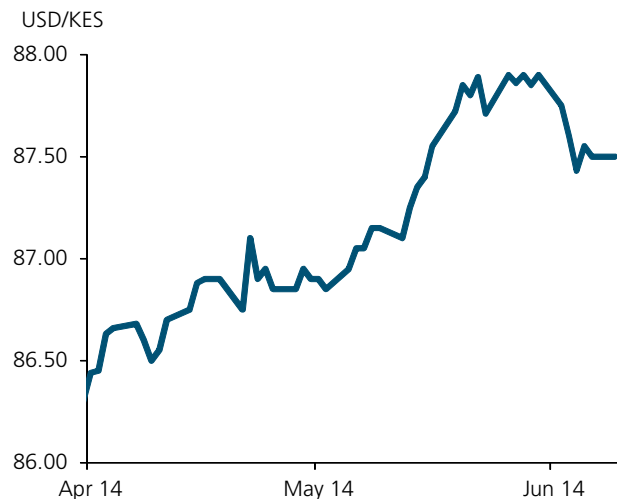
Source: Bloomberg
Data as at June 2014

Kenya

Shilling (KES) in brief

- The shilling is likely to benefit from the hype surrounding the possible issuance of Kenya's maiden Eurobond as the proceeds would bolster its level of international reserves. It seems that time is of the essence as the US\$600m syndicated-loan is payable in August and US Treasuries are on the rise, suggesting the government will come to the market in the next few weeks to generate the necessary funding. Retiring the loan by drawing down on the CBK's reserve position would be preferable as it would alleviate the government's debt service obligations and safeguard Kenya's loan credit rating, enhancing the sovereign's relative attractiveness. Trade should be concentrated around USD/KES87.45.

Figure 5: Shilling to stabilise



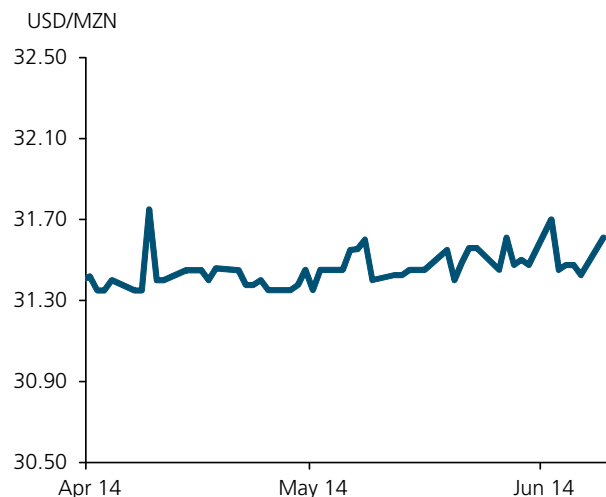
Source: Bloomberg
Data as at June 2014

Mozambique

Metical (MZN) in brief

- Depreciatory pressures continue to subside as reflected by a lessening in realised volatility. The metical should continue to trade sideways, finding support at 30.90 as export earnings bolster market liquidity, counterbalancing import demand.

Figure 6: Metical trade to remain concentrated around 30.90



Source: Bloomberg
Data as at June 2014

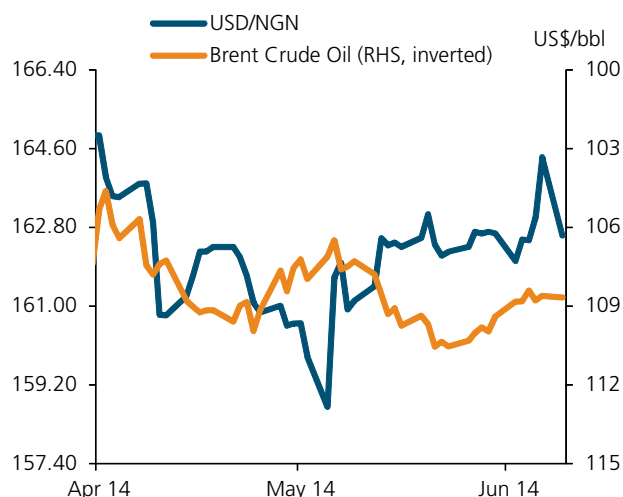


Nigeria

Naira (NGN) in brief

- Governor Emeziele's reference to a gradual reduction in key interest rates bred investor uncertainty last week as it differed from the policy stance of his predecessors and is at odds with the bank's objective of preserving the value of the currency. A slight weakening of the naira, following the publication of these remarks, is indicative of the market's less than favourable response to a drop in interest rates which would compress real yields and dampen the allure of naira-denominated assets in an environment where investors are more discriminating of risk assets. Month-end inflows should allow for a moderate recovery this week. USD/NGN163.45 is in sight.

Figure 7: Naira to derive marginal support from month-end inflows



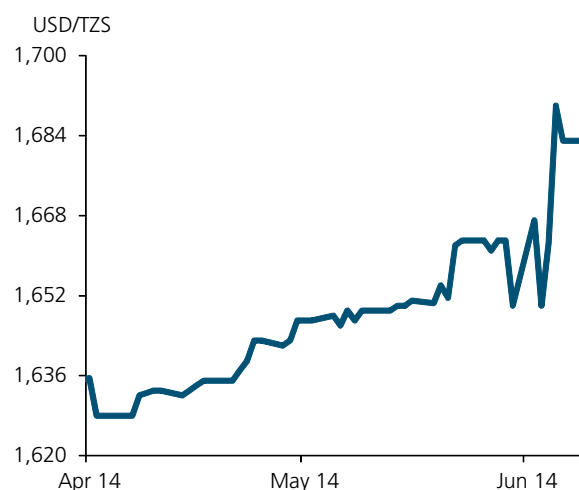
Source: Bloomberg
Data as at June 2014

Tanzania

Shilling (TZS) in brief

- The central bank's sales of foreign exchange is telling as it has risen consistently over the last month, reflecting the level of pent-up demand in the interbank market. Depreciatory pressure is likely to emanate from the oil and telecommunications sectors this week, with little to offset the hefty demand. The shilling is unlikely to breach USD/TZS1,700, though, in the run-up to quarter-end as corporates are expected to seek out local currency toward the end of the month to meet their tax obligations.

Figure 8: Shilling continues to weaken amid rising import demand



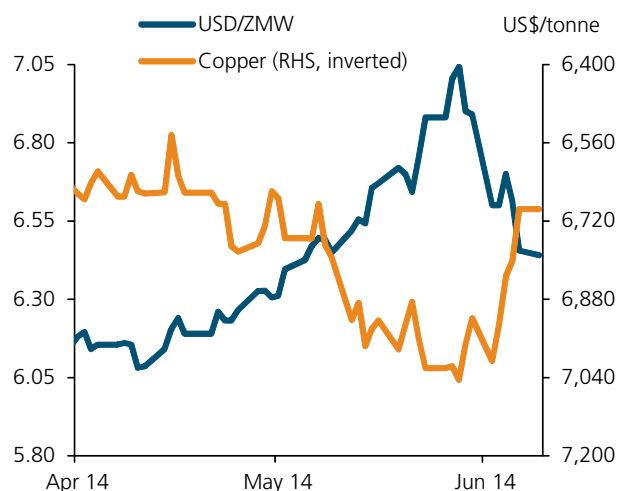
Source: Bloomberg
Data as at June 2014

Zambia

Kwacha (ZMW) in brief

- Though the measures imposed by the BoZ on commercial banks last week — notably the raising of the OLF rate and the applications of statutory reserve requirements to government deposits and Vostro accounts — might appear punitive they have succeeded in curbing speculative trade, providing much needed respite to the kwacha. The quantum of money in circulation should continue to recede as the measures take hold, supporting further kwacha gains. The local unit is undervalued at current levels but is likely to recoup losses against the dollar as liquidity conditions begin to normalise. Continued opportunistic selling by exporters at elevated levels should support a mild downward bias (i.e. an appreciatory trend) this week. Support is evident at 6.4000.

Figure 9: Depreciatory pressure subsides



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	0.13	0.02	-	-	-	-
EUR/AOA	133.18	0.21	0.33	-1.70	-	-	-	-
GBP/AOA	164.08	0.35	0.63	-0.38	-	-	-	-
JPY/AOA	1.05	-0.23	0.70	0.36	-	-	-	-
Botswana								
USD/BWP	8.85	-0.26	1.02	1.37	8.72	8.80	8.94	9.18
EUR/BWP	12.06	-0.05	1.23	-0.38	11.90	12.01	12.20	12.54
GBP/BWP	14.86	0.09	1.53	0.96	14.65	14.78	15.00	15.37
JPY/BWP	11.58	0.03	-0.19	-0.98	1.22	1.22	1.22	1.23
Ghana								
USD/GHS	2.96	-3.47	-1.83	4.23	2.21	2.28	2.38	2.54
EUR/GHS	4.03	-3.26	-1.63	2.44	3.02	3.11	3.24	3.47
GBP/GHS	4.96	-3.13	-1.33	3.81	3.71	3.82	3.99	4.25
JPY/GHS	34.67	3.35	2.70	-3.69	226.47	233.31	243.20	259.43
Kenya								
USD/KES	87.55	0.14	-0.34	0.69	87.85	88.80	90.18	93.72
EUR/KES	119.39	0.35	-0.14	-1.04	119.87	121.18	123.09	128.04
GBP/KES	147.09	0.49	0.16	0.28	147.57	149.10	151.30	156.83
JPY/KES	1.17	-0.37	1.17	-0.31	0.86	0.87	0.88	0.92
Mozambique								
USD/MZN	31.48	0.00	-0.08	0.08	29.71	32.01	32.64	33.83
EUR/MZN	42.92	0.21	0.13	-1.64	43.31	43.67	44.55	46.22
GBP/MZN	52.88	0.35	0.42	-0.32	53.32	53.74	54.76	56.61
JPY/MZN	3.25	-0.23	0.91	0.30	3252.59	3278.02	3340.98	3456.00
Nigeria								
USD/NGN	163.01	0.31	0.19	2.72	159.75	159.75	159.75	159.75
EUR/NGN	222.30	0.53	0.40	0.95	217.97	217.99	218.05	218.26
GBP/NGN	273.87	0.67	0.69	2.30	268.35	268.22	268.01	267.34
JPY/NGN	0.63	-0.55	0.63	-2.27	0.64	1.56	1.56	1.56
South Africa								
USD/ZAR	10.70	-0.49	2.80	1.58	10.63	10.75	10.91	11.27
EUR/ZAR	14.59	-0.28	3.01	-0.17	14.52	14.67	14.90	15.41
GBP/ZAR	17.98	-0.14	3.31	1.17	17.87	18.04	18.31	18.87
JPY/ZAR	9.57	0.26	-1.92	-1.18	9.63	9.53	9.38	9.06
Tanzania								
USD/TZS	1,690.00	1.65	1.62	2.55	1,708.50	1,716.75	1,764.50	1,858.00
EUR/TZS	2,304.65	1.87	1.83	0.78	2,331.15	2,342.64	2,408.46	2,538.48
GBP/TZS	2,839.37	2.01	2.13	2.14	2,869.96	2,882.42	2,960.24	3,109.37
JPY/TZS	0.06	-1.86	-0.78	-2.11	16.67	16.76	17.24	18.19
Zambia								
USD/ZMW	6.62	-1.27	-4.13	2.96	5.34	5.36	5.50	5.77
EUR/ZMW	9.02	-1.06	-3.93	1.18	7.29	7.31	7.50	7.89
GBP/ZMW	11.11	-0.92	-3.65	2.54	8.97	9.00	9.22	9.66
JPY/ZMW	15.49	1.05	5.17	-2.50	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	1,252.46	-2.8	-9.4	13.3	1,252.5	1,254.1
Copper US\$/tonne	6,660.50	-1.6	-8.5	13.9	6,687.0	6,687.0
Softs						
Cattle US\$/lb	200.53	8.6	39.6	14.8	141.3	150.5
Cocoa US\$/tonne	3,079.00	7.9	30.2	17.9	3,079.0	3,078.0
Coffee – Arabica US\$/lb	172.10	-4.8	35.6	42.3	174.7	182.5
Coffee – Robusta US\$/tonne	0.00	-	-	24.6	1,906.0	1,962.0
Cotton US\$/lb	84.87	-8.1	0.0	19.5	84.8	79.4
Maize – Yellow R/tonne	1,963.00	-7.2	-14.1	24.0	2,004.0	2,057.0
Maize – White R/tonne	1,844.00	-8.8	-20.1	23.7	1,892.0	2,009.0
Raw Sugar US\$/lb	16.92	-1.6	3.0	14.8	19.0	19.0
Energy						
WTI Crude US\$/bbl	102.86	2.9	7.1	12.5	100.1	93.6

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	24.07	18.00
Kenya	8.84	9.28	8.50
Mozambique	5.29	5.29	8.25
Namibia	5.65	5.79	5.50
Nigeria	10.51	10.34	12.00
South Africa	5.78	5.79	5.50
Tanzania	10.95	10.67	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
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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