

6 October 2014

Angola

- AOA: Dwindling oil price does not bode well for the kwanza in the near-term

Botswana

- BWP: US employment data prints positive number, pula weaker

CMA

- ZAR: Mostly about the dollar

Ghana

- GHS: Cedi forecast more bearish than consensus but justifiably so

Kenya

- KES: Shilling seemingly stuck between a rock and a hard place

Mozambique

- MZN: Metical continues to amass gains against the rand

Nigeria

- NGN: Naira teetering below USD/NGN164.00

Tanzania

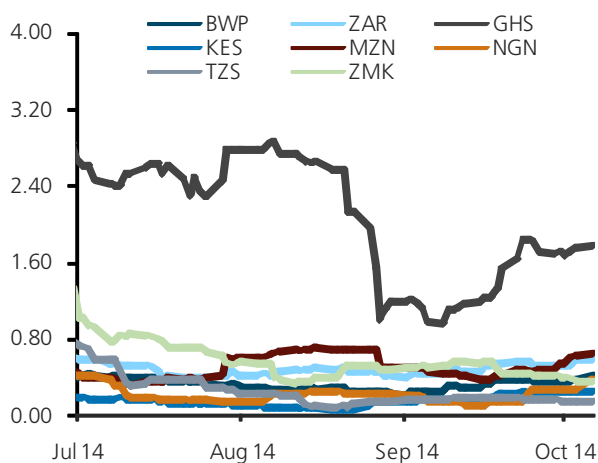
- TZS: Rampant US dollar demand continues to exert upward pressure on USD/TZS

Zambia

- ZMW: Kwacha continues to trade on the back foot against the US dollar

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at October 2014

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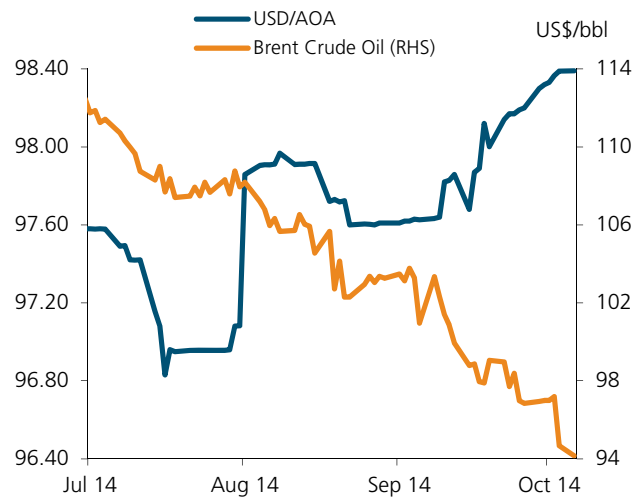


Angola

Kwanza (AOA) in brief

- A dwindling oil price does not bode well for the kwanza in the long-term, however, the BNA has the capacity to intervene should the local unit come under severe pressure in the near-term. We anticipate heightened intra-day volatility.

Figure 1: Pressure from lower oil prices



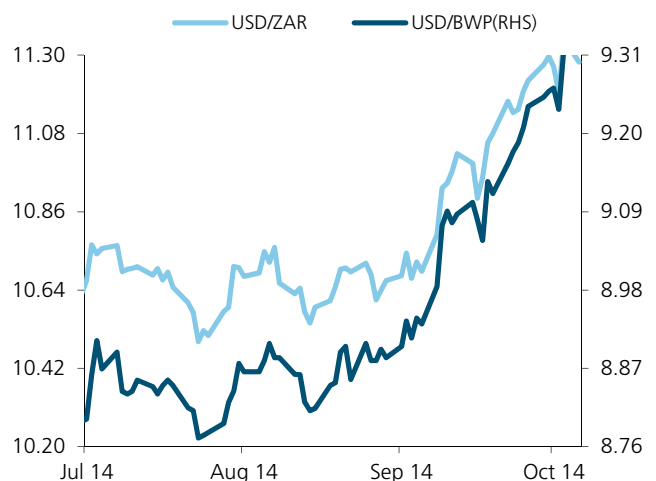
Source: Bloomberg
Data as at October 2014

Botswana

Pula (BWP) in brief

- The pula traded weak against the dollar on Friday after US employment data printed a positive number. On the back of this, BWP/USD closed the day at 0.1074/76 from 0.1082/85 in the morning. We expect this dollar resilience to be the theme of the day and see the unit opening around 0.1073/76 this morning. BWP/ZAR traded stronger as the rand continued to be under pressure as a result of the global dollar rally. Without strong local economic fundamentals to counter the effect of the increased demand for dollars, we expect the rand to remain on the back foot. BWP/ZAR therefore closed at 1.2149/79 from 1.2114/44 at the start of the day. Given today's empty economic calendar, we expect BWP/ZAR to open around levels similar to close.

Figure 2: Weakness continues



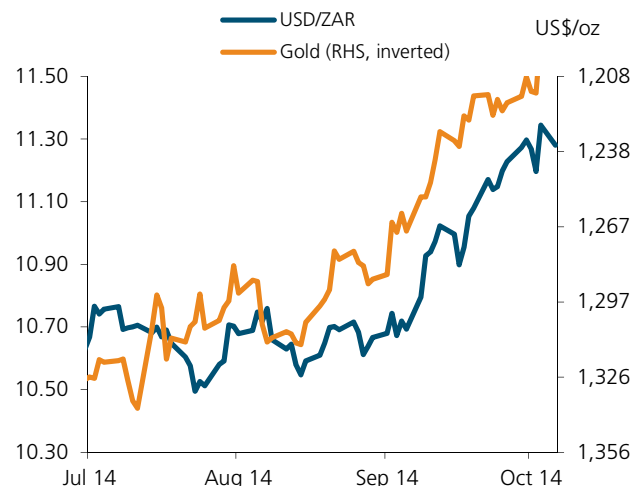
Source: Bloomberg
Data as at October 2014

CMA

Rand (ZAR) in brief

- The strong payrolls number has pushed EUR/USD to 1.25, USD/ZAR into the 11.30s and EUR/ZAR to 14.15. Essentially, it is the same old story: dollar gains pushing the rand crosses in different directions. The secondary theme is mild rand outperformance: for now this has kept USD/ZAR from breaking into multi-year high territory beyond 11.39. USD/ZAR opens back at 11.31, well off its Friday high of over 11.35. Trade is cautious awaiting new direction from the dollar.

Figure 3: Dollar gains pushing the rand crosses in different directions



Source: Bloomberg
Data as at October 2014

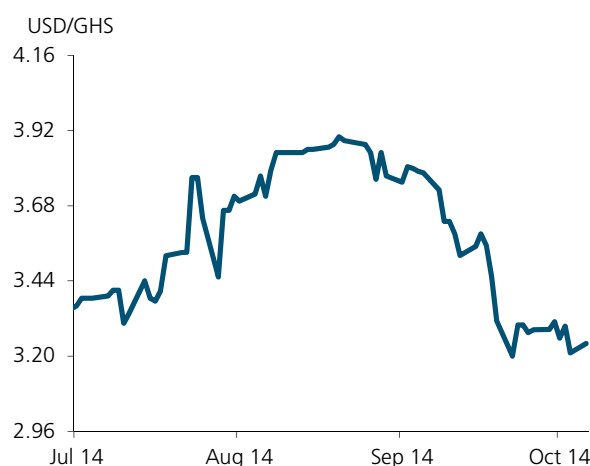


Ghana

Cedi (GHS) in brief

- Although our year-end forecast is far more bearish than the consensus view, we are reluctant to mark-to-market as Ghana's external account still warrants a weaker currency. We concede that we might have to slow the rate of depreciation in subsequent years but this depends on the outcome of the government's negotiations with the IMF and whether it spurs renewed interest in cedi-denominated debt. For now, the local unit continues to trade on sentiment, however, the illiquidity of the interbank market should not be overlooked. This implies that one or two large orders could move the spot price substantially.

Figure 4: Cedi continues to strengthen against our expectation



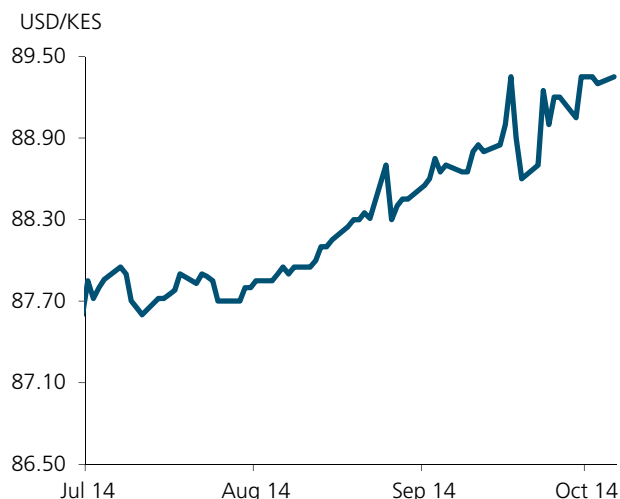
Source: Bloomberg
Data as at October 2014

Kenya

Shilling (KES) in brief

- The shilling is seemingly stuck between a rock and a hard place, roving between 89.20 and 89.40. Although US dollar demand has subsided, liquidity conditions are still lop-sided as inflows accruing from tourism and the agricultural sector remain weak, rendering little support to the local unit. Kenya's failure to broker a new preferential export deal with the EU could imply less US dollar proceeds from horticultural products, further eroding trade flows. While the CBK has the capacity to smooth adverse currency movements, it cannot do so indefinitely, especially if the current account deficit continues to widen. The short-term bias remains tilted to the upside.

Figure 5: Shilling meandering in a narrow range



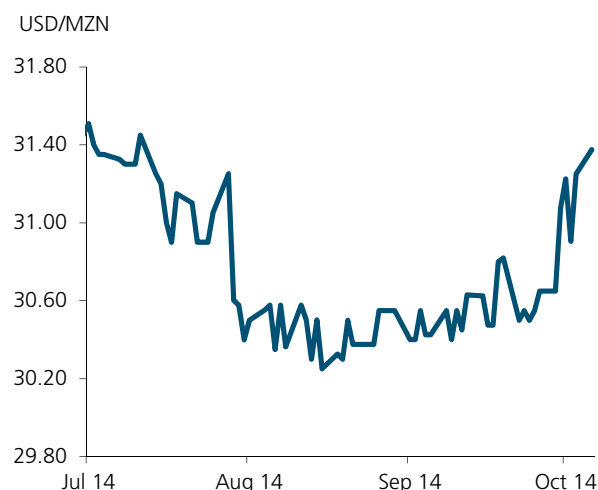
Source: Bloomberg
Data as at October 2014

Mozambique

Metical (MZN) in brief

- The metical continues to linger around USD/MZN30.50, and is largely buffered from the fallout in emerging markets as Mozambique's current account deficit remains well funded by FDI. Against the rand, the metical continues to amass gains, given the South African unit's weakening trend.

Figure 6: Metical continues to linger around USD/MZN30.50



Source: Bloomberg
Data as at October 2014

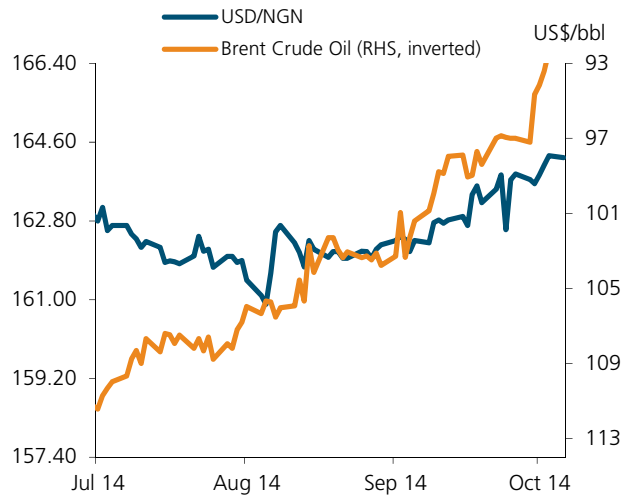


Nigeria

Naira (NGN) in brief

- The naira is teetering below USD/NGN164.00 as the CBN attempts to augment the interbank market's pool of US dollars by drawing down on its international reserve position. Fading interest in naira-denominated securities and a weaker oil price have diminished US dollar inflows, rendering the interbank rate vulnerable to weakness. Month-end sales by major oil conglomerates could afford marginal support to the local unit over the next few days, provided that NNPC comes to market with a sizeable offer.

Figure 7: Naira vulnerable to weakness



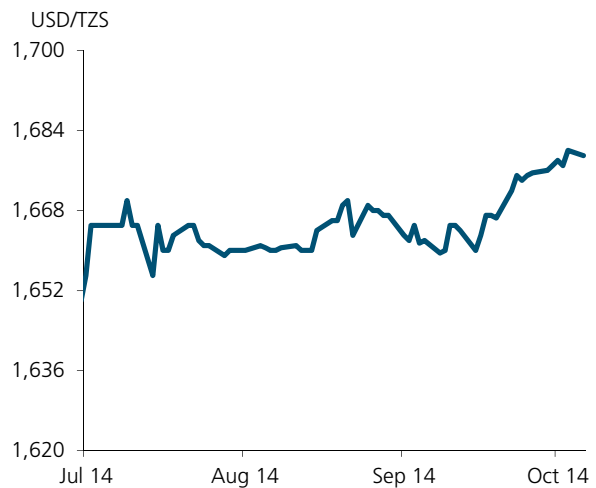
Source: Bloomberg
Data as at October 2014

Tanzania

Shilling (TZS) in brief

- Rampant US dollar demand by energy concerns and oil companies continues to exert upward pressure on USD/TZS. We anticipate further weakness in the absence of meaningful US dollar inflows. Resistance is evident at 1,690, though a breach of 1,700 could be in the offing as we approach the end of the year.

Figure 8: Shilling likely to weaken further



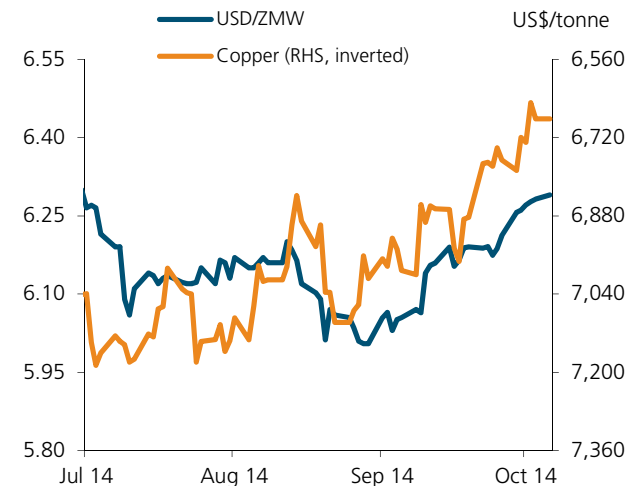
Source: Bloomberg
Data as at October 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha has continued to trade on the back foot, broadly tracking the rand. Soured global sentiments, paired with an increase in the demand for the greenback, has seen the unit lose ground consistently over the last week. The settlement of local tax obligations could provide minimal support though the kwacha is likely to remain range-bound over the next few days.

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	98.37	0.04	0.18	0.77				
EUR/AOA	124.69	0.57	-0.33	-2.72				
GBP/AOA	158.83	-0.22	-0.78	-2.01				
JPY/AOA	1.10	-1.00	-0.67	3.01				
Botswana								
USD/BWP	9.23	-0.32	0.28	3.74	7.99	8.08	8.21	8.43
EUR/BWP	11.70	0.21	-0.23	0.15	10.89	11.02	11.19	11.50
GBP/BWP	14.91	-0.58	-0.68	0.87	12.54	12.68	12.87	13.21
JPY/BWP	11.72	-0.64	-0.76	0.06	1.11	1.11	1.11	1.10
Ghana								
USD/GHS	3.30	1.15	0.61	-12.25	2.21	2.28	2.38	2.54
EUR/GHS	4.18	1.69	0.10	-15.29	2.77	2.85	2.98	3.19
GBP/GHS	5.32	0.89	-0.35	-14.67	3.53	3.64	3.79	4.04
JPY/GHS	32.85	-2.08	-1.09	18.30	242.57	249.17	259.69	276.67
Kenya								
USD/KES	89.35	0.00	0.17	0.90	89.74	90.98	93.47	97.34
EUR/KES	113.26	0.53	-0.34	-2.59	112.34	113.94	117.15	122.34
GBP/KES	144.27	-0.25	-0.79	-1.89	143.29	145.20	149.01	154.81
JPY/KES	1.21	-0.96	-0.65	2.88	0.82	0.83	0.85	0.89
Mozambique								
USD/MZN	30.91	-1.03	1.16	1.66	29.71	31.60	32.36	33.86
EUR/MZN	39.18	-0.50	0.65	-1.86	39.10	39.58	40.56	42.55
GBP/MZN	49.90	-1.28	0.19	-1.15	49.87	50.44	51.59	53.85
JPY/MZN	3.50	0.07	-1.63	2.11	3427.45	3465.55	3546.03	3698.23
Nigeria								
USD/NGN	164.07	0.13	0.20	1.06	159.75	159.75	159.75	159.75
EUR/NGN	207.98	0.67	-0.31	-2.44	199.98	200.07	200.22	200.78
GBP/NGN	264.92	-0.12	-0.76	-1.73	255.09	254.95	254.67	254.06
JPY/NGN	0.66	-1.09	-0.69	2.72	0.68	1.48	1.48	1.48
South Africa								
USD/ZAR	11.20	-0.64	-0.02	4.83	11.38	11.53	11.71	12.08
EUR/ZAR	14.19	-0.11	-0.53	1.20	14.27	14.44	14.68	15.22
GBP/ZAR	18.08	-0.89	-0.98	1.93	18.21	18.40	18.67	19.25
JPY/ZAR	9.67	-0.32	-0.47	-0.97	9.62	9.51	9.35	9.02
Tanzania								
USD/TZS	1,677.00	-0.06	0.12	0.84	1,692.25	1,722.50	1,773.50	1,861.25
EUR/TZS	2,125.77	0.47	-0.39	-2.65	2,118.46	2,157.26	2,222.74	2,339.28
GBP/TZS	2,707.85	-0.31	-0.84	-1.95	2,702.16	2,748.99	2,827.28	2,960.07
JPY/TZS	0.06	-0.90	-0.61	2.94	15.42	15.71	16.19	17.04
Zambia								
USD/ZMW	6.28	0.10	1.45	3.67	5.34	5.36	5.50	5.77
EUR/ZMW	7.96	0.63	0.93	0.07	6.68	6.71	6.89	7.26
GBP/ZMW	10.14	-0.15	0.48	0.80	8.53	8.56	8.77	9.19
JPY/ZMW	17.24	-1.06	-1.91	0.14	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	1,191.57	-6.1	-9.1	16.2	1,192.9	1,195.6
Copper US\$/tonne	6,665.00	-4.4	-6.8	16.3	6,649.5	6,608.0
Softs						
Cattle US\$/lb	240.88	6.7	46.5	14.8	165.9	151.6
Cocoa US\$/tonne	3,056.00	-1.8	17.0	26.8	3,056.0	2,997.0
Coffee – Arabica US\$/lb	206.50	7.1	80.5	53.8	206.5	213.2
Coffee – Robusta US\$/tonne	0.00	-	-	34.1	2,080.0	2,123.0
Cotton US\$/lb	63.07	-4.6	-26.5	21.7	62.5	62.9
Maize – Yellow R/tonne	1,841.00	8.0	-14.6	24.0	1,841.0	1,896.0
Maize – White R/tonne	1,827.00	9.5	-22.9	23.7	1,827.0	-
Raw Sugar US\$/lb	16.44	9.6	-11.0	20.1	18.3	18.3
Energy						
WTI Crude US\$/bbl	89.85	-3.7	-13.5	23.6	87.3	85.0

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	8.63	8.50
Mozambique	5.39	5.39	8.25
Namibia	5.79	5.70	5.75
Nigeria	10.70	10.70	12.00
South Africa	6.08	6.05	5.75
Tanzania	9.88	9.88	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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