

20 October 2014

Angola

- AOA: Oil price dips below US\$84/bbl

Botswana

- BWP: Trading firmer against the greenback

CMA

- ZAR: Stable although risks are still biased for sharp sell-offs

Ghana

- GHS: Cedi movements quiet as market awaits IMF programme

Kenya

- KES: 12-year infrastructure bond auction this week will provide support to shilling

Mozambique

- MZN: Metical remains range-bound

Nigeria

- NGN: Investor sentiment is waning due to falling oil price

Tanzania

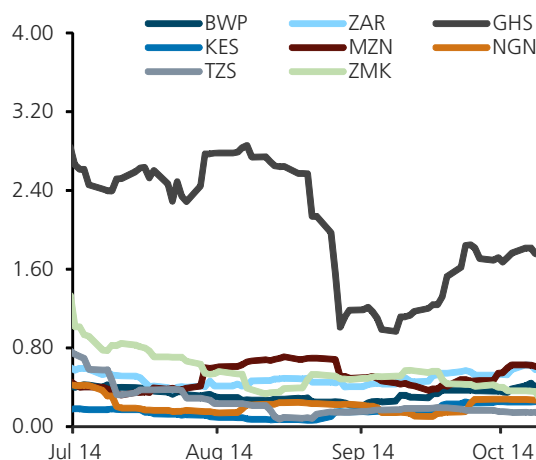
- TZS: We foresee resistance levels of 1,690/1,700 being tested very soon

Zambia

- ZMW: Soured global sentiment fuelling kwacha weakness

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at October 2014

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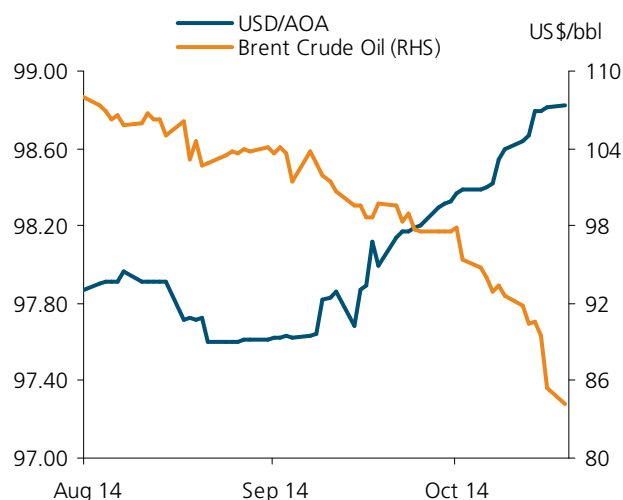


Angola

Kwanza (AOA) in brief

- The oil price has now dipped below US\$84/bbl in its fourth week of losses. This has put the kwanza under more pressure as the country depends on crude exports for over 95% of its foreign exchange earnings. We anticipate heightened intra-day volatility. However, the BNA has capacity to intervene should the local unit come under severe pressure in the near term. Angola's reserves fell to US\$27.03bn in August from US\$28.63bn in July, but we will see a larger drop in reserves when the latest numbers are made available.

Figure 1: More pressure from lower oil prices



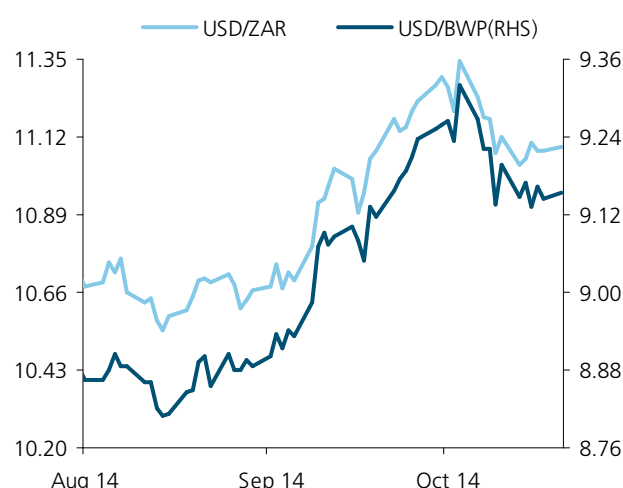
Source: Bloomberg
Data as at October 2014

Botswana

Pula (BWP) in brief

- The pula traded firmer against the greenback on Friday - Fed officials gave indication of continued quantitative easing that was initially planned to end this October. This dovish tone did very little to help speculation of when the Fed will raise interest rates, giving stimulus to emerging market currencies that edged up at the close of the local session. Given limited global risk sentiment and a relatively empty economic calendar we expect BWP/USD to open around levels similar to close at 0.1090/93. Against the rand, the pula was on the back foot as the rand gained reprieve from dollar sell off and remained steady ahead of Wednesday's budget statement. BWP/ZAR is set to open lower around 1.2087/17 from 1.2100/30 at close.

Figure 2: Trading firmer against the dollar



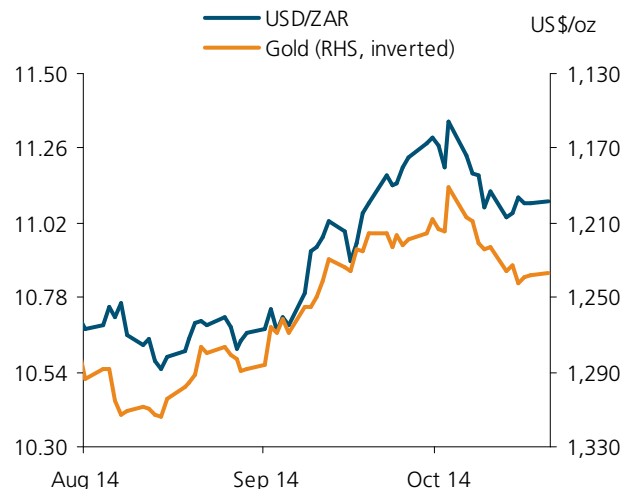
Source: Bloomberg
Data as at October 2014

CMA

Rand (ZAR) in brief

- Global risk aversion is fading but nervousness remains. This leaves the rand stable although risks are still biased for sharp sell-offs if there is fresh bad news. The data and events calendar creates some risks. USD/ZAR opens at 11.09 with no direction. EUR/ZAR is at 14.14.
- Yet further good US data – housing starts and consumer confidence – has helped ease the huge anxiety over the global economy. As a result, equities have rallied and global bonds yields have returned to more “normal” levels. Nervousness nevertheless remains: the Vix fear gauge index remains at 22, down from last week's highs above 25 but still very elevated compared to the 11-14 range seen prior to October.

Figure 3: Global worries remain



Source: Bloomberg
Data as at October 2014

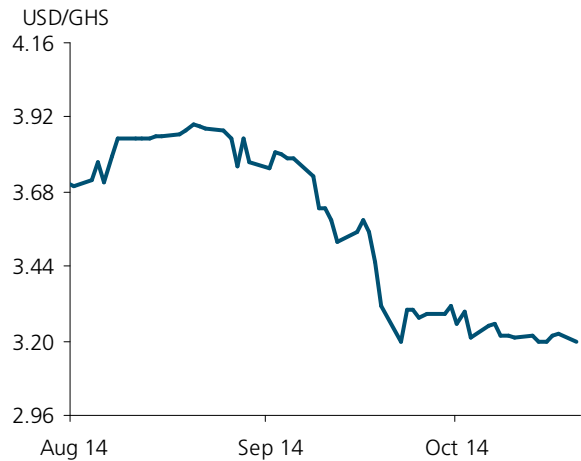


Ghana

Cedi (GHS) in brief

- Cedi stability was maintained last week, with the local unit sitting at 3.20 against the dollar. It seems the market, like ourselves, are awaiting more information on the IMF programme before making any big moves. After a second round of talks with the IMF, a third and final round would start in Ghana in the first week of November. No sharp movements are expected this week, or for the rest of the month. Some weakness could be experienced from the lower oil price.

Figure 4: Cedi to remain stable this week



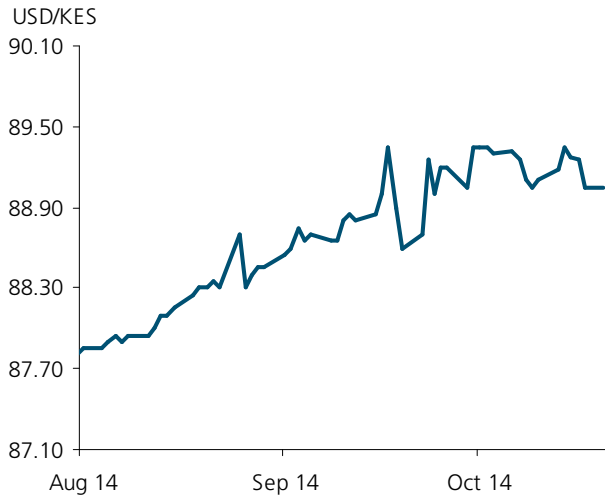
Source: Bloomberg
Data as at October 2014

Kenya

Shilling (KES) in brief

- Some NGO flows to fund local operations supported the shilling last week. As usual, the central bank stepped in the market to manage liquidity. Towards the end of last week, the local unit strengthened even further due to offshore purchasing of government debt. The government will auction a 12-year infrastructure bond worth KES15bn on Wednesday, 22 October, which will garner more shilling gains.

Figure 5: Shilling gains from infrastructure bond



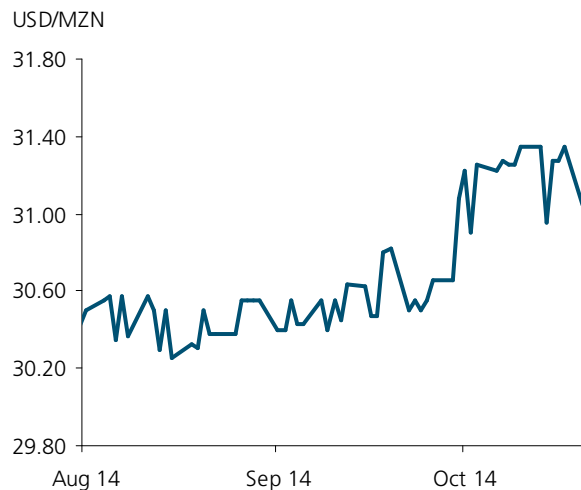
Source: Bloomberg
Data as at October 2014

Mozambique

Metical (MZN) in brief

- The unit oscillated in the narrow range of USD/MZN30.60 – 30.95. Recent metical weakness is broad-based as the unit has also weakened against the South African rand, implying a slight imbalance in local liquidity conditions. Resistance is evident at USD/MZN31.00 and ZAR/MZN2.80.

Figure 6: Metical trading in a narrow range



Source: Bloomberg
Data as at October 2014

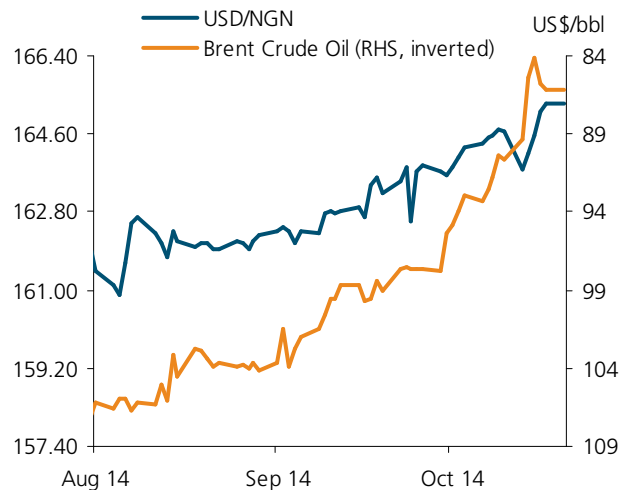


Nigeria

Naira (NGN) in brief

- Weakness in the naira last week stemmed from the further decline in international oil prices, pushing the unit temporarily above USD/NGN165.00. The stock market hit a seven-month low last week, while the 10-year government bond yield hit a 10-month high as investor sentiment is waning due to falling oil prices. The CBN's attempts to augment the interbank market's pool of US dollars by drawing down on its international reserve position will continue this month, but pressure remains high. Reserves have fallen from US\$43.61bn in January to US\$39.53bn. Further naira weakness is expected this week.

Figure 7: Naira vulnerable to further weakness on low oil price



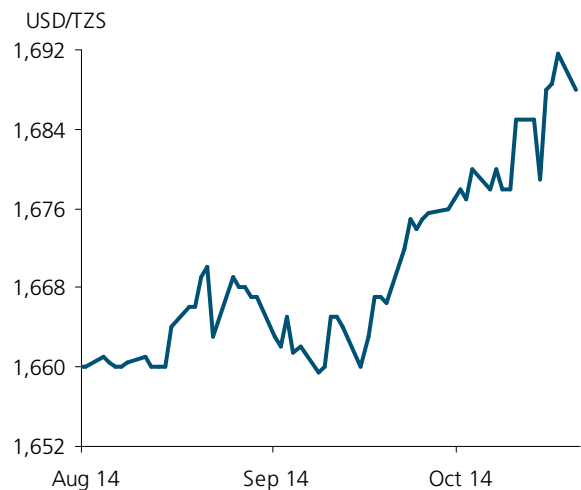
Source: Bloomberg
Data as at October 2014

Tanzania

Shilling (TZS) in brief

- US dollar demand from the oil sector supports our view that the shilling will remain relatively weaker in the rest of October. We foresee resistance levels of 1,690/1,700 being tested very soon.

Figure 8: Shilling likely to weaken



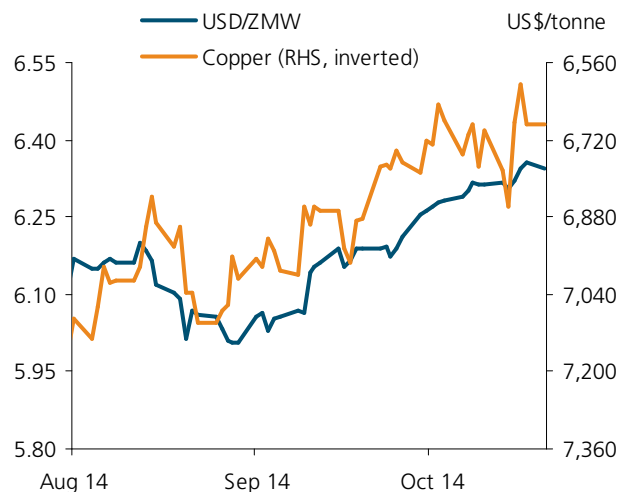
Source: Bloomberg
Data as at October 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha was under pressure last week due to increased demand for dollars together with soured global sentiment. We expect a slight depreciation of the unit this week as there still seems to be some appetite for dollars in the market. With mid-month tax obligations due, the kwacha is likely to gain support as corporate sellers convert to meet these obligations.

Figure 9: Kwacha broadly tracking the rand



Source: Bloomberg
Data as at October 2014



Spot and implied forward exchange rates

	Currency rates				Implied forwards			
	% change				Maturity			
	Last	1-day	1-week	1-month	1-m	3-m	6-m	12-m
Angola								
USD/AOA	98.79	0.00	0.25	1.13	-	-	-	-
EUR/AOA	126.70	0.27	1.35	0.30	-	-	-	-
GBP/AOA	158.75	0.82	-0.06	0.19	-	-	-	-
JPY/AOA	1.07	0.24	-1.95	-2.16	-	-	-	-
Botswana								
USD/BWP	9.16	0.32	0.27	0.65	9.22	9.29	9.43	9.72
EUR/BWP	11.75	0.59	1.37	-0.19	11.76	11.86	12.05	12.44
GBP/BWP	14.72	1.14	-0.03	-0.30	14.84	14.96	15.17	15.59
JPY/BWP	11.58	-0.08	-1.97	-1.68	1.21	1.21	1.21	1.22
Ghana								
USD/GHS	3.22	0.55	0.04	-9.36	2.21	2.28	2.38	2.54
EUR/GHS	4.13	0.82	1.13	-10.11	2.82	2.91	3.03	3.25
GBP/GHS	5.17	1.38	-0.27	-10.21	3.56	3.66	3.82	4.07
JPY/GHS	32.97	-0.31	-1.74	9.17	236.18	244.06	254.34	271.04
Kenya								
USD/KES	89.25	-0.02	0.22	0.45	89.54	91.03	92.99	97.66
EUR/KES	114.46	0.24	1.32	-0.38	114.27	116.23	118.81	125.04
GBP/KES	143.42	0.80	-0.08	-0.49	144.07	146.40	149.41	156.53
JPY/KES	1.19	0.26	-1.93	-1.49	0.84	0.85	0.87	0.92
Mozambique								
USD/MZN	31.28	0.00	0.08	2.12	29.71	31.32	31.71	32.60
EUR/MZN	40.11	0.27	1.18	1.28	39.74	39.99	40.52	41.75
GBP/MZN	50.26	0.82	-0.22	1.17	50.10	50.37	50.95	52.26
JPY/MZN	3.39	0.24	-1.78	-3.10	3327.29	3343.71	3382.46	3468.36
Nigeria								
USD/NGN	165.10	0.33	0.24	1.35	159.75	159.75	159.75	159.75
EUR/NGN	211.74	0.60	1.34	0.51	203.88	203.97	204.12	204.55
GBP/NGN	265.32	1.16	-0.06	0.40	257.05	256.93	256.68	256.07
JPY/NGN	0.64	-0.10	-1.94	-2.36	0.67	1.49	1.49	1.50
South Africa								
USD/ZAR	11.08	-0.18	0.10	0.77	11.15	11.26	11.44	11.83
EUR/ZAR	14.21	0.09	1.20	-0.06	14.22	14.38	14.62	15.14
GBP/ZAR	17.81	0.64	-0.20	-0.17	17.93	18.11	18.38	18.95
JPY/ZAR	9.57	0.41	-1.80	-1.80	9.59	9.48	9.32	9.00
Tanzania								
USD/TZS	1,688.50	0.03	0.63	1.72	1,704.20	1,734.25	1,787.46	1,848.75
EUR/TZS	2,165.50	0.30	1.73	0.88	2,175.02	2,214.33	2,283.87	2,367.17
GBP/TZS	2,713.42	0.85	0.32	0.76	2,742.19	2,789.18	2,872.03	2,963.40
JPY/TZS	0.06	0.21	-2.32	-2.72	15.95	16.24	16.76	17.38
Zambia								
USD/ZMW	6.35	0.37	0.52	2.52	5.34	5.36	5.50	5.77
EUR/ZMW	8.14	0.64	1.62	1.67	6.82	6.84	7.02	7.39
GBP/ZMW	10.20	1.20	0.22	1.56	8.59	8.62	8.84	9.26
JPY/ZMW	16.72	-0.14	-2.21	-3.47	0.05	0.05	0.05	0.05

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,237.73	1.8	-6.0	16.2	1,239.0	1,241.9
Copper US\$/tonne	6,629.00	-3.5	-8.5	16.4	6,636.5	6,595.0
Softs						
Cattle US\$/lb	238.45	3.4	43.6	14.8	165.1	150.9
Cocoa US\$/tonne	3,118.00	-4.3	14.6	32.8	3,118.0	3,056.0
Coffee – Arabica US\$/lb	210.65	18.3	83.7	50.2	210.7	218.3
Coffee – Robusta US\$/tonne	0.00	-	-	26.4	2,129.0	2,173.0
Cotton US\$/lb	62.97	-4.6	-24.2	21.2	63.0	64.3
Maize – Yellow R/tonne	1,988.00	12.3	-9.0	24.0	1,988.0	1,969.0
Maize – White R/tonne	1,959.00	11.9	-17.6	23.7	1,959.0	-
Raw Sugar US\$/lb	16.62	23.1	-14.8	20.1	18.4	18.4
Energy						
WTI Crude US\$/bbl	83.18	-10.0	-17.5	27.9	81.2	79.9

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Sep-14	Current	Current
Angola	3.64	3.64	8.75
Botswana	3.18	3.21	7.50
Ghana	25.40	25.71	19.00
Kenya	8.65	8.71	8.50
Mozambique	5.39	5.41	8.25
Namibia	5.79	5.76	5.75
Nigeria	10.70	11.04	12.00
South Africa	6.08	5.96	5.75
Tanzania	9.88	9.87	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 October 2014

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba2	BB-
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cabo Verde	B	-	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	-	B1	B+
Seychelles	B+	-	-
South Africa	BBB	Baa1	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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