



Micro-lite over Upper Zambezi

WEEK CAPTIONS

- ◆ Government awards 5 public sector unions 25% salary increment.
- ◆ Kansanshi copper mine has begun full-time commercial production.
- ◆ Annual inflation rate up from 17.4% to 18.6% in April.
- ◆ The world's biggest airliner, the Airbus double-decker A380, soared into the sky on Wednesday.
- ◆ Northwest Railways Ltd and the government have entered an agreement to construct a rail-line linking Chingola and Solwezi.
- ◆ France to write-off EUR100m Zambian debt.

QUOTE OF THE WEEK

"The drought has once again underscored the fact that Zambia cannot afford to ignore investment in irrigation anymore. We shall invest some of the money arising from HIPC in irrigation..." – Agriculture Minister Mundia Sikatana.

FBZ BUSINESS NEWS

FBZ signs a new Collective Agreement with its Unionized staff, providing significant increases in salaries and benefits

FOREX MARKET

ZMK was down just over 0.6% during the week, falling from the opening levels of 4630 and 4680 for bid and offer to close at 4660 and 4710 levels on the inter-bank market. As the market came to understand that reaching the HIPC Completion Point does not translate to immediate foreign exchange on the table, ZMK came under renewed pressure, as market players tried to square up their positions.

The market slowly returned to normal, reacting only to the market fundamentals of demand and supply. Few suppliers came on the market as banks competed against each other to purchase the few USD that were available, thereby pushing up the rates especially on Tuesday and Wednesday. ZMK stabilized on Thursday and Friday as demand declined and as the month came to a close. **OUTLOOK:** *Further depreciation this week.*

MONEY MARKET

INTERBANK

Even though ZMK150bn exited the market through T-bill and bond settlements on Monday, the market remained fairly liquid. Few banks had borrowing requirements as they helped customers to honor month-end obligations. The weighted average interbank rate remained stable as funds could be sourced at rates as low as 7%. **OUTLOOK:** *Stability in liquidity and overnight rates is expected to continue.*

TREASURY BILLS

BOZ was once again spoiled for choice as banks aggressively participated at the T-bill auction. Though only ZMK70bn was sought, bids received reached a maximum of ZMK164.4bn. The weighted average yield rates on all the three tenor suffered a considerable decline. The 91 day T-bill now has a weighted yield rate of 14.59% against the previous auction's 15.19%. **OUTLOOK:** *A further decline in rates is expected.*

MARKET INDICATORS

FOREX	4660 / 4710
INTERBANK	7.00%
T-BILLS	14.59%
BONDS	18.25%
INFLATION	18.6%

FBZ	ZMK	US\$
LENDING	29%	(Base)

DEPOSITS

SAVINGS	5%	0.2%
24 HR CALL	3.5%	0.2%
1 MTH	6%	0.6%
3 MTH	9%	1.2%

TERMS & CONDITIONS APPLY

CAPITAL MARKET

THE EQUITY MARKET

32,010 shares were transacted in 11 trades generating total turnover of K 15,397,795. The LuSE index established an all time high of 863.15 points in the first trading sessions but dropped to 859.15 points in the last sessions as a result of Chilanga Cement and Zambian breweries losing K45 and K1 respectively. BP Zambia and Zambia sugar gained K3 and K5 respectively. Other stocks traded included Zambeef, Standard Chartered Bank and Zamefa.

GOVERNMENT BONDS

The last monthly government bond auction took place on Friday the 22nd April with ZMK80bn on offer and a total of ZMK146bn worth of bids received. The next auction is expected in the third week of May and the rates on all tenors are expected to decline as with the shorter term instrument of Treasury bills.

Outlook: *Bond rates will most certainly decline as market sentiments favour lower long term interest rates.*



She sees a bright future.
AND SO DO WE!

Capital Adequacy Ratio ("CAR"): The legally required ratio of Capital to Assets which determines the limit of Financial Institution to provide credit facilities to the public.

KEY INDICES

T-BILL YIELD	RATES
91 DAYS	14.5917%
182 DAYS	16.0386%
273 DAYS	16.8474%

BOND YIELD	RATES
12 MONTH	18.2496
18 MONTH	19.3952
24 MONTH	18.9999

CROSS	RATES
EUR / USD	1.2869 / 1.2877
GBP / USD	1.9077 / 1.9092
USD / JPY	104.69 / 104.72
USD / ZAR	6.0563 / 6.1063

LIBOR	RATES
1 MONTH	3.08875
2 MONTHS	3.14000
3 MONTHS	3.21000
6 MONTHS	3.40875
1 YEAR	3.68625

ECONOMIC	TARGETS
INFLATION RATE	18.6%
GDP GROWTH	6.0%

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World's biggest airliner

The world's biggest airliner, the Airbus double-decker A380, took-off effortlessly into the European skies on Wednesday on one of the most eagerly awaited maiden flights since the supersonic Concorde took-off in 1969.

The A380, which is designed to carry 555 passengers, but has room for more than 800, shot down the runway, gathering speed and taking off from Airbus headquarters near Toulouse in southern France.

South Africa mining

South Africa's black business leaders may have deep pockets but many feel they haven't "made it" until they have gone underground and acquired a mine. Since top black businesswoman Bridgette Radebe founded Mmakau Mining Limited in the early 1990s, many other black business leaders have followed her. The country's black business tycoons — Tokyo Sexwale, Cyril Ramaphosa, Patrice Motsepe and Mzi Khumalo — wholly own or part own a mine.

INTERNATIONAL NEWS

| U.S. DOLLAR

The Dollar eased to five-week lows against the Japanese yen on Friday amid widespread market speculation that China might move soon to allow its currency to trade more flexibly. In early afternoon New York trading, the Dollar eased to 5-week troughs around 104.62 Yen. The Japanese currency was broadly stronger against the Euro, pushing Euro-Yen to 2-month lows around 135.14 Yen. Meanwhile, the Euro traded at \$1.2914, up 0.1% from late Thursday.

| GBP

Sterling held near this week's 7-month high against the Euro and also rose versus the Dollar on Friday after UK home loans data added to recent evidence the housing market is stabilizing. By 1355 GMT Sterling was up a quarter of a percent at \$1.9118. Against the Euro, Sterling was up steady at 67.63 pence after hitting a 7-month high of 67.50 pence on Thursday.

| RAND

South Africa's Rand firmed on Friday as the Dollar back-tracked against key currencies, but advances were limited by traders squaring their books ahead of the May Day long weekend. The Rand was trading at around 6.0950/Dollar by 1430 GMT, still firmer than its 6.14 at close in New York overnight. It briefly fell to \$1.2980 against the Euro, before recovering to around \$1.2928.

| COPPER

Copper prices rallied in New York on Friday as the weak Dollar inspired speculative buying while

others bought out of short positions, after a week of selling took the prices down to two-week lows. At the COMEX division of the New York Mercantile Exchange, new benchmark July copper finished 2.00 cents higher at \$1.4640/lb. At the London Metal Exchange, three-months copper closed the Friday evening firmer at \$3,215 a ton, above Thursday's close at \$3,181.

| OIL

Oil prices fell below \$50 on Friday, to the lowest in 10 weeks, as traders focused on slow economical growth and expanded crude oil supplies in the United States. U.S. light crude settled at \$49.72 a barrel, down 4% on the day, while London crude fell \$1.39 to \$51.09. It was the first time since Feb. 18 that U.S. oil prices settled under \$50. Prices have dropped 14.7% since the \$58.28 record high for U.S. crude set April 4. OPEC has been producing at near full capacity while U.S. crude oil stockpile now stand at 9% above a year ago.

DIARY

May 3rd

WASHINGTON:

U.S. Federal Reserve's Federal Open Market Committee (FOMC) holds one-day meeting on interest rates. Policy statement to be issued at close of meeting.

May 3rd

PARIS:

Organization for Economic Co-operation and Development (OECD) Council meets at Ministerial Level.

May 4th

JOHANNESBURG:

Investec Asset Management Conference on "Investing in Africa" at the Sandton Convention Centre.

May 5th

United Kingdom:

General Elections are held.

(Source: Reuters & BOZ)

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