



Zambezi Sunset

WEEK CAPTIONS

- ◆ The Zambia Investment Centre (ZIC) recorded investment pledges worth US\$41.3 million in the 1st quarter of 2005.
- ◆ Konkola Copper Mines has contributed US\$76 million to Vedanta Resources' US\$455 million earnings for the year ended March 31, 2005
- ◆ PICZ has increased monthly pensions for its members by 16%.
- ◆ Livingstone to get K20 billion Arcades shopping mall.
- ◆ Railway Systems of Zambia has paid government K1 billion in concession fees for the first quarter of 2005.

QUOTE OF THE WEEK

"By supporting the creation of capital, we can be developing more quickly in terms of results and then we could use that to eradicate poverty." – Mozambiquan President Armando Guebuza.

FBZ BUSINESS NEWS

FBZ has gone on-line with the implementation of its Customer Access System (CAS), which allows multiple services, including balance and statement enquiries.

FOREX MARKET

The ZMK started last week on a weaker note as the mismatch between supply and demand continued particularly in the early part of the week. It opened the week at 4640 and 4690 for bid and offer, before sliding to 4690 and 4740 at the close of the day.

But as the week progressed, the ZMK regained some of its losses due to improved supply from NGOs and exporters who came in the market to convert their USD for local currency month end obligations.

The ZMK closed the week at 4670 and 4720 for buying and selling on the inter-bank market recording a marginal depreciation of 0.6% over all during the week. The ZMK has recently witnessed intra-month fluctuations in tandem with fluctuations in USD supply and demand.

Outlook:

A buoyant to bullish ZMK is expected this week due to weak demand caused by tight ZMK liquidity as corporates settle their VAT payment obligations. ZMK touching on 4650 and 4700 for bid and offer, is on the radar.

MARKET INDICATORS

FOREX	4680 / 4730
INTERBANK	25.00%
T-BILLS	13.54%
BONDS	16.92%
INFLATION	19.1%

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



Tired of being a number?
MAKE THE MOVE!

Basis point - a basis point ("bps") corresponds to 1/100 of a percentage point

INTERBANK.

Last week, the average excess liquidity in the market was K65 billion. This forced interbank rates to remain at a stable, but expensive overnight rate of 17%. The Central Bank did not come in the market through its Open Market Operations ("OMO") window, but auctioned treasury bills on behalf of the Government. Intra month rates may fluctuate but market focus is towards lower long term rates.

TREASURY BILLS

At the last week's auction, T-bill rates made a turn around with yield rates for the three tenors marginally appreciating. Treasury bills auctioned amounted to K70 billion, but only K 61.9 billion worth of bids were forwarded to the central bank. The 91 days Treasury bill now has a weighted average yield rate of 13.5373% about 19 basis points higher than last weeks result. Treasury bill rates will most likely firm on account of a short market and increasing inflation.

CAPITAL MARKET

THE EQUITY MARKET

The LuSE All Share index closed the week 1.05% higher at 969.71 points. 43,272 shares were transacted in trades yielding a total turnover of K25,235,090. Trading activity was recorded in BP Zambia, Chilanga Cement, Standard Chartered Bank, Zambeef Products, Zamefa and Zambia Sugar Company. Zambeef gained K200 resulting in an all time high of K1,200/share. Zamefa and Chilanga Cement also gained K50 and K0.20 respectively.

GOVERNMENT BONDS

There was no activity in both the primary and secondary market. Trading in the secondary market may be influenced by the marginal rise in the price of money as this may lower bond prices due to the bond price-interest rate inverse relationship.

The next bond auction in the primary market is due at the close of this month.

KEY INDICES

T-BILL YIELD	RATES
91 DAYS	13.5373%
182 DAYS	14.4540%
273 DAYS	15.0128%

BOND YIELD	RATES
12 MONTH	16.9194
18 MONTH	17.9166
24 MONTH	17.8442

CROSS	RATES
EUR / USD	1.2224 / 1.2231
GBP / USD	1.8140 / 1.8147
USD / JPY	107.57 / 107.66
USD / ZAR	6.8158 / 6.8558

LIBOR	RATES
1 MONTH	3.16000
2 MONTHS	3.26625
3 MONTHS	3.36000
6 MONTHS	3.53000
1 YEAR	3.71000

ECONOMIC	TARGETS
INFLATION RATE	15%
GDP GROWTH	6.0%
DEBT / BORROWING	1.6% GDP

MILES SAMPA	DIRECTOR TREASURY
(+260 1) 237 582	msampa@financebank.co.zm
MICHAEL BWALYA	CHIEF DEALER
(+260 1) 224 990	mbwalya@financebank.co.zm
CHILEMBA ZULA	MONEY MARKET DEALER
(+260 1) 224 990	czulu@financebank.co.zm
ZICHE MAKUKULA	FOREX DEALER
(+260 1) 224 264	zmakukula@financebank.co.zm
CHARLES CAREY	EXECUTIVE DIRECTOR
(+260 1) 22 14 19	ccarey@financebank.co.zm
HEAD OFFICE	P.O. BOX 37102 CHANIK HOUSE, CAIRO ROAD, LUSAKA, ZAMBIA
TEL	(+260 1) 22 97 33 - 40
FAX	(+260 1) 22 44 50 / 75 44
SWIFT	ZFBAZMLU

Absa shareholders to vote on Barclays deal next week.

Absa shareholders will have their say on Barclays' proposed R33 billion acquisition of 60 percent of the country's largest retail bank exactly one week from today. Barclays needs 75 percent of Absa's shareholders to vote in its favour before the economy-altering deal can go ahead. Barclays is asking Absa shareholders to give up 32 percent of their holding and has given them the choice of selling more than one-third of their shares if they so wish. The percentage of shareholders indicating support for the deal rose from 63 percent to 70 percent in the three weeks between Barclays' firm intention announcement and the release of Absa's annual results last Monday. Barclays has also been buying Absa shares in the open market. It spent R145.1 million buying 1.76 million shares at an average price of R82.44 in the past week alone.

On Friday, Absa's shares were trading 10c above Barclays' offer price at R82.60, giving it a market capitalisation of R55 billion.

INTERNATIONAL NEWS

| **U.S DOLLAR**

The Dollar firmed against the Euro on Friday as investors continued to reward higher US interest rates and relatively positive growth prospects over Europe's political instability and economic inertia. Against the Dollar, the Euro slumped to \$1.2228 and creeping back toward 8-month lows of \$1.2157 hit earlier this week. Against the Yen, the Dollar traded at 107.70, down about 0.5% from late Thursday. The Dollar rose 0.2% to 1.2530 CHF, while Sterling was nearly flat at \$1.8136.

| **GBP**

Sterling edged higher off this week's 7 1/2 month low against the Dollar on Friday and also rose against the Euro, shrugging off a weaker than expected survey on Britain's service sector. In the absence of strong domestic lead, the Pound focused on movements in the Euro which stabilised above the 8-month low against the Dollar following a recent sell-off over concerns about prospects for political and economic stability in the Euro zone. By 1410 GMT Sterling stood at \$1.8170 after hitting the 7-1/2 month low of \$1.8074.

| **RAND**

South Africa's Rand clawed back some of its recent sharp losses against the Dollar on Friday but remained bruised after the Euro-inspired battering it suffered. At 1430 GMT the Rand was trading at 6.7775. It hit a year-low of 6.9770/Dollar on Wednesday.

| **COPPER**

U.S copper futures closed the week at a 16-year high Friday, after the U.S payrolls report hit the dollar when it showed much weaker-than-expected growth in May. At COMEX in New York, copper for July delivery settled

the week at 16-year closing high at \$1.5575 per lb., up 4.10 cents. At the LME, three-months copper jumped to \$3,270 per tonne by Friday's close up sharply from Thursdays close at \$3,174.

| **OIL**

Oil prices soared over \$55 a barrel on Friday, tracking an unseasonable rally in heating oil as traders worried over high global fuel demand and tight refinery capacity. U.S. light crude in New York settled up \$1.40 to \$55.03 a barrel, roughly \$3 below the all-time high hit in early April. In London, Brent crude rose by \$1.77 to close at \$54.17.

| **GOLD**

Gold futures in New York settled up a three-week high Friday as investors shifted into U.S. dollar alternatives on the heels of a weaker-than-expected U.S. payrolls report for May. At COMEX gold gained \$1.00 to end at \$425.80 an ounce, its highest close since May 11.

Source: Reuters & BOZ

This Treasury Market Report has been produced by Finance Bank Zambia Limited, under a management Services Agreement with Loita Capital Partners, for dissemination via a private client network. This report is intended for the use of the primary recipient only. The content is for information purposes only and all reasonable steps have been taken to ensure that the information within this report is correct and no liability is accepted for any loss arising from reliance on it. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of the Finance Bank Zambia Limited. Recipients of this report shall be solely responsible for making their own independent investigation of the business, financial condition and prospects of companies referred to in this report.

DIARY**June 6th – 7th****EDINBURG:**

G 8 International Parliamentarians conference on development.

June 7th**WASHINGTON:**

British Prime Minister Tony Blair expected to meet U.S President George W. Bush to press for agreement on Africa and climate change.

June 8th**PRETORIA:**

South African Reserve Bank starts two-day monetary policy meeting.

June 10th**GENEVA:**

World Trade Organisation (WTO) briefing expected after week-long meeting of Doha negotiating group on industrial goods.