

16 February 2015

Angola

- AOA: Slumping to its weakest level on record

Botswana

- BWP: Gaining some lost ground

CMA

- ZAR: Range has held

Ghana

- GHS: Illiquidity remains a problem despite upcoming bond auction

Kenya

- KES: Tightly bound between 91.45 and 91.65

Mozambique

- MZN: Fair balance between supply and demand

Nigeria

- NGN: Interbank foreign exchange market in a tailspin

Tanzania

- TZS: Steady trading expected this week

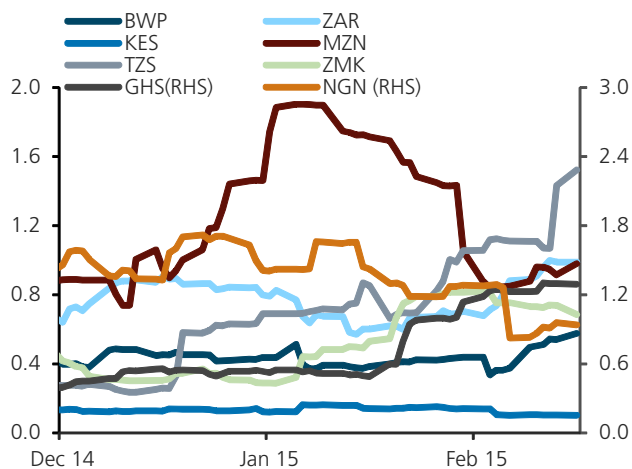
Zambia

- ZMW: Good dollar supply needed to bring confidence back to the market

Contents

- 2 Angola
- 2 Botswana
- 2 CMA
- 3 Ghana
- 3 Kenya
- 3 Mozambique
- 4 Nigeria
- 4 Tanzania
- 4 Zambia

Figure 1: Currency fluctuations (1-month realised volatility)



Source: Bloomberg
Data as at February 2015

Analysts



Nema Ramkhelawan-Bhana

Africa Analyst

nema.ramkhelawan-bhana@rmb.co.za
+27 11 282-8519

Celeste Fauconnier

Africa Analyst

celeste.fauconnier@rmb.co.za
+27 11 282-1923

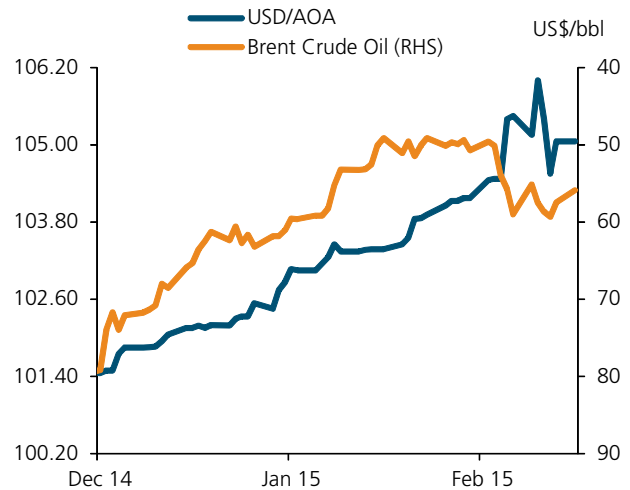


Angola

Kwanza (AOA) in brief

- The kwanza slumped to its weakest level on record last week, closing at USD/AOA104.75 on Tuesday. The central bank's attempts to smooth adverse currency movements through the selling of US dollar reserves had little impact on the foreign exchange market. USD/AOA105 is a key resistance level. A breach of this mark will increase the possibility of a sharp once-off adjustment. We anticipate choppy intraday trade.

Figure 2: Reaching record lows



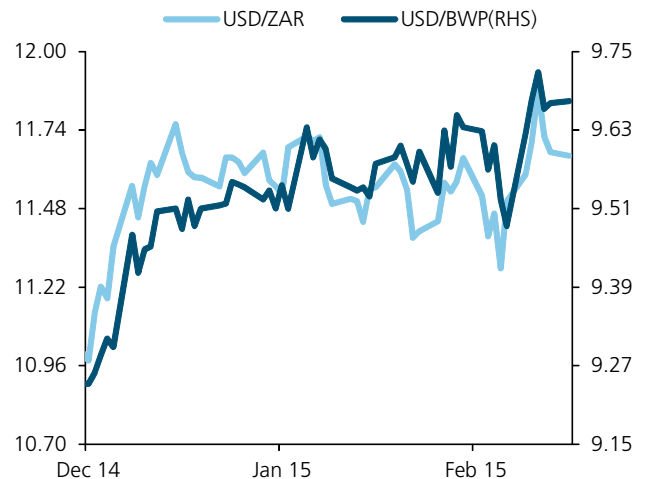
Source: Bloomberg
Data as at 16 February 2015

Botswana

Pula (BWP) in brief

- The pula regained some lost ground towards the end of last week as the dollar retreated ahead of the US long weekend. As global events simmer down, with the Russia-Ukraine ceasefire and hopes of an agreement between Greece and the EU at today's meeting, the dollar has taken a back seat. With little to stimulate the markets on the data front today, we expect BWP/USD to be relatively range bound to open this morning around 0.1038/40 from 0.1032/35 at close.
- The pula traded softer against the rand, taking cue from USD/ZAR as the former edged up, trading firmly around 1.2130/60. We expect the unit to even lower this morning around 1.2100/30 from 1.2123/54 at close.

Figure 3: Pula trading firmer



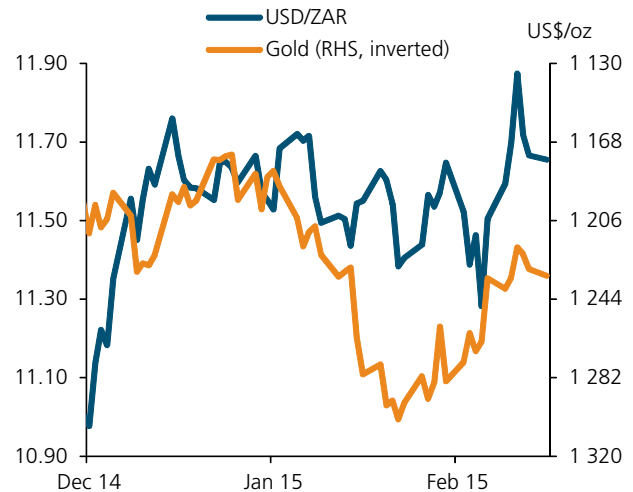
Source: Bloomberg
Data as at 16 February 2015

CMA

Rand (ZAR) in brief

- 11.88/89 held on USD/ZAR at the end of last week, allowing the market to drift back to 11.65 this morning. The past two weeks have now seen the rand surge stronger and fail, then run weaker and fail. Two-way risk is now evident in what is likely to be a volatile week, but risks are skewed for a renewed test of 11.89 given the weakness in other risk-currencies, that the market is closer to the top than the bottom of the range, and the event risk.

Figure 4: Volatile week expected



Source: Bloomberg
Data as at 16 February 2015

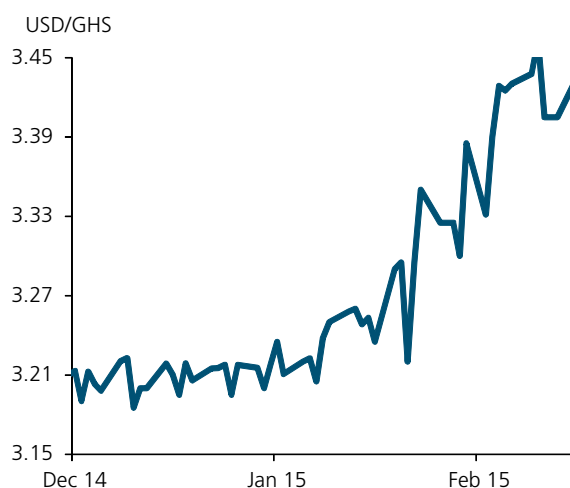


Ghana

Cedi (GHS) in brief

- The cedi is expected to trade steadily against the dollar ahead of the domestic bond auction at the end of the month. Dollar demand has placed pressure on the local unit over the past few weeks, but should ease as the auction gains inflows. But illiquidity remains a significant problem and therefore policymakers have to apply prudent fiscal and monetary measures. We continue to support gradual currency depreciation this year.

Figure 5: Dollar demand increasing



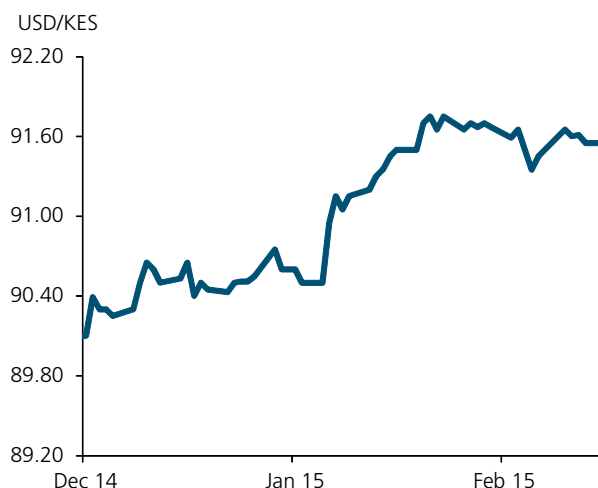
Source: Bloomberg
Data as at 16 February 2015

Kenya

Shilling (KES) in brief

- The shilling lost the gains made in previous weeks due to strong dollar demand. The flows from coffee and tea exporters supported the unit but corporate demand for dollars from oil, telecommunications, manufacturing as well as other importers increased liquidity pressures last week. The central bank entered the market to mop up liquidity which kept the shilling in a tight range. The currency is expected to remain under pressure but some offshore dollar inflows, before the sale of 2-year and 10-year treasury bonds on Tuesday will keep the local unit stable. The currency should trade in a 91.50 – 92.00 band this week.

Figure 6: Losing the gains



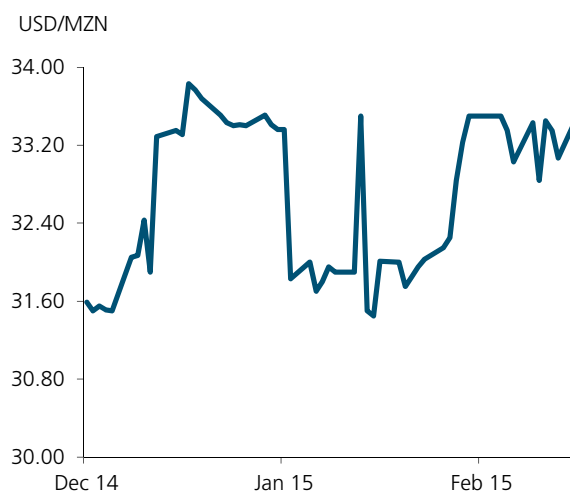
Source: Bloomberg
Data as at 16 February 2015

Mozambique

Metical (MZN) in brief

- The metical clawed its way back to 33.22 last Friday as the US dollar rallied against a broad spectrum of EM currencies. Recent movements against the US dollar do not necessarily imply a domestic liquidity squeeze as the local unit continues to register gains against the rand, suggesting a fair balance between supply and demand. Technical indicators, notably 14- and 20-day moving averages, point to further weakness over the next few days.

Figure 7: Depreciatory pressure to continue



Source: Bloomberg
Data as at 16 February 2015

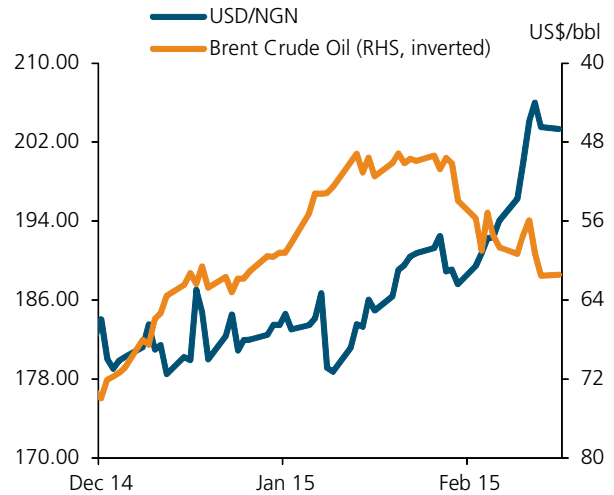


Nigeria

Naira (NGN) in brief

- The postponement of the general election to 28 March sent the interbank foreign exchange market into a tailspin this week. The naira hit a record intra-day low of 206.60 against the dollar towards the end of last week. The stark dislocation between the official and interbank rates, and the considerable drop in daily trading volumes are reminders of the intense liquidity squeeze stifling the interbank market. Sustained capital flight, the potential removal of Nigerian benchmark bonds from JP Morgan's GBI-EM index and S&P's placement of the sovereign rating on negative watch have aggravated depreciatory pressures, destabilising a worn currency. Unless we see large dollar inflows into the market, the naira is expected to extend losses this week.

Figure 8: Reaching new record lows



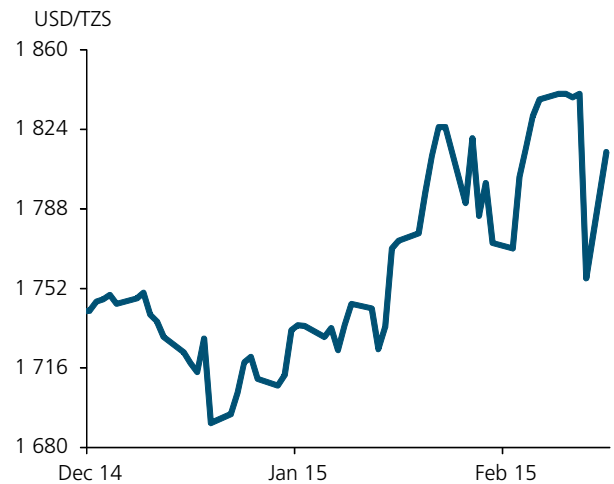
Source: Bloomberg
Data as at 16 February 2015

Tanzania

Shilling (TZS) in brief

- The shilling traded steadily towards the end of last week as dollar demand eased ahead of the weekend. Although the demand should continue, we don't expect it to be significant in the coming week. The central bank traded US\$43.5m on the interbank foreign exchange market last week. We expect the shilling to test the support levels of 1,820/1,830 in the coming few days.

Figure 9: Holding steady this week



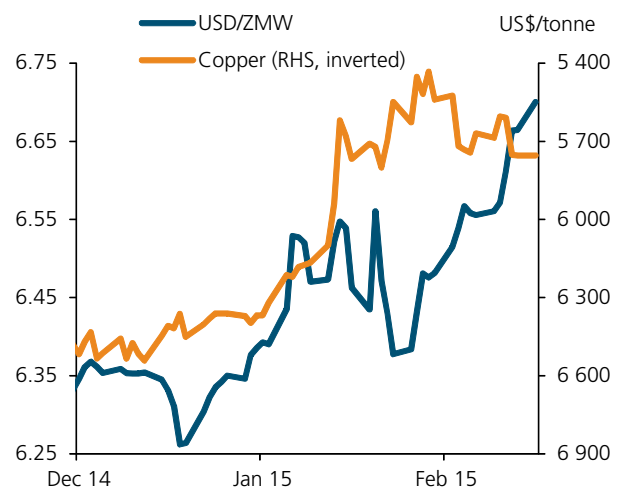
Source: Bloomberg
Data as at 16 February 2015

Zambia

Kwacha (ZMW) in brief

- The kwacha swung between gains and losses last week although the market was skewed towards the upside. The BoZ's resolve to support the currency helped the unit make some gains from an intraday high of USD/ZMW6.700 to as low as 6.645. However, the low levels did not hold as demand for the greenback persisted. The low levels of supply from exporters did little to keep away the bearish sentiment. Good dollar supply will go a long way in bringing confidence back to the market. Overall, the kwacha is expected to continue weak trading due to dollar demand and a struggling copper price.

Figure 10: Volatility to remain elevated this week



Source: Bloomberg
Data as at 16 February 2015



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz	1 232.04	-3.8	-6.6	17.4	1 227.1	1 231.1
Copper US\$/tonne	5 731.00	1.3	-20.1	17.7	5 739.5	5 708.3
Softs						
Cattle US\$/lb	203.85	-4.8	19.6	14.8	153.2	146.8
Cocoa US\$/tonne	2 969.00	0.9	1.2	22.1	2 931.0	2 880.0
Coffee – Arabica US\$/lb	163.20	-4.6	16.7	39.2	166.5	174.8
Coffee – Robusta US\$/tonne	-	-	-	24.9	2 036.0	2 099.0
Cotton US\$/lb	62.70	5.9	-28.4	21.0	63.3	64.1
Maize – Yellow R/tonne	2 410.00	22.0	-22.3	24.0	2 405.0	2 425.0
Maize – White R/tonne	2 778.00	43.4	-10.0	23.7	2 755.0	2 859.0
Raw Sugar US\$/lb	14.88	-2.9	-4.8	23.1	16.3	16.3
Energy						
WTI Crude US\$/bbl	52.70	8.2	-47.5	49.1	56.3	62.1

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Jan-15	Current	Current
Angola	4.88	4.88	9.00
Botswana	3.19	3.19	7.50
Ghana	25.83	25.84	21.00
Kenya	8.68	8.58	8.50
Mozambique	5.38	5.43	8.25
Namibia	5.66	6.10	5.75
Nigeria	12.30	13.08	13.00
South Africa	6.00	5.89	5.75
Tanzania	14.28	11.34	OMO ²
Zambia	13.50	13.50	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 February 2015

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba2	B+
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cabo Verde	B	-	B
Congo	B+	Ba3	B+
Cote d'Ivoire	B	B1	-
DRC	-	B3	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	-	-	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.



Africa

Global Markets Africa

Ebrahim Motala
+27 11 269-9964
brahim.motala@rmb.co.za

Global Markets Africa Sales

Gordon Sikhakhane
+27 11 282-4918
gordon.sikhakhane@rmb.co.za

Global Markets Africa Trading

Roy Daniels
+27 11 282 4412
roy.daniels@rmb.co.za

Botswana

Olebile Makhupe
+267 370-6419
omakhupe@fnbbotswana.co.bw

Mozambique

Dharmit Cumar
+258 21 355-919
dharmit.cumar@fmb.co.mz

Namibia

Michelle van Wyk
+264 61 299-2265
michellew@fmbnamibia.com.na

Nigeria

Pardon Muzenda
+234 1 463-7922
pardon.muzenda@rmb.com.ng

Swaziland

Khetsiwe Dlamini
+268 404-2463
kdlamini@fmb.co.za

Tanzania

Sylvester Selepe
+255 768 989-049
sylvester.selepe@rmb.co.za

Zambia

Llewellyn Foxcroft
+260 (211) 366-800
lfoxcroft@fmbzambia.co.zm

Global Markets regional offices

Cape Town

+27 21 446-9333

Durban

+27 31 580-6390

Port Elizabeth

+27 41 394-2511

India

Harihar Krishnamoorthy
+91 22 6625-8701
harihar.krishnamoorthy@firststrand.co.in

United Kingdom

Tracy Frampton
+44 20 7939-1700
tracy.frampton@rmb.co.uk

Please email us at globalmarkets@rmb.co.za for more information

www.rmb.co.za/globalmarkets

Twitter: RMB_GM

To subscribe to research, please email research@rmb.co.za

Business Development — Africa

Banks and DFIs

Suresh Chaytoo
+27 11 282-8154
suresh.chaytoo@rmb.co.za

Structured Trade and Commodity Finance

Belinda Dreyer
+27 11 282-8187
belinda.dreyer@rmb.co.za

Investment Banking Business Development: Africa

Ngugi Kiuna
+27 11 282-8434
ngugi.kiuna@rmb.co.za

Investment Banking Property Finance: Africa

Ryan Rhodes
+27 11 282-4354
ryan.rhodes@rmb.co.za

Global Markets contact details

Africa Sales and Trading

+27 11 282-8664/4412

Agricultural Trading and Hedging

+27 11 269-9800

Cross-Asset Solutions

+27 11 269 9030

Customer Dealing and Sales

+27 11 269-9230/9175/9648

Distribution and Institutional Solutions

+27 11 269-9295

Energy and Metals Trading

+27 11 269-9140

Equities Prime Broking

+27 11 282-1941

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+27 11 282-8286

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+27 11 269-9065

Fixed Income Prime Broking

+27 11 282-1941

Fixed Income Sales

+27 11 269-9040/9100

+27 21 658-9375

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+27 11 269-9040

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+27 11 269-9130

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+27 11 269-9150

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+27 11 269 9520

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+27 11 269 9150/9030

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+27 11 269-9300

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+27 11 269-9075

Nostro Services

+27 11 282-1284

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+27 11 282-1941/4472

RMB Morgan Stanley Trading

+27 11 269-9260

RMB Stockbroking Operations

+27 11 282-8401

Securities Lending

+27 11 269-9719

Structured Credit Trading

+27 11 269-9295

Structured Trade & Commodity Finance:

Trade

+27 11 282-8269

Structured Trade & Commodity Finance:

Working Capital

+27 11 269-9740



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