

14 July 2014

Angola

- AOA: Kwanza's fortunes inextricably linked to fluctuations in current account

Botswana

- BWP: Pula confined within a limited range

CMA

- ZAR: Risks from central bank events but range-bound

Ghana

- GHS: Cedi could enjoy some respite in 3Q14

Kenya

- KES: Shilling recovers following peaceful protest by opposition party

Mozambique

- MZN: USD/MZN expected to gravitate toward 30.00 in 2014

Nigeria

- NGN: Naira well-supported below 163.00

Tanzania

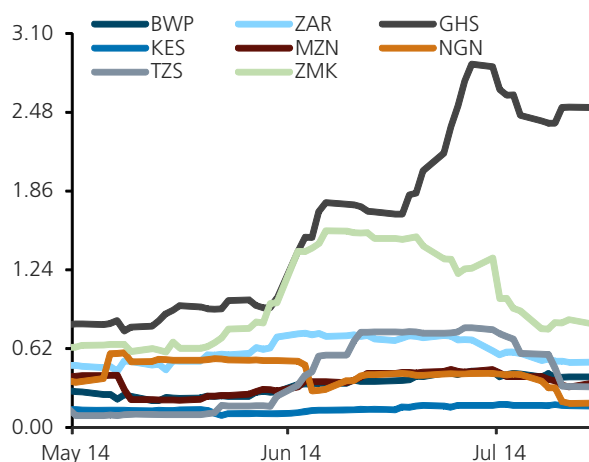
- TZS: Agricultural inflows provide shilling with a welcome boost

Zambia

- ZMW: Kwacha within striking distance of 6.00

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at July 2014

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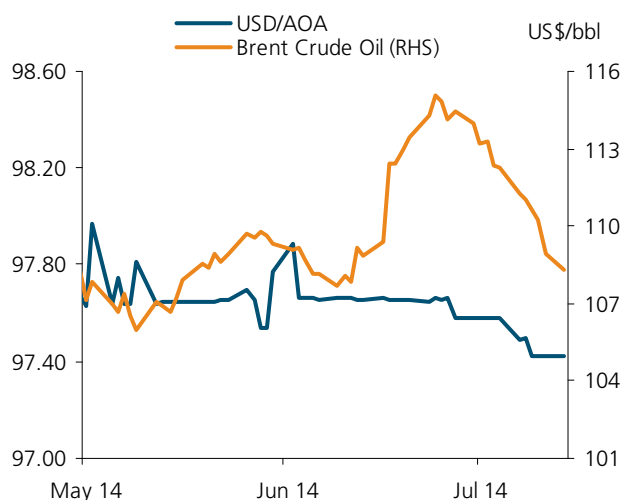


Angola

Kwanza (AOA) in brief

- The kwanza's fortunes are inextricably linked to fluctuations in Angola's current account as it influences the BNA's ability to smooth adverse currency movements. Despite a healthy outlook for domestic oil production, 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: Steady at USD/AOA97.17



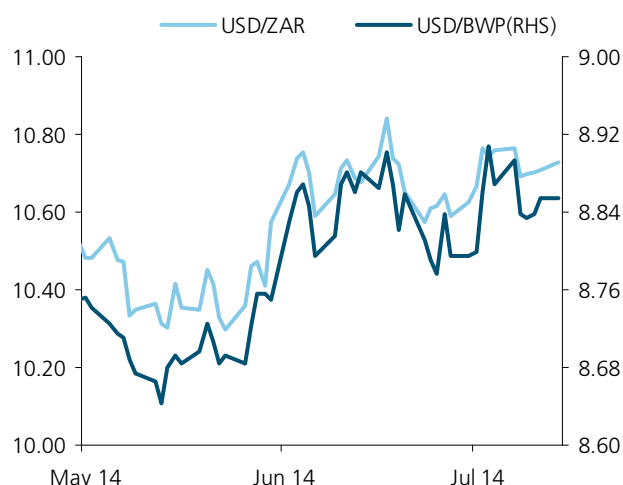
Source: Bloomberg
Data as at July 2014

Botswana

Pula (BWP) in brief

- The pula was confined within a limited range on Friday due to a lack of significant data to inspire the markets. Friday's US budget posted a marginal surplus as the government increased spending cuts. BWP/USD closed the day at 0.1128/31 from 0.1129/32 in the morning. BWP/ZAR also experienced lacklustre trade as the rand remained weaker as hopes of reaching an agreement to the Numsa strike dissipated. The rand is likely to remain subdued this week ahead of the SARB MPC decision on Thursday. We expect the local unit to open around 1.2109/39 from 1.2097/1.2127 at close.

Figure 2: Pula confined within a limited range



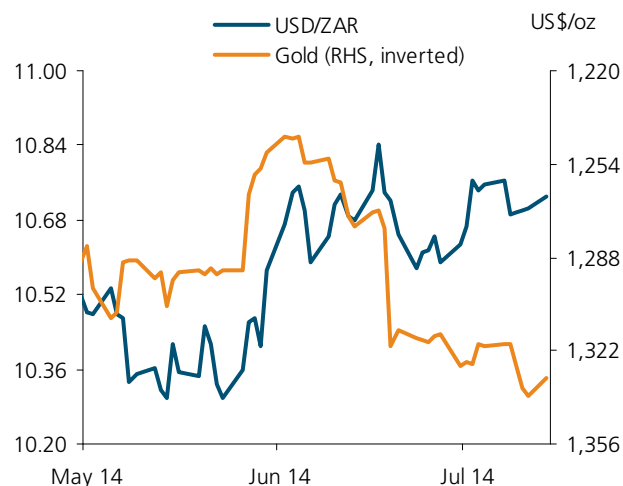
Source: Bloomberg
Data as at July 2014

CMA

Rand (ZAR) in brief

- The rand faces risks from numerous central bank events this week but the bias of probabilities is still for dampened range-bound trade. USD/ZAR starts at 10.73, safely within the 10.56 – 88 range. EUR/ZAR is at 14.60.
- Some rand weakness at the start could be justified. Earlier this morning, shareholders of Australian retailer David Jones approved the US\$2bn take-over bid by Woolworths, thereby removing the last hurdle to the deal. Prudent risk management suggests the FX transaction should now be finalised: we suspect a lot has been done already but the absolute size is still large even if only half needs to be completed. Meanwhile, against hopes, the Numsa strike has still not ended.

Figure 3: Dampened range-bound trade expected



Source: Bloomberg
Data as at July 2014

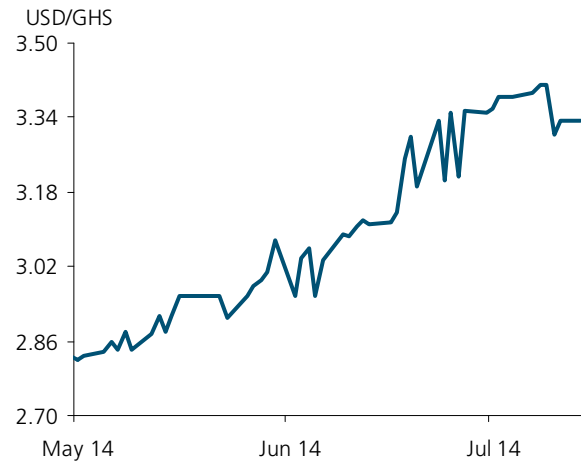


Ghana

Cedi (GHS) in brief

- The central bank raised its benchmark policy rate by 100bp to 19% last Wednesday. The major trigger for the upward movement was the relentless pressure on the inflation rate, which registered 15%/y in June. Apart from cost-push pressures, two other major factors continue to drive inflation upwards. Firstly, the persistent cedi weakness — although we might see some respite in 3Q14 as a result of the anticipated Eurobond issuance and Cocobod syndicated loan flows, import demand, mainly from the energy sector, remains rife. Secondly, the continued fiscal woes have rattled investors. Ultimately, macroeconomic imbalances need to be remedied to generate a stream of export and portfolio inflows that would steer the cedi and inflation lower.

Figure 4: Pressure still on regardless of policy tightening



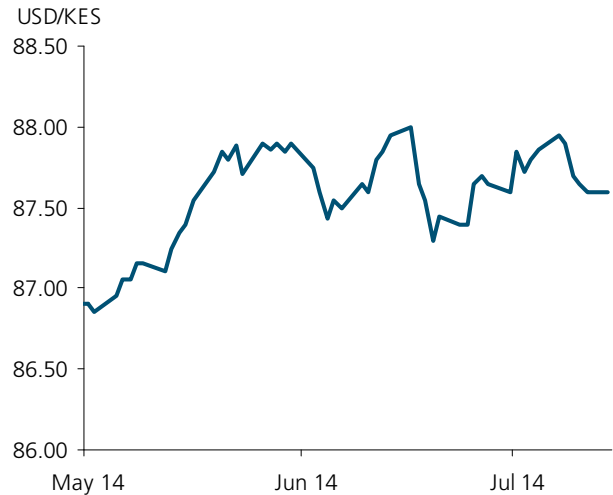
Source: Bloomberg
Data as at July 2014

Kenya

Shilling (KES) in brief

- The shilling weakened a tad before the opposition rally in Nairobi last week, reflecting the market's angst over possible political instability. However, the protest which was meant to bring awareness to the recent spate of militant attacks, graft and rising food prices was carried out peacefully, restoring calm to the market. We anticipate modest gains this week.

Figure 5: Modest gains expected this week



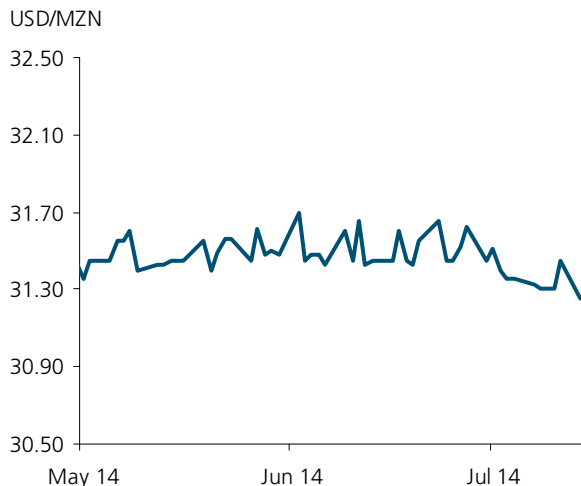
Source: Bloomberg
Data as at July 2014

Mozambique

Metical (MZN) in brief

- 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. Mozambique's mammoth current account deficit (estimated at 40.1% in 2013) is, however, still a cause for concern as import demand continues to rise steadily to support growth in gas and mining initiatives. Though balance of payment financing is generally acquired through FDI rather than portfolio flows, disruptions to large undertakings like the Mozal aluminium refinery could reduce capital investments and therefore increase the likelihood of metical weakness.

Figure 6: Heading back to USD/MZN30.00



Source: Bloomberg
Data as at July 2014

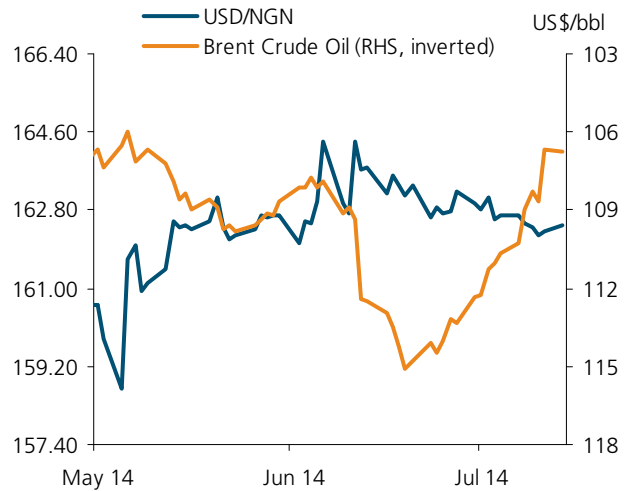


Nigeria

Naira (NGN) in brief

- Month-end US dollar conversions by the state-owned oil conglomerate, NNPC, meant that the naira was well-supported below USD/NGN163.00 last week. Renewed offshore interest in naira-denominated bonds could provide further downward impetus to the currency pair, though investors are becoming slightly more discriminating of frontier assets. We continue to monitor the CBN's rhetoric regarding FX policy and the monthly change in international reserves to gauge potential stress points for the naira.

Figure 7: Month-end dollar flows supports naira



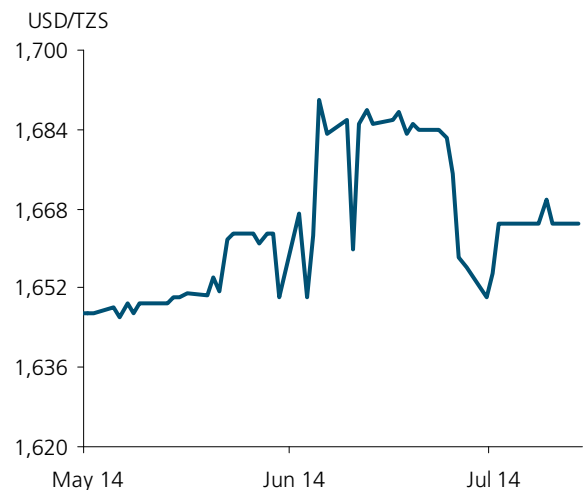
Source: Bloomberg
Data as at July 2014

Tanzania

Shilling (TZS) in brief

- Tight liquidity, a lessening in corporate demand for US dollars and the conversion of agricultural export earnings should provide the shilling with a welcome boost after weeks of incessant volatility. The unit was poised at 1,662/1,672 last week and is likely to trade below 1,660 over the next few days but should maintain a 10 shilling spread.

Figure 8: Tight liquidity supports shilling



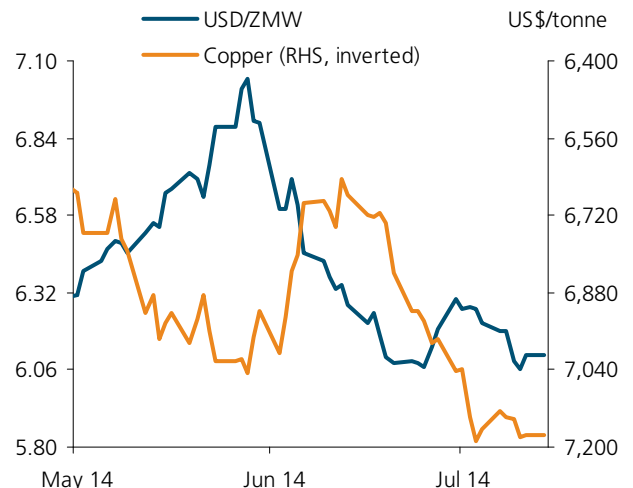
Source: Bloomberg
Data as at July 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha is within striking distance of 6.00 as it continues to amass gains against the greenback owing to increased dollar supply in the local market. Favourable local yields could entice foreign investors who continue to search for high returns despite continued tapering in the US. Seasonal tax payments will also serve as a boon to the kwacha as corporates seek out local currency to fulfil their commitments. Support is evident at USD/ZMW5.90.

Figure 9: Increased dollar supply helps kwacha move in on USD/ZMW6.0



Source: Bloomberg
Data as at July 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	97.42	0.00	-0.16	-0.25				
EUR/AOA	132.47	-0.21	-0.20	-0.16				
GBP/AOA	166.76	-0.05	-0.34	1.68				
JPY/AOA	1.04	-0.40	-0.71	-0.95				
Botswana								
USD/BWP	8.84	0.04	-0.80	0.26	8.72	8.80	8.94	9.17
EUR/BWP	12.02	-0.17	-0.83	0.35	11.86	11.98	12.17	12.51
GBP/BWP	15.13	-0.01	-0.97	2.20	14.92	15.06	15.27	15.62
JPY/BWP	11.46	-0.45	-0.08	-1.45	1.24	1.24	1.24	1.25
Ghana								
USD/GHS	3.31	-3.08	-2.37	6.96	2.21	2.28	2.38	2.54
EUR/GHS	4.49	-3.29	-2.40	7.05	3.01	3.10	3.23	3.46
GBP/GHS	5.66	-3.13	-2.54	9.03	3.78	3.89	4.06	4.32
JPY/GHS	30.65	2.76	1.53	-7.62	223.73	230.73	240.46	256.41
Kenya								
USD/KES	87.65	-0.06	-0.17	0.00	88.22	89.19	90.91	94.65
EUR/KES	119.19	-0.27	-0.21	0.09	120.08	121.42	123.82	129.10
GBP/KES	150.04	-0.11	-0.35	1.94	150.96	152.53	155.31	161.17
JPY/KES	1.16	-0.35	-0.70	-1.19	0.87	0.88	0.90	0.94
Mozambique								
USD/MZN	31.30	0.00	-0.16	-0.94	29.71	31.80	32.58	34.04
EUR/MZN	42.56	-0.21	-0.20	-0.86	42.78	43.29	44.37	46.43
GBP/MZN	53.58	-0.05	-0.33	0.97	53.78	54.38	55.66	57.97
JPY/MZN	3.24	-0.40	-0.71	-0.25	3181.40	3217.11	3293.29	3434.09
Nigeria								
USD/NGN	162.20	-0.12	-0.23	-0.46	159.75	159.75	159.75	159.75
EUR/NGN	220.56	-0.33	-0.27	-0.37	217.43	217.49	217.58	217.88
GBP/NGN	277.65	-0.17	-0.41	1.47	273.36	273.22	272.92	272.02
JPY/NGN	0.62	-0.29	-0.64	-0.73	0.63	1.58	1.58	1.58
South Africa								
USD/ZAR	10.70	0.03	-0.38	0.51	10.79	10.87	11.05	11.44
EUR/ZAR	14.55	-0.18	-0.42	0.60	14.65	14.80	15.05	15.58
GBP/ZAR	18.32	-0.02	-0.56	2.45	18.42	18.60	18.88	19.45
JPY/ZAR	9.47	-0.43	-0.49	-1.69	9.41	9.31	9.15	8.83
Tanzania								
USD/TZS	1,665.00	-0.30	0.00	-1.25	1,678.13	1,714.50	1,763.80	1,859.15
EUR/TZS	2,264.07	-0.51	-0.04	-1.16	2,284.06	2,334.14	2,402.31	2,535.67
GBP/TZS	2,850.15	-0.35	-0.17	0.67	2,871.59	2,932.29	3,013.30	3,165.66
JPY/TZS	0.06	-0.10	-0.87	0.06	16.58	16.95	17.45	18.43
Zambia								
USD/ZMW	6.06	-0.49	-3.27	-5.68	5.34	5.36	5.50	5.77
EUR/ZMW	8.24	-0.70	-3.31	-5.60	7.27	7.29	7.48	7.87
GBP/ZMW	10.37	-0.54	-3.44	-3.86	9.14	9.16	9.39	9.83
JPY/ZMW	16.72	0.09	2.48	4.76	0.05	0.05	0.05	0.06

Source: Bloomberg, Reuters, RMB Global Markets
Data as at July 2014



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,332.71	4.4	3.7	12.1	1,338.1	1,340.3
Copper US\$/tonne	7,151.00	7.2	3.3	12.8	7,165.5	7,136.0
Softs						
Cattle US\$/lb	210.38	1.1	40.1	14.8	151.7	144.0
Cocoa US\$/tonne	3,127.00	0.2	39.5	17.8	3,090.0	3,087.0
Coffee – Arabica US\$/lb	158.95	-8.5	33.4	36.1	161.4	172.3
Coffee – Robusta US\$/tonne	0.00	-	-	23.7	1,997.0	2,004.0
Cotton US\$/lb	69.01	-20.7	-18.9	19.9	68.7	71.3
Maize – Yellow R/tonne	1,761.00	-11.5	-21.0	24.0	1,795.0	1,869.0
Maize – White R/tonne	1,658.00	-11.9	-28.2	23.7	1,687.0	1,831.0
Raw Sugar US\$/lb	17.07	0.2	6.3	19.9	19.7	19.7
Energy						
WTI Crude US\$/bbl	100.58	-5.9	-5.1	16.0	99.0	95.1

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Jun-14	Jul-14	Current
Angola	3.64	3.64	9.25
Botswana	3.25	3.20	7.50
Ghana	24.08	24.31	19.00
Kenya	10.25	10.25	8.50
Mozambique	5.29	5.29	8.25
Namibia	5.79	5.79	5.75
Nigeria	10.59	10.75	12.00
South Africa	6.06	6.14	5.50
Tanzania	10.57	10.56	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
Data as at July 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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