

10 March 2014

Angola

- AOA: Technical indicators suggest the kwanza is set to trade sideways

Botswana

- BWP: US payrolls data wipes out pula gains against the dollar

CMA

- ZAR: Strong US data and weak Chinese data — a bad combination for the rand

Ghana

- GHS: Cedi recovers almost 1.5% since the end of February

Kenya

- KES: Mild upward pressure anticipated, though sustained weakness is unlikely

Mozambique

- MZN: BDM spearheads metical recovery

Nigeria

- NGN: Growing divergence between official and parallel naira rates

Tanzania

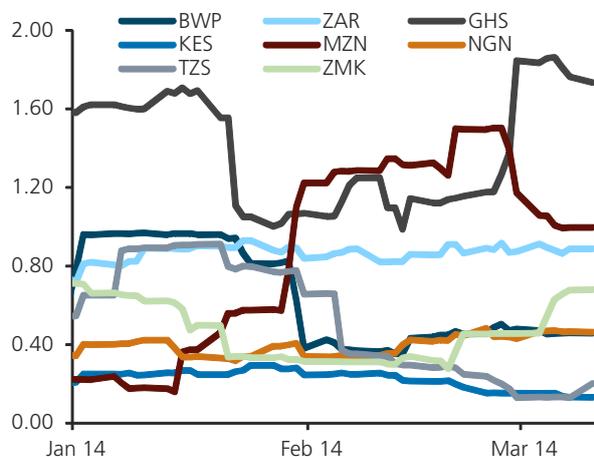
- TZS: BoT expected to step up sales of US dollars

Zambia

- ZMW: BoZ to allow market fundamentals to determine kwacha value

Currency fluctuations

1-month realised volatility



Source: Bloomberg
Data as at March 2014

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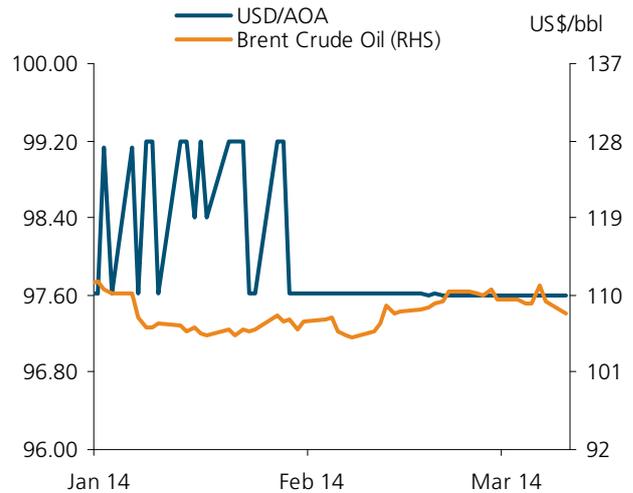


Angola

Kwanza (AOA) in brief

- Technical indicators suggest the kwanza is set to trade sideways in the near term. Indicative pricing shows little to no intraday volatility, with an average daily closing price of USD/AOA97.37 over the last month.

Figure 1: Kwanza trading steadily



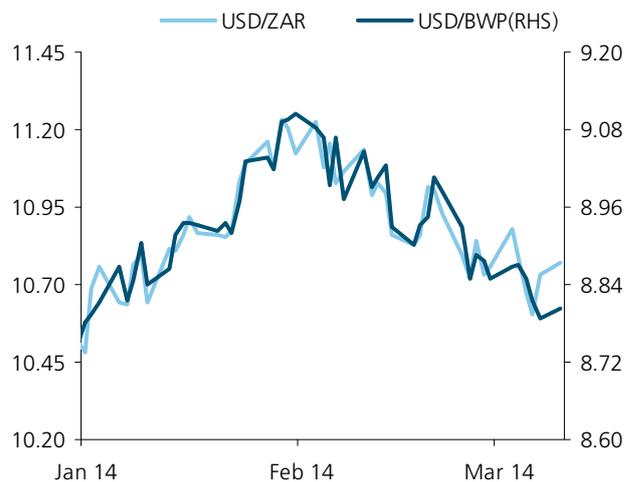
Source: Bloomberg
Data as at March 2014

Botswana

Pula (BWP) in brief

- The pula was range-bound against the greenback for most of the first session on Friday, with a lot of players on the sidelines awaiting the release of the US payrolls data for direction. The data came out stronger than expected in the second session, sending currencies lower against the dollar. As a result, the pula lost most of the week's good performance against the dollar. We expect the pula to open weaker this morning around BWP/USD0.1127/30 compared with the closing level of 0.1137/39. BWP/ZAR should open stronger around 1.2134/64 compared with 1.2081/1.2111 at close.

Figure 2: Pula surrenders gains to dollar after strong US payrolls data



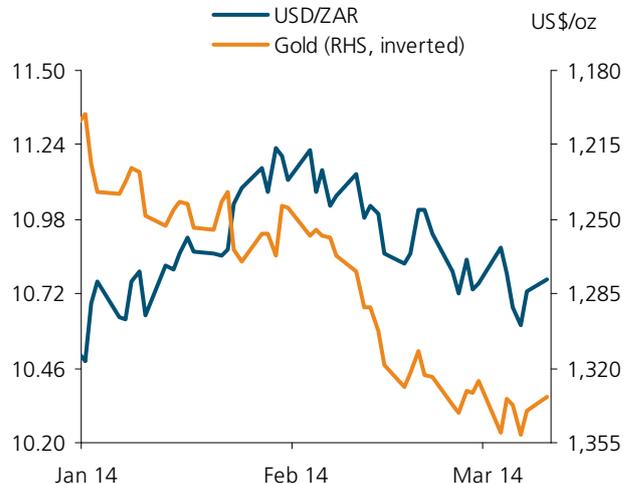
Source: Bloomberg
Data as at March 2014

CMA

Rand (ZAR) in brief

- Strong US data and weak Chinese data have been a bad combination for the rand. From a 10.59 low, USD/ZAR has backed up to 10.77. Mild upside pressures remain this morning but should quickly give way to indecisive sideways trade. US Treasury yields now set the tone for EM currencies. The current account data out on Wednesday may have an effect on the rand.

Figure 3: Rand bounces from 10.59 to 10.77



Source: Bloomberg
Data as at March 2014

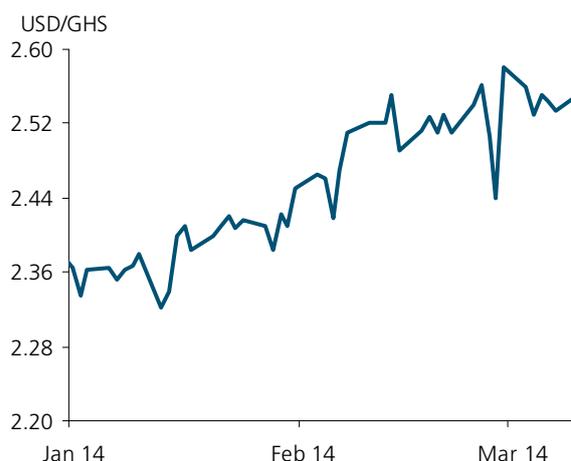


Ghana

Cedi (GHS) in brief

- The cedi has recovered almost 1.5% since the end of February, possibly reflecting the BoG's efforts to stabilise the currency. This includes the selling of a greater proportion of foreign exchange reserves on a more regular basis and the conversion of undrawn foreign currency accounts. Nonetheless, these measures will simply provide temporary support. A sustained pullback requires a lessening in import demand and accelerated inflows.

Figure 4: Cedi has recouped 1.5% since the end of February



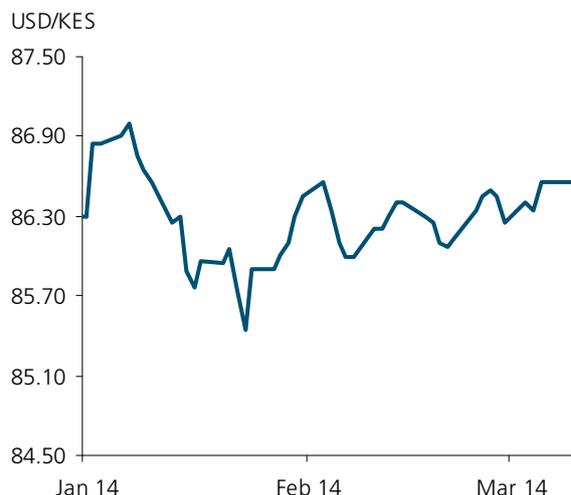
Source: Bloomberg
Data as at March 2014

Kenya

Shilling (KES) in brief

- First quarter dividend payments and a slight oversupply of the local currency could nudge USD/KES marginally higher over the next few days. Sustained weakness is unlikely as the CBK continues to drain excess shilling liquidity on a daily basis, thereby increasing the cost of funding long US dollar positions. Fundamentally, we believe the shilling should trend toward USD/KES88.00 by year-end to accommodate a weak current account position which will become increasingly difficult to fund in the face of thinning global liquidity.

Figure 5: Mild shilling weakness anticipated



Source: Bloomberg
Data as at March 2014

Mozambique

Metical (MZN) in brief

- The metical's cumulative losses against the US dollar and rand since the beginning of the year has prompted the BDM to sell foreign currency reserves to help stabilise the local unit. Inflows from the construction, gas and coal sectors have failed to quell domestic demand. Liquidity conditions should begin to normalise once donor funding begins to trickle in. However, this is dependent on whether donors are satisfied with the government's reasoning behind the EMATUM issuance, which took place in 4Q13. Local tax commitments, a moderation in import demand for durable goods, and the start of the export season over the next few months should augment US dollar liquidity and relieve depreciatory pressure on the metical.

Figure 6: Sale of international reserves provokes metical turnaround



Source: Bloomberg
Data as at March 2014

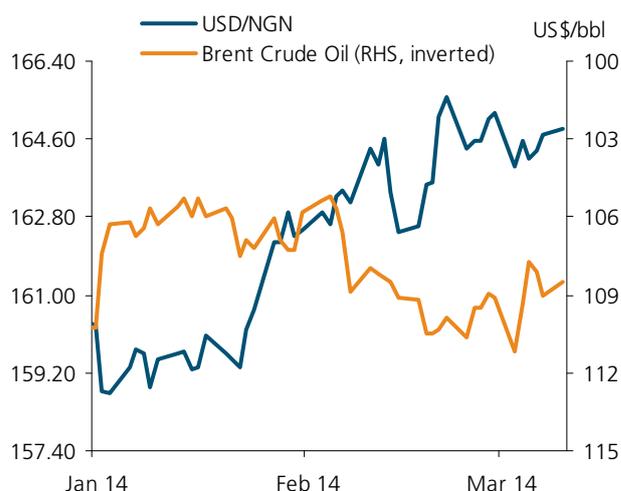


Nigeria

Naira (NGN) in brief

- At USD/NGN164.30, we would assume that depreciatory pressure on the naira has eased. However, the prevailing interbank rate is being heavily supported by the central bank, which has run down its international reserve position to less than US\$40bn. The divergence between the official RDAS, interbank and BDC rates emphasises the imbalance in domestic liquidity conditions. Demand for US dollars remains rampant as importers bring forward their commitments to hedge against further weakness, while local and offshore investors look to reduce their exposure to avoid foreign exchange losses. Barring additional measures by the CBN or sizeable sales of US dollars by oil exporters, another push toward USD/NGN166 cannot be ruled out.

Figure 7: Growing divergence between official and parallel rates



Source: Bloomberg
Data as at March 2014

Tanzania

Shilling (TZS) in brief

- USD/TZS drifted marginally higher over the last week as import demand for US dollars coupled with the payment of corporate dividends drew down on the available pool of foreign currency. Upward pressure on the currency pair should begin to subside as the central bank steps up its sale of US dollars, resulting in narrowing of bid/offer spreads.

Figure 8: Shilling continues to trade in a narrow range



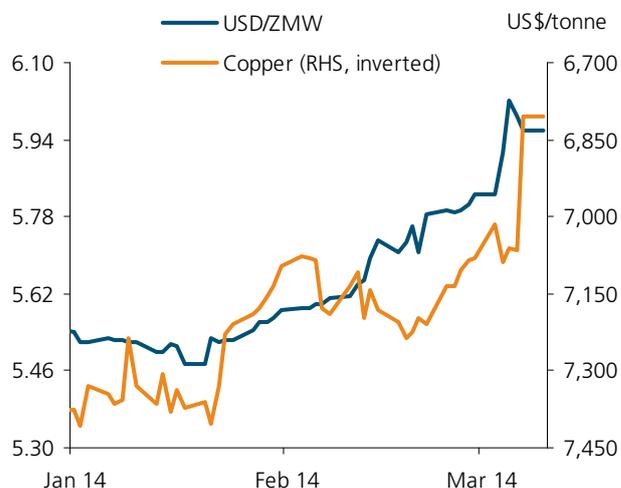
Source: Bloomberg
Data as at March 2014

Zambia

Kwacha (ZMW) in brief

- The central bank has indicated that it will refrain from currency intervention to allow market fundamentals to determine the value of the kwacha, which traded at multi-year lows of USD/ZMW5.9300 last week. The BoZ attributes the unit's recent slide to the lagged effects of US Fed tapering, lower copper prices and rampant import growth. Based on the robustness of Zambia's balance of payments, we believe the kwacha is undervalued at current levels. Given the speed of recent depreciation, we have raised our year-end forecast to 5.55 but maintain that an improvement in the current account, sustained FDI into the mining sector, stringent monitoring of balance of payment flows and a lessening in external borrowing should lead to gradual appreciation by year-end.

Figure 9: Kwacha value to be determined by market fundamentals



Source: Bloomberg
Data as at March 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	97.60	0.00	0.00	-0.01	-	-	-	-
EUR/AOA	135.26	0.90	1.07	2.52	-	-	-	-
GBP/AOA	163.60	0.17	0.47	2.75	-	-	-	-
JPY/AOA	1.06	0.60	0.87	1.79	-	-	-	-
Botswana								
USD/BWP	8.81	-0.40	-0.71	-2.95	8.91	9.00	9.13	9.38
EUR/BWP	12.22	0.50	0.36	-0.50	12.28	12.40	12.59	12.93
GBP/BWP	14.77	-0.22	-0.23	-0.27	14.90	15.04	15.26	15.64
JPY/BWP	11.68	1.00	1.58	4.88	1.22	1.22	1.22	1.23
Ghana								
USD/GHS	2.55	-0.24	4.30	3.25	2.21	2.28	2.38	2.54
EUR/GHS	3.53	0.66	5.42	5.86	3.07	3.16	3.30	3.52
GBP/GHS	4.27	-0.07	4.80	6.10	3.69	3.81	3.97	4.23
JPY/GHS	40.46	0.84	-3.30	-1.42	228.20	234.59	244.56	260.89
Kenya								
USD/KES	86.55	-0.01	0.12	0.00	87.23	88.18	89.55	92.91
EUR/KES	119.95	0.89	1.19	2.53	121.05	122.36	124.26	128.94
GBP/KES	145.08	0.16	0.59	2.77	145.74	147.26	149.45	154.76
JPY/KES	1.19	0.61	0.75	1.78	0.84	0.85	0.87	0.90
Mozambique								
USD/MZN	32.00	0.00	-1.39	3.90	29.71	32.21	32.77	33.77
EUR/MZN	44.35	0.90	-0.33	6.52	44.41	44.70	45.48	46.87
GBP/MZN	53.64	0.17	-0.92	6.77	53.47	53.79	54.69	56.26
JPY/MZN	3.22	0.60	2.28	-2.04	-	-	-	-
Nigeria								
USD/NGN	164.35	0.11	-0.42	0.89	159.75	159.75	159.75	159.75
EUR/NGN	227.77	1.01	0.64	3.44	221.69	221.68	221.67	221.71
GBP/NGN	275.48	0.28	0.05	3.68	266.91	266.79	266.59	266.11
JPY/NGN	0.63	0.49	1.29	0.88	0.65	1.55	1.55	1.55
South Africa								
USD/ZAR	10.61	-0.64	-1.17	-5.50	10.82	10.89	11.07	11.50
EUR/ZAR	14.70	0.26	-0.11	-3.11	14.97	15.11	15.36	15.90
GBP/ZAR	17.78	-0.47	-0.70	-2.89	18.02	18.19	18.47	19.09
JPY/ZAR	9.71	1.24	2.05	7.71	9.57	9.48	9.32	8.99
Tanzania								
USD/TZS	1,630.00	0.06	0.43	0.49	1,646.00	1,674.25	1,726.50	1,809.50
EUR/TZS	2,259.02	0.96	1.51	3.04	2,284.19	2,323.25	2,395.69	2,511.27
GBP/TZS	2,732.21	0.23	0.91	3.27	2,750.13	2,796.05	2,881.21	3,014.22
JPY/TZS	0.06	0.53	0.43	1.28	15.94	16.22	16.74	17.57
Zambia								
USD/ZMW	5.99	-0.50	3.19	7.16	5.34	5.36	5.50	5.77
EUR/ZMW	8.30	0.40	4.29	9.87	7.41	7.44	7.63	8.01
GBP/ZMW	10.04	-0.33	3.68	10.12	8.92	8.96	9.18	9.63
JPY/ZMW	17.19	1.10	-2.25	-5.02	0.05	0.05	0.05	0.06

Source: Bloomberg, Reuters, RMB Global Markets
All data as at March 2014



Commodities prices

	Current	m/m % change	y/y % change	Implied volatility	3-month future	12-month future
Metals						
Gold US\$/oz0	1,333.35	5.2	-15.5	14.9	1,338.5	1,340.6
Copper US\$/tonne	6,930.50	-3.7	-10.3	15.9	6,787.0	6,764.5
Softs						
Cattle US\$/lb	172.38	2.7	24.0	14.8	143.3	139.2
Cocoa US\$/tonne	2,966.00	1.5	40.0	23.0	2,981.0	2,979.0
Coffee – Arabica US\$/lb	196.05	44.5	36.8	54.1	196.9	203.7
Coffee – Robusta US\$/tonne	0.00	-	-	34.1	2,099.0	2,078.0
Cotton US\$/lb	91.44	4.5	5.2	23.5	91.3	79.2
Maize – Yellow R/tonne	3,530.00	18.4	57.4	24.0	2,420.0	2,282.0
Maize – White R/tonne	3,560.00	14.7	57.6	23.7	2,550.0	2,260.0
Raw Sugar US\$/lb	18.01	14.5	-3.9	27.1	18.6	18.6
Energy						
WTI Crude US\$/bbl	102.36	2.5	11.3	18.9	100.1	92.4

Source: Bloomberg

Interest rates

	3-m T-Bill		Policy rate
	Feb-14 ¹	Current	Current
Angola	3.69	3.64	9.25
Botswana	3.30	3.27	7.50
Ghana	20.02	20.16	18.00
Kenya	9.11	9.16	8.50
Mozambique	5.21	5.21	8.25
Namibia	5.19	5.20	5.50
Nigeria	13.67	13.30	12.00
South Africa	5.67	5.11	5.50
Tanzania	13.67	13.26	OMO ²
Zambia	7.99	7.99	10.25

¹ End of month

² Open Market Operations

Source: Bloomberg, Reuters, FNB Mozambique, RMB Namibia, RMB Global Markets
All data as at March 2014

All rated sub-Saharan countries

	Fitch	Moody's	S&P
Angola	BB-	Ba3	BB-
Benin	-	-	B
Botswana	-	A2	A-
Burkina Faso	-	-	B
Cameroon	B	-	B
Cape Verde	B+	-	B+
Egypt	B	Caa1	CCC+
Gabon	BB-	-	BB-
Ghana	B	B1	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+	Ba2	BB-
Uganda	B	-	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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