



Game drive—Mosi o Tunya National Park

WEEK CAPTIONS

- ◆ USA gives Zambia 93,820 tonnes in food aid valued at US\$63 million.
- ◆ Platinum Gold Equity to spend K60bn on the construction of a shopping mall and hotel at Kitwe's Freedom Park.
- ◆ First Quantum Minerals is to spend US\$74m on a high pressure oxidation and leach facility at Kansanshi Mine in Solwezi.
- ◆ IMF approves US\$15.9m credit for Zambia under the Poverty Reduction and Growth Facility.
- ◆ President Levy Mwanawasa opens the fifth session of the ninth National Assembly.

QUOTE OF THE WEEK

"All the macro-economic indicators have shown great improvement. Inflation has dropped and so have interest rates. The exchange rate of the Kwacha against major international currencies has stabilised and gained strength in recent months." - President Levy Mwanawasa.

FBZ BUSINESS NEWS

FBZ'S STRATEGIC MANAGEMENT PARTNER, LOITA CAPITAL PARTNERS INTERNATIONAL (LCPI), WAS AGAIN VOTED "BEST FINANCIAL CONSULTANCY TO AFRICA" AT THE ANNUAL AFRICA INVESTOR (AI) AWARDS. LCPI WAS THE ONLY SUCCESSFUL TITLE DEFENDER AT THIS PRESTIGIOUS CEREMONY.

FOREX MARKET

The ZMK posted further gains last week recording a 4.35% appreciation against the US Dollar. It firmed from the week's opening levels of 3400 and 3450 for bid and offer on the inter-bank market to 3250 and 3300 by close of the week.

The Kwacha had touched an all time high at 3210 and 3260 for bid and offer on Wednesday spurred by increased Dollar supply from exporters. It nudged slightly weaker at 3250 and 3300 on Friday due to improved demand and closed the week at these levels.

Meanwhile the debate continues to rage as to the sustainability and benefits of a strong local currency with the majority of the business community defying appeals for price reductions. Only a few companies have reduced prices owing to the Kwacha's appreciation.

Outlook:

Despite the debate, market fundamentals still favour a buoyant ZMK. The local currency is most likely to maintain its recent gains.

MARKET INDICATORS

FOREX	3250/3300
INTERBANK	10.00%
T-BILLS	14.98%
BONDS	18.99%
INFLATION	15.9%

FBZ	ZMK	US\$
LENDING	29%	(Base)

DEPOSITS	ZMK	US\$
SAVINGS	5%	0.2%
24 HR CALL	3.5%	0.2%
1 MTH	6%	0.6%
3 MTH	9%	1.2%

MONEY MARKET

INTERBANK

Liquidity in the interbank market was still in excess of K300 billion last week. This caused overnight rates to continue declining as the week progressed. The market closed at a 6% average. This was a sharp decline from the 30% average seen at the close of 2005.

The Central Bank was in the market by way of term deposits and continued to borrow at a maximum of 15% for the 91 days tenor.

This week, little movement is expected in the overnight money market index.

TREASURY BILLS

Last week's T-bill auction was characterized by increased levels of participation and accompanied by a sharp decline in yield rates. This was on account of an extremely liquid market.

BOZ was looking to secure K85billion from the market, but received an overwhelming K132billion in bids. K85billion was allocated and the 91 days t-bill yield rate is now found at 14.98% from the previous weeks' 15.16%.

Rates may remain stable as the bond auction is expected to provide cushion.

CAPITAL MARKET

EQUITY MARKET

A total of 11,192,117 shares were transacted in 88 trades. Total turnover was K6,805,014,748. The lead stock in the week was BP Zambia which had over 9 million shares worth K4.39 billion traded in 18 trades. Trading activity was also recorded in British American Tobacco, Chilanga Cement, Farmers House and National Breweries. The index closed at 1,311.47 points up 2.99% from 1,273.41 points the previous week.

GOVERNMENT BONDS

The Central Bank will on Friday 20th January come into the market in its role as the Government's agent to secure K100 billion through Bond issues. This will be the first bond auction of the year.

K25 billion will offered for the 2-years tenor, K35 billion for 3-years and K40 billion for 5-years.

Settlement will be on Monday the 23rd of January 2006.

TERMS & CONDITIONS APPLY



More Opportunities?

SWING OUR WAY!

Bridge Finance - A short term loan often provided by a venture capital provider while a company is seeking alternative finance eg, by floatation.

KEY INDICES

T-BILL YIELD	RATES
91 DAYS	14.9776%
182 DAYS	15.7553%
273 DAYS	15.6421%
364 DAYS	15.4247%

BOND YIELD	RATES
2 YEARS	18.9995%
3 YEARS	22.4305%
5 YEARS	24.9262%

CROSS	RATES
EUR / USD	1.2117 / 1.2122
GBP / USD	1.7753 / 1.7758
USD / JPY	114.41 / 114.44
USD / ZAR	6.0166 / 6.0666

LIBOR	RATES
1 MONTH	4.47000
2 MONTHS	4.52813
3 MONTHS	4.60000
6 MONTHS	4.73438
1 YEAR	4.84688

ECONOMIC	TARGETS
INFLATION RATE	15%
GDP GROWTH	4.3%
DEBT / BORROWING	1.6% GDP

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IMF releases \$15.9 million in aid to Zambia.

The International Monetary Fund on Wednesday completed the third review of Zambia's economic performance under a three-year poverty reduction programme, triggering the release of a \$15.90 million disbursement. Zambia already has drawn about \$271 million in funds under the Poverty Reduction and Growth Facility arrangement approved in June 2004 for a total of \$318.8 million. IMF Chairman Takatoshi Kato commended the Zambian government for

implementing sound economic policies and achieving goals of its poverty cutting plan. Kato in a statement said that sustained efforts to strengthen the public finances have contributed to improved macroeconomic stability and robust growth. He said debt relief had greatly reduced Zambia's external debt burden and warned that inflation, while declining, remains high. The strong pace of investments suggests that prospects for robust economic growth in the years ahead are favourable, he said.

INTERNATIONAL NEWS

■ U.S DOLLAR

The Dollar slipped against the Euro on Friday after European Central Bank President Jean-Claude Trichet said the bank must be vigilant in watching inflation expectations, using a buzz word that traders interpreted as hawkish. The Euro moved briskly above \$1.2100 after Trichet's remarks. The Euro was trading around \$1.2135. Against the Yen, the Dollar was trading little changed at 114.21. The Dollar dropped to 1.2764CHF. Against the greenback, the pound jumped 0.9% to \$1.7756.

■ GBP

Sterling rose to a 3 week high against the Dollar and Euro on Friday after the greenback came under broad selling pressure following weaker-than-expected U.S. economic data. By 1528 GMT, Sterling was up \$1.7691 easing slightly from a 3 week high of \$1.7730. The pound traded at 68.14 pence/Euro after reaching a 3 week high of 68.10 pence.

■ RAND

South Africa's Rand firmed marginally against the Dollar on Friday after U.S. retail sales in December came in weaker than expected. At 1345 GMT the Rand was fetching 6.06/dlr. The Euro rose against the Dollar, trading at \$1.2071 soon after the U.S. data from about \$1.2050 shortly prior.

■ COPPER

U.S. Copper futures closed with sharp gains on Friday as a range of

funds came in to stock up on the red metal after it declined following the release of weaker than expected U.S. economic data. March futures on the COMEX division of the NYMEX finished at \$2.1125/lb. Spot January closed at \$2.1680. At the LME, three-months copper prices closed at \$4,615 a tonne.

■ OIL

Crude Oil speculators on the NYMEX slashed their net short positions in the week ended Jan. 10. The U.S. cash market for foreign crude was quiet on Friday, with activity crimped by expensive European prices and the upcoming holiday weekend. U.S. crude futures settled at \$63.92 a barrel.

■ GOLD

Gold futures in NY reached a new 25-year high on Friday, as a weaker Dollar and frenetic speculative buying before a holiday weekend rekindled a rally in precious metals. At the NYMEX of COMEX division, February delivery Gold jumped to \$557/ounce. Spot Gold was quoted at \$556.50/557.25 an ounce. London fix by bullion dealers was at \$548.25.

DIARY**January 19th
PRETORIA:**

Preliminary forecast of area planted for summer crops; 5th winter crop production forecast.

**January 23rd - 24th
KHARTOUM:**

African Union summit.

**January 24th - 29th
DAVOS, SWITZERLAND:**

World Economic Forum Annual meeting.

**January 24th - 29th
BAMAKO/CARACAS/
KARACHI:**

World Social Forum 2006. The sixth edition of the World Social Forum will be polycentric, which means that it will be decentralized, taking place in different parts of the world - Mali, Venezuela and Pakistan.

**February 3rd
LUSAKA:**

Finance minister Ng'andu Magande delivers the 2006 Zambia budget in parliament.

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