

17 November 2014

Angola

- AOA: Kwanza vulnerable to jump risk

Botswana

- BWP: BWP/ZAR expected to trade within range ahead of the SARB's MPC decision

CMA

- ZAR: Back in the middle of the range

Ghana

- GHS: Cedi trading comfortably below 3.22, but for how long?

Kenya

- KES: Shilling ends the week just shy of 90.00 amid rampant import demand

Mozambique

- MZN: Metical trade erratic in 4Q14

Nigeria

- NGN: Intraday breaks of 173.00 cannot be ruled out

Tanzania

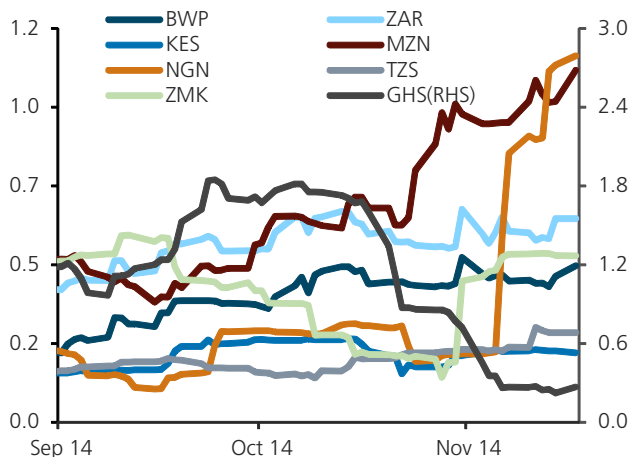
- TZS: Withheld donor funds put shilling under pressure

Zambia

- ZMW: Hobble US dollar recovery restricts kwacha gains

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at November 2014

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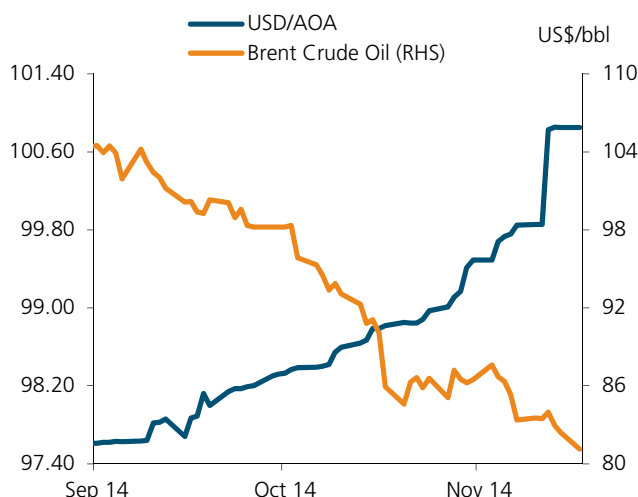


Angola

Kwanza (AOA) in brief

- The kwanza is vulnerable to jump risk (i.e. large once-off moves) as the oil price continues to tumble, eroding Angola's export earnings. The kwanza is likely to end the year weaker than our forecast. Given Angola's lack of diversification, fiscal revenues are at risk of being substantially lower than the state's projections, necessitating a weaker currency.

Figure 1: Moving weaker than expected



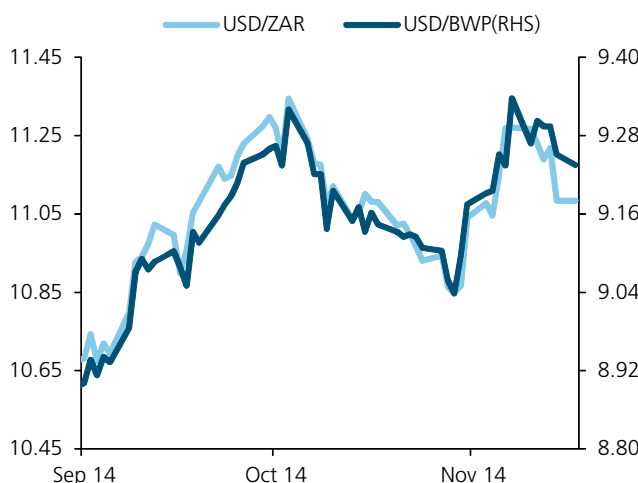
Source: Bloomberg
Data as at November 2014

Botswana

Pula (BWP) in brief

- The pula was little changed against the greenback on Friday, closing the day at 0.1076/78. The Eurozone's 3Q14 GDP figures printed slight growth from 2Q14 and beat expectations. October CPI also ticked up to 0.4% from 0.3% in September, giving some relief to the euro that had been on the back foot against the dollar all week. In late trade, we saw positive US retail sales data. We expect BWP/USD to open higher this morning around 0.1083/86.
- The pula traded weaker against the rand as the latter took cue from the euro, locking in the week's gains from encouraging local data. We expect the unit to open lower this morning at 1.2006/36 from 1.2026/56 at close.

Figure 2: Awaiting SARB move this week



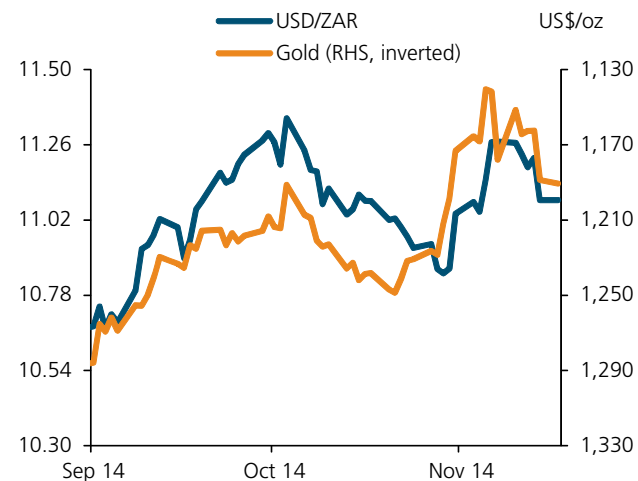
Source: Bloomberg
Data as at November 2014

CMA

Rand (ZAR) in brief

- USD/ZAR is back at 11.07, well within the existing range that extends from 10.85 to 11.39, but at risk of large swings in what could be a volatile week. EUR/ZAR is at 13.90, remaining far more stable than USD/ZAR, which continues to be thrown around by EUR/USD. Event risk this week comes from three fronts. First, the Fed minutes late on Wednesday night. Second, the local MPC policy decision on Thursday. Third, sentiment data — including ZEW, PMI and economic sentiment indicators — from the Eurozone which will be released through the week. The ideal for the rand would be a dovish Fed, a SARB that hikes and decent Eurozone data.

Figure 3: Rand needs a SARB hike



Source: Bloomberg
Data as at November 2014

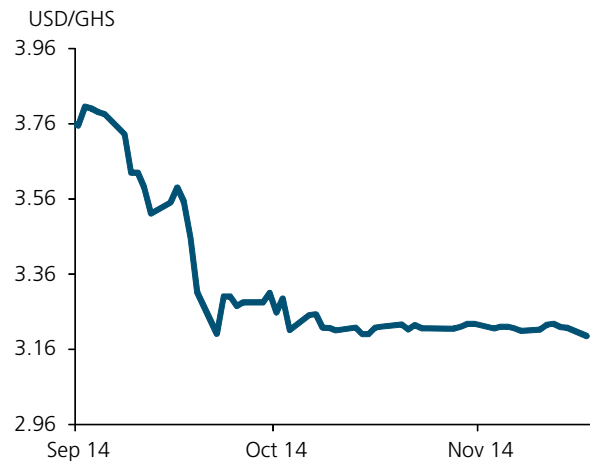


Ghana

Cedi (GHS) in brief

- Recent improvements in market liquidity are attributed to sturdier US dollar inflows and weaker corporate demand. These conditions have allowed the cedi to trade comfortably below 3.22 but the question remains: for how long? We continue to believe that the outcome of the government's negotiations with the IMF will set the tone for the cedi over the next three years. While a financial package will assist in remedying Ghana's dual's deficits, it needs to be accompanied by strong reforms to bring about structural change. Sustained currency strength is contingent on a strengthening of local fundamentals.

Figure 4: Improved market liquidity



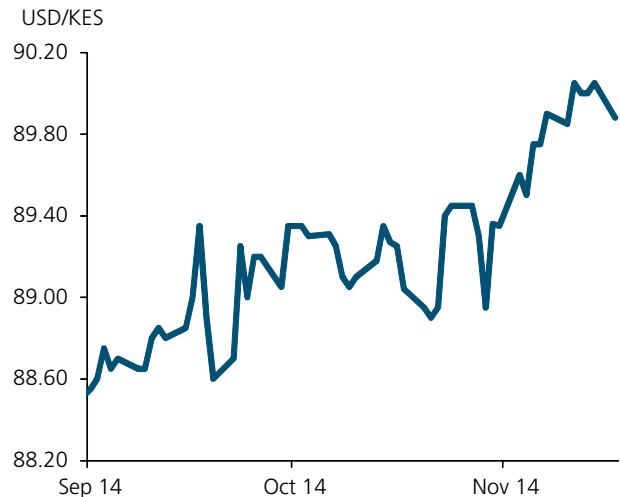
Source: Bloomberg
Data as at November 2014

Kenya

Shilling (KES) in brief

- The shilling ended the week just shy of 90.00 amid rampant import demand, primarily from the manufacturing sector. We'd anticipated a reallocation of capital from less attractive frontier markets to Kenyan assets to invigorate the local bond and equity markets, providing support to the shilling. However, the US dollar's uneven recovery has overshadowed the effect of rising portfolio inflows. The CBK has been reluctant to intervene given the US dollar's relative strength against a basket of currencies as it is considered transitory. Current market dynamics suggest a potential break of 90.00 this week

Figure 5: Import demand pushing shilling close to 90.00



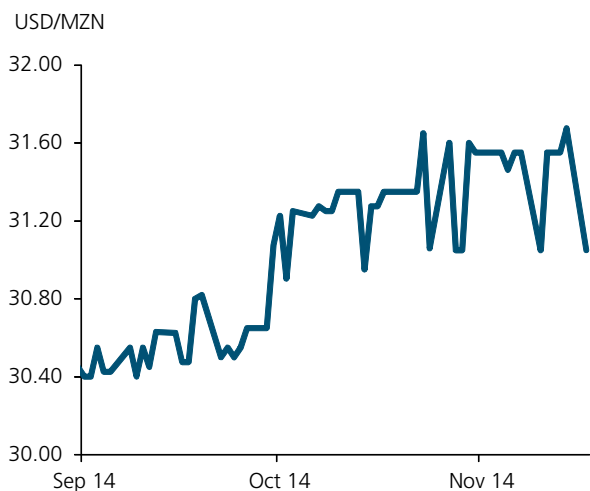
Source: Bloomberg
Data as at November 2014

Mozambique

Metical (MZN) in brief

- Metical trade has been erratic this quarter. The unit has bounced between 30.10 and 31.40, with an average closing price of 30.70.

Figure 6: Erratic trade over the past quarter



Source: Bloomberg
Data as at November 2014

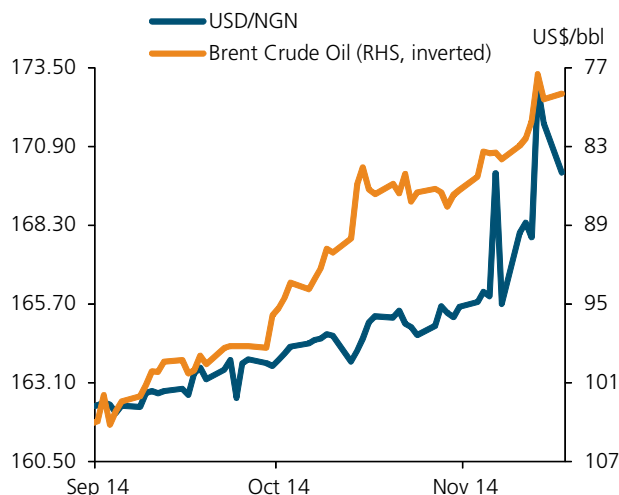


Nigeria

Naira (NGN) in brief

- The weekend provided a welcome reprieve for the CBN after a tumultuous week for the local financial markets. A cocktail of factors unnerved market participants across equity and bond markets, resulting in a steady stream of portfolio outflows, intensifying upward pressures on the naira. In a desperate attempt to stem panic buying and stabilise the naira, the CBN appealed to an array of commercial banks to bid for US\$2m each, providing temporary respite to the ailing currency. We expect a volatile start to the week as investors seek to shorten duration amid fears of a deterioration in macroeconomic fundamentals on the back of a lower oil price. In this environment, intraday moves to 173.00 cannot be ruled out.

Figure 7: CBN intervenes to curb sliding naira



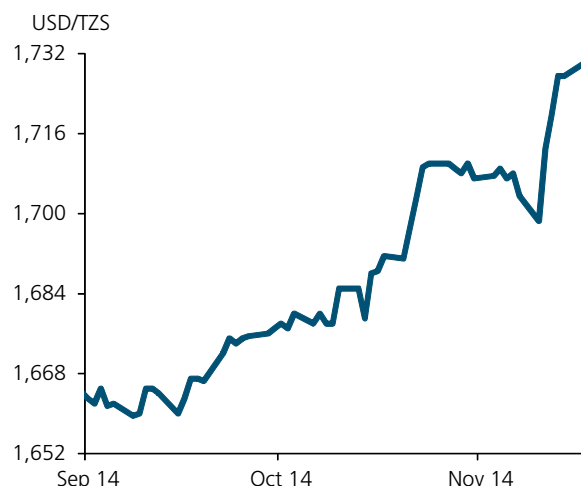
Source: Bloomberg
Data as at November 2014

Tanzania

Shilling (TZS) in brief

- Recent claims of corruption in the energy sector pose upside risk to our shilling forecasts. Twelve international donors have withheld funding, pending the outcome of an investigation by the public audit office into allegations that senior government officials fraudulently authorised payments of at least US\$122m of public funds. The suppression of US dollars has thrown liquidity off balance, precipitating losses. The unit tends to weaken in the fourth quarter on account of elevated import demand but could depreciate at a quicker pace if the issue is not resolved.

Figure 8: Liquidity off balance



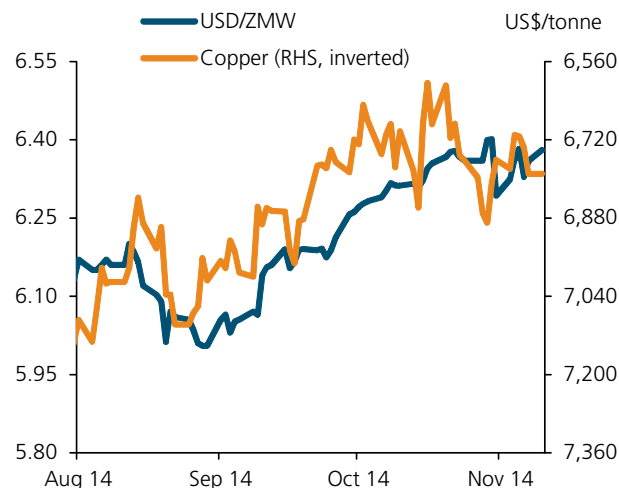
Source: Bloomberg
Data as at November 2014

Zambia

Kwacha (ZMW) in brief

- The kwacha plateaued at 6.34 last week after a steep ascent from 6.26 at the end of October. Sporadic US dollar inflows assisted in keeping demand in check but failed to provide meaningful downward momentum to the currency pair. A hobbled dollar rally further restricted kwacha gains. We expect the unit to oscillate between 6.31 and 6.40 over the next few days.

Figure 9: Dollar inflows keeping kwacha steady



Source: Bloomberg
Data as at November 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	100.86	0.03	1.10	2.25				
EUR/AOA	125.72	0.24	1.65	0.62				
GBP/AOA	158.42	-0.52	0.26	0.00				
JPY/AOA	1.15	0.23	-0.36	5.35				
Botswana								
USD/BWP	9.29	0.00	0.65	1.58	9.29	9.37	9.54	9.84
EUR/BWP	11.58	0.21	1.19	-0.03	11.65	11.76	11.98	12.39
GBP/BWP	14.60	-0.55	-0.19	-0.65	14.59	14.71	14.97	15.42
JPY/BWP	12.45	0.26	0.09	6.04	1.20	1.20	1.20	1.20
Ghana								
USD/GHS	3.22	-0.27	0.11	0.04	2.21	2.28	2.38	2.54
EUR/GHS	4.01	-0.06	0.65	-1.55	2.77	2.86	2.98	3.20
GBP/GHS	5.06	-0.82	-0.73	-2.15	3.46	3.58	3.73	3.98
JPY/GHS	35.96	0.53	0.63	7.67	257.01	262.93	273.96	291.80
Kenya								
USD/KES	90.00	0.00	0.28	0.92	90.46	91.61	93.39	97.54
EUR/KES	112.19	0.21	0.82	-0.68	113.31	114.81	117.12	122.64
GBP/KES	141.37	-0.55	-0.56	-1.29	141.71	143.44	146.12	152.38
JPY/KES	1.29	0.26	0.46	6.73	0.78	0.79	0.80	0.84
Mozambique								
USD/MZN	31.55	0.00	0.00	0.64	29.71	31.32	31.71	32.60
EUR/MZN	39.33	0.21	0.54	-0.96	39.00	39.25	39.76	40.99
GBP/MZN	49.56	-0.55	-0.83	-1.57	48.78	49.03	49.61	50.93
JPY/MZN	3.67	0.26	0.74	7.03	3620.44	3638.25	3679.56	3770.15
Nigeria								
USD/NGN	172.90	2.98	1.69	5.56	159.75	159.75	159.75	159.75
EUR/NGN	215.52	3.19	2.24	3.88	200.11	200.20	200.34	200.86
GBP/NGN	271.59	2.41	0.85	3.24	250.25	250.13	249.93	249.57
JPY/NGN	0.67	-2.64	-0.94	2.05	0.72	1.38	1.39	1.39
South Africa								
USD/ZAR	11.22	0.27	-0.44	1.64	11.16	11.26	11.43	11.82
EUR/ZAR	13.98	0.48	0.09	0.03	13.95	14.11	14.34	14.84
GBP/ZAR	17.62	-0.29	-1.27	-0.59	17.45	17.62	17.88	18.44
JPY/ZAR	10.32	-0.01	1.19	5.97	10.44	10.32	10.15	9.80
Tanzania								
USD/TZS	1,727.50	0.45	1.14	2.52	1,740.93	1,787.00	1,834.50	1,942.19
EUR/TZS	2,153.33	0.66	1.69	0.90	2,180.80	2,239.47	2,300.61	2,442.00
GBP/TZS	2,713.56	-0.10	0.30	0.28	2,727.20	2,798.03	2,870.08	3,034.21
JPY/TZS	0.07	-0.19	-0.40	5.06	14.97	15.38	15.81	16.79
Zambia								
USD/ZMW	6.36	-0.10	0.55	0.75	5.34	5.36	5.50	5.77
EUR/ZMW	7.93	0.11	1.09	-0.85	6.69	6.73	6.91	7.27
GBP/ZMW	9.99	-0.65	-0.29	-1.46	8.37	8.42	8.63	9.05
JPY/ZMW	18.19	0.36	0.19	6.91	0.05	0.05	0.05	0.05

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



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,191.08	-3.8	-7.7	18.7	1,186.3	1,188.6
Copper US\$/tonne	6,695.00	1.0	-3.9	18.2	6,722.0	6,630.0
Softs						
Cattle US\$/lb	240.00	0.7	45.3	14.8	171.3	158.3
Cocoa US\$/tonne	2,847.00	-8.7	4.1	17.1	2,847.0	2,789.0
Coffee – Arabica US\$/lb	192.00	-8.9	81.6	51.5	192.0	202.5
Coffee – Robusta US\$/tonne	0.00	-	-	21.5	2,074.0	2,107.0
Cotton US\$/lb	59.41	-5.7	-23.0	20.9	59.8	63.0
Maize – Yellow R/tonne	2,059.00	3.6	-13.2	24.0	2,059.0	2,063.0
Maize – White R/tonne	2,017.00	3.0	-16.9	23.7	2,017.0	2,036.0
Raw Sugar US\$/lb	15.90	-4.3	-9.4	18.4	17.7	17.7
Energy						
WTI Crude US\$/bbl	75.49	-8.8	-19.6	22.4	75.8	76.2

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Oct-14	Current	Current
Angola	4.27	4.76	9.00
Botswana	3.17	3.20	7.50
Ghana	25.75	24.21	21.00
Kenya	8.70	8.61	8.50
Mozambique	5.41	5.39	8.25
Namibia	5.76	5.72	5.75
Nigeria	10.35	10.90	12.00
South Africa	5.82	5.75	5.75
Tanzania	11.30	11.70	OMO ²
Zambia	9.50	13.00	12.00

1 End of month

2 Open Market Operations

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

Data as at November 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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