

1 December 2014

Angola

- AOA: Kwanza falling victim to flagging oil price

Botswana

- BWP: Pula little changed against the US dollar

CMA

- ZAR: Rand caught up in ongoing dislocations in global markets

Ghana

- GHS: Cedi immovable at 3.18

Kenya

- KES: Shilling stabilises a tad above 90.00

Mozambique

- MZN: Metical teetering at 31.50

Nigeria

- NGN: Naira mid-point shifted higher in bold move by CBN

Tanzania

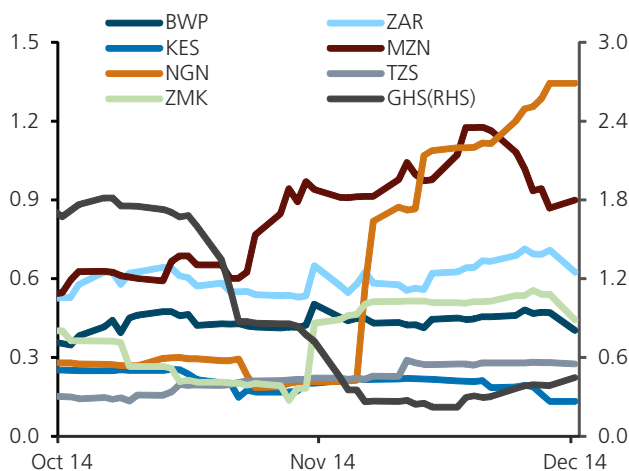
- TZS: Shilling continues its assault on 1,750

Zambia

- ZMW: Kwacha hemmed in narrow range

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at December 2014

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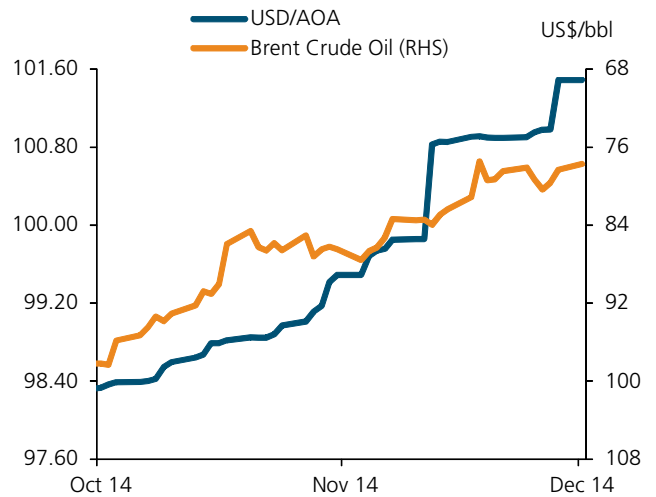


Angola

Kwanza (AOA) in brief

- The kwanza has fallen victim to the flagging international oil price which has eroded export earnings. The local unit has sustained a relatively flat trend since it hurdled the 100 mark in mid-November but is vulnerable to further weakness as the oil price continues to decline. OPEC's unwillingness to scale back production leaves Angolan authorities in a precarious position as oil revenues account for a large proportion of fiscal and export proceeds. While monetary authorities have the ability to draw down on international reserves, their stock of foreign exchange is limited. While intraday volatility has subsided, we cannot rule out the possibility of another sudden upward move.

Figure 1: Kwanza at risk of further weakness as oil price declines



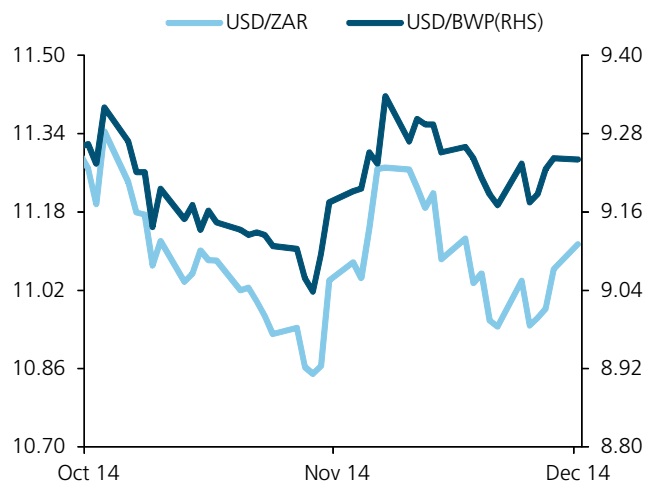
Source: Bloomberg
Data as at December 2014

Botswana

Pula (BWP) in brief

- The pula was little changed against the greenback on Friday as markets remained subdued ahead of the weekend. There was also limited international data to provide significant momentum which saw BWP/USD closing at 0.1083/86 from 0.1085/88 in the morning. Following USD/ZAR's overnight movement to 11.09, we expect BWP/USD to open weaker around 0.1078/81. The pula was firmer against the rand, closing at 1.1958/68 due to South Africa's disappointing trade deficit data. We expect BWP/ZAR to open this morning around 1.1966/96

Figure 2: Pula tracking the rand



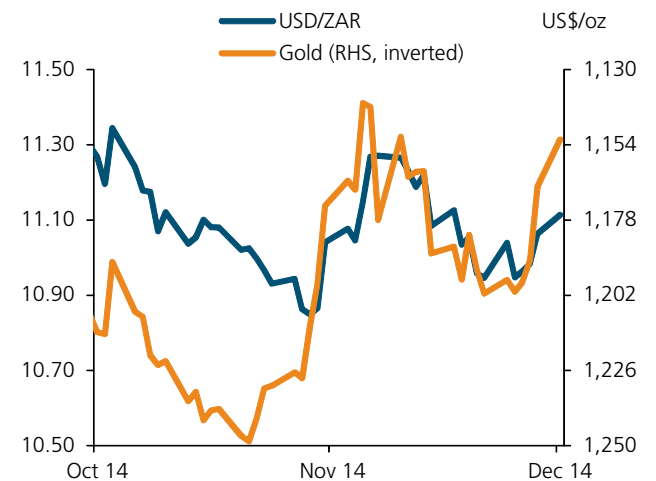
Source: Bloomberg
Data as at December 2014

CMA

Rand (ZAR) in brief

- The rand enters the month already caught up in the ongoing dislocations in global markets driven by the fall in the oil price. Brent is right down to US\$68.10/bbl this morning — US\$12/bbl lower than a week ago. We could argue that this decline should be rand positive since oil is, after all, South Africa's largest import, while the price decline is depressing global yields, which should encourage the search for yield. But the falling price has dragged other commodity prices along with it and caused general risk aversion, both of which are rand negative.

Figure 3: Rand loses downward momentum as oil price tumbles



Source: Bloomberg
Data as at December 2014

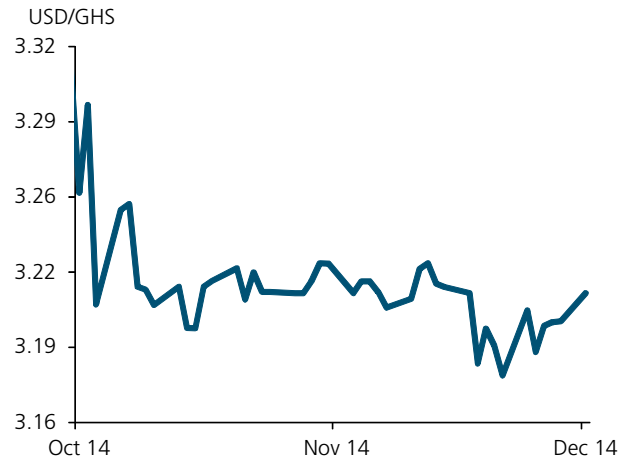


Ghana

Cedi (GHS) in brief

- After a tumultuous start to the year, the cedi is immovable at 3.19 as markets await the outcome of the government's talks with the IMF. Trading activity still remains muted, evidenced by a lack of intraday volatility. We caution against becoming too optimistic on the local unit as the assistance programme is only likely to be implemented in 2015 following a rigorous review process by the board of the IMF. Market sentiment might be jarred by a possible socioeconomic fallout which would require government to educate the public as to the package's conditionality and its impact on the real economy. For now, trade should remain relatively mundane.

Figure 4: Cedi drifts sideways



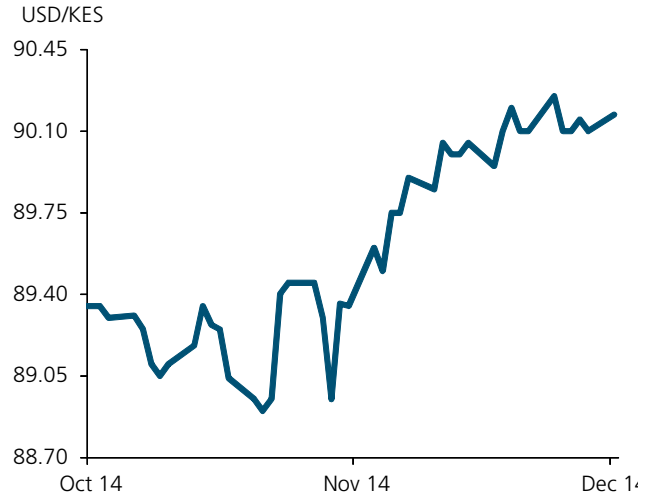
Source: Bloomberg
Data as at December 2014

Kenya

Shilling (KES) in brief

- Unlike the beleaguered naira, the shilling has stabilised following central bank intervention and receding import demand. The local unit is oscillating in a narrow range, with resistance evident at 90.20. Diaspora inflows should complement the CBK's US dollar sales, resulting in mild shilling gains. A break of USD/KES89.70 would open the way for 88.80.

Figure 5: Shilling stabilises at 90.00



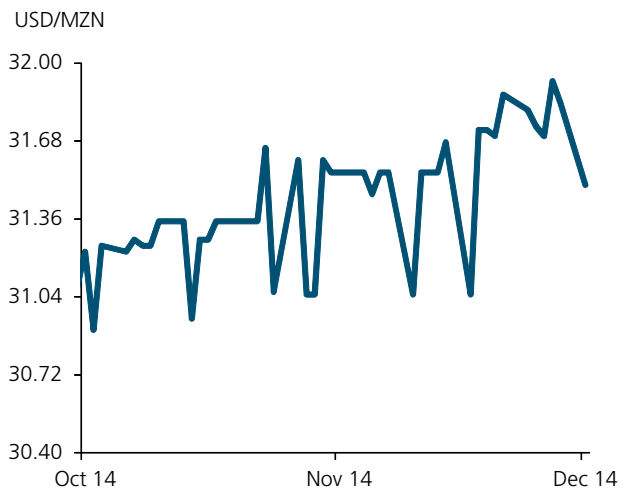
Source: Bloomberg
Data as at December 2014

Mozambique

Metical (MZN) in brief

- The metical is teetering at 31.50. Renewed support for the US dollar could push the local unit higher but import demand should begin to subside as corporates close ahead of year-end. ZAR/MZN is poised at 2.8541 but is lacking direction as the rand trades flat with limited volatility.

Figure 6: Metical under pressure



Source: Bloomberg
Data as at December 2014

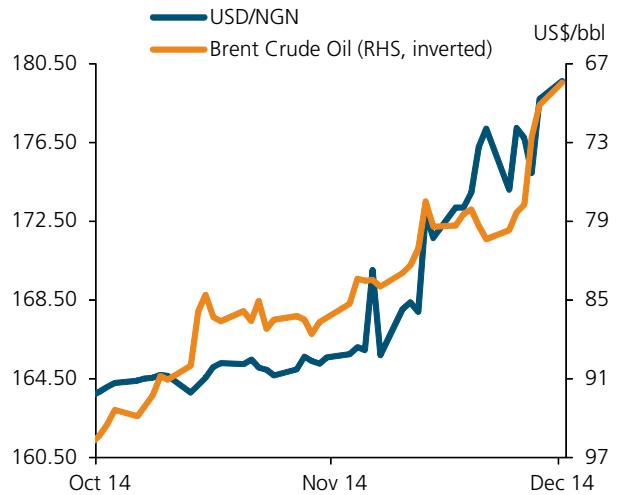


Nigeria

Naira (NGN) in brief

- In what was undoubtedly the most anticipated MPC announcement of this year, the CBN increased the official mid-point rate from USD/NGN155 to 168 and widened the band around the mid-rate from 3% to 5%, underscoring its commitment to FX stability in the face of external challenges. The devaluation was hastened by the precipitous decline in the oil price, trimming of positions by panicked importers, unbridled portfolio outflows and the growing divergence between the WDAS and BDC rates. While a weaker currency would assist in managing the resultant dual deficits, a devaluation would not imply a natural convergence of the official, interbank and BDC rates.

Figure 7: Naira finding its feet following shift of official peg



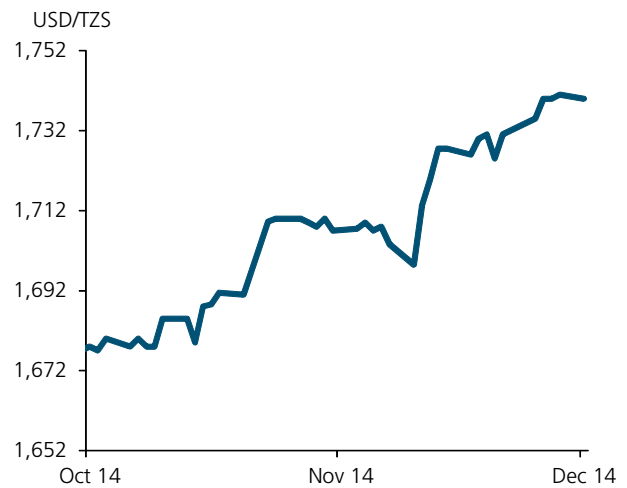
Source: Bloomberg
Data as at December 2014

Tanzania

Shilling (TZS) in brief

- The shilling continued its upward assault on 1,750 last week, underpinned by rampant import demand, particularly by the oil and manufacturing sectors. Inflows are being overshadowed by incessant US dollar demand, throwing liquidity conditions off kilter. A break of 1,750 is a strong possibility in the absence of central bank support.

Figure 8: Shilling losses accelerate



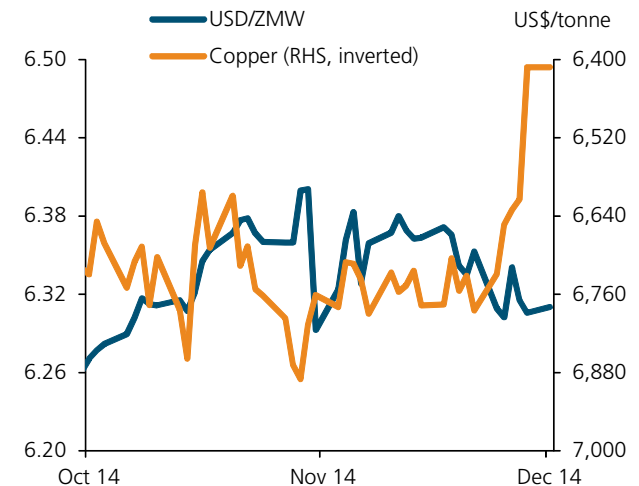
Source: Bloomberg
Data as at December 2014

Zambia

Kwacha (ZMW) in brief

- Evenly matched demand and supply kept USD/ZMW hemmed in-between 6.305/25 and 6.315/35 last week. Muted trade showed that the bias for weakness has reduced owing to an ongoing search for yield. Prevailing local yields are seemingly attractive in a rising global interest rate environment, but substantial portfolio investment will be required to force the local unit into the 6.20s.

Figure 9: Kwacha meanders in narrow range



Source: Bloomberg
Data as at December 2014



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,151.21	-1.9	-8.2	18.2	1,175.5	1,177.3
Copper US\$/tonne	6,515.50	-4.7	-7.3	17.6	6,358.0	6,313.5
Softs						
Cattle US\$/lb	231.08	-1.3	39.6	14.8	169.2	159.5
Cocoa US\$/tonne	2,880.00	-0.7	3.2	17.2	2,843.0	2,822.0
Coffee – Arabica US\$/lb	186.65	-0.7	69.3	35.5	187.5	194.2
Coffee – Robusta US\$/tonne	0.00	-	-	19.4	2,074.0	2,099.0
Cotton US\$/lb	60.96	-5.4	-22.0	19.7	60.1	64.4
Maize – Yellow R/tonne	2,015.00	3.5	-19.6	24.0	2,015.0	2,040.0
Maize – White R/tonne	1,981.00	4.6	-21.4	23.7	1,981.0	2,045.0
Raw Sugar US\$/lb	15.59	-2.8	-9.1	18.9	17.4	17.4
Energy						
WTI Crude US\$/bbl	64.51	-19.9	-30.4	37.0	66.6	68.2

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Nov-14	Current	Current
Angola	4.76	4.26	9.00
Botswana	3.20	3.20	7.50
Ghana	24.24	24.03	21.00
Kenya	8.60	8.60	8.50
Mozambique	5.39	5.39	8.25
Namibia	5.73	5.73	5.75
Nigeria	12.57	13.18	13.00
South Africa	5.85	5.91	5.75
Tanzania	12.42	12.42	OMO ²
Zambia	13.00	13.00	12.50

1 End of month

2 Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, FNB Zambia, FNB Tanzania, RMB Global Markets

Data as at December 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	Baa2	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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