



WEEK CAPTIONS	QUOTE OF THE WEEK	FBZ BUSINESS NEWS
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- ◆ Lafarge Cement Zambia on Tuesday ignited a new kiln at its US\$120 million Tukulé plant to mark the first stage of production at the recently constructed factory.
- ◆ Chambishi Metals Plc and Metals Finance Corporation have entered into partnership to examine the feasibility of establishing a treatment facility to recover cobalt and copper from Chambishi's substantial tailings resource.
- ◆ Equinox Minerals has discovered additional high grade copper mineralization at Kanga next to the Malundwe pit at Lumwana Mining.

"We recognize that rising food prices are a challenge but we also acknowledge that this development has created opportunities for creative minds and for land-rich countries like Zambia it may not be necessary to make a choice between producing crops for either fuel or food because we have enough space to accommodate both." - Rupiah Banda, V/President

Finance Bank Zambia limited will in the next few weeks issue a pre-listing bond of about K200 billion on the Lusaka Stock Exchange (LuSE).

MARKET INDICATORS

FOREX	3370/3390	
INTERBANK	11.00%	
T-BILLS	12.19%	
BONDS	14.07%	
INFLATION	12.60%	
FBZ	ZMK	US\$
BASE RATE	19.0%	10.5%

DEPOSITS

	ZMK	US\$
SAVINGS	3.0%	0.2%
24 HR CALL	3.0%	0.2%
1 MTH	3.5%	0.6%
3 MTH	6.0%	1.2%

TERMS & CONDITIONS APPLY

FOREX MARKET

The ZMK opened last week on a weaker note as demand for US Dollars continued to outstrip its supply. Having opened Monday's trading sessions at a buy rate of 3470 and sell rate of 3490 against the USD on the inter-bank market, the ZMK had slipped to an intra-day low of 3545 and 3565 on Tuesday before pulling back to 3500 and 3520 by close of business on the day. By Thursday, the ZMK had lost 1% of its value against the USD and closed the day at 3510 and 3530. Friday's trading session opened at these same levels on a quiet note.

However, the ZMK had become bullish by mid-morning in hectic trading as supply of the greenback suddenly improved with rekindled interest from offshore players who flooded the market with the greenback. The ZMK firmed from Friday's opening levels of 3510 and 3530 to 3370 and 3390, a gain of K140 or 4% on the day. The ZMK closed 2.9% stronger last week, with all the recovery being recorded on Friday alone. It was not clear whether the offshore players were investing in the securities market or merely taking positions. **Outlook:** *Stable to bullish ZMK expected on rekindled interest from offshore players.*

MONEY MARKET

INTERBANK
The commercial banks' aggregate current account balance opened the week higher at K302 billion but closed at K146.3 billion as few takers came into the market to cover their short position at an average overnight rate of 11%. The volumes of funds traded opened at K76.3 billion but closed the week at K115.8 billion. The central bank was ever present in the market looking to mop excess liquidity by trading both Term Deposit and Repos. **Outlook:** *The market will still be recovering from month-end settlements this week.*

TREASURY BILLS
The Treasury bill auction was characterized by less participation for 91 and 182 days tenors. The 273 days tenor was oversubscribed at received bids in worth 23.1 billion against the 20 billion required amount. Meanwhile, yields for all the tenors showed a downward movement. Commercial banks still showing greater appetite for the 364 days tenor which yield is still stable at 13.75% from previous auction. **Outlook:** *After month-end settlements, expect marginal rise in participation, stable yields.*

CAPITAL MARKET

THE EQUITY MARKET
The stock prices were generally on a downward trend with National Breweries closing at K7,200 down by K200.00 while Celtel Zambia was down to K750 from K800. AEL Zambia closed at K1,900 from K2,000. British American dropped to K1,750 from K1,799.99. Standard Chartered Bank was down by K10.00 closing at K540.00 and Zambia Sugar closed at K469.80 after losing K9.20. The all share index closed at 3,879.45 points down by 2.53 % from 3,980.22 points.

GOVERNMENT BONDS
The bond auction in the primary market took place last month, July. It resulted in a marginal decline in yields. Compare to the previous auction which took place in June, the 2 year bond is at 14.07% from 14.29%, the 3 year bond is at 15.41% from 15.65% and the 5 year bond dropped to 16.09% from 16.75%. At LuSE, no movement was recorded in the secondary market. **Outlook:** *Stable yields.*



International Banking?
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Floating Exchange Rate - A country's exchange rate regime where its currency is set by the foreign-exchange market through supply and demand for that particular currency relative to other currencies. It changes freely and is determined by trading in the forex market.

KEY INDICES

T-BILL	RATES
91 DAYS	12.1853%
182 DAYS	13.2028%
273 DAYS	13.6546%
364 DAYS	13.7535%
BOND YIELD	RATES
2 YEARS	14.0663%
3 YEARS	15.4096%
5 YEARS	16.0921%
7 YEARS	17.2609%
10 YEARS	18.4069%
15 YEARS	19.2547%

CROSS	RATES
EUR / USD	1.5569 / 1.5571
GBP / USD	1.9774 / 1.9777
USD / JPY	107.57 / 107.58
USD / ZAR	7.3205 / 7.3530

LIBOR	RATES
1 MONTH	2.46125
2 MONTHS	2.66250
3 MONTHS	2.79125
6 MONTHS	3.08375
1 YEAR	3.25250

ECONOMIC	TARGETS
INFLATION RATE	9%
GDP GROWTH	7%
DEBT / BORROW-	1.2% GDP

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Metals Finance Corp. plans Zambia Cobalt recovery

Metals Finance Corp. and Chambishi Metals Plc, are planning a joint venture for a facility to process Cobalt and Copper from disused tailings dump. Metals Finance Corporation has reached an agreement to help it determine whether it should establish a Copper and Cobalt recovery facility. Metals Finance Corp., which specializes in financing and providing technical skills to recover Copper and Cobalt from waste mining materials, and Chambishi Metals would

a nine-month-long feasibility study for the project. Once the plant is operational, Metals Finance will receive 90% of operating surplus until all capital is repaid. After repayment of capital, it will receive 50% of the operating surplus for the remaining life of the operation. Copper and Cobalt mining is Zambia's economic lifeblood and the vast Copper and Cobalt mines are a major employer in Zambia. Chambishi, a joint venture between International Metals Resources and Beni Stein Group Resources, is the largest Cobalt producer in Zambia.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The Dollar climbed to 5-week peaks against the Euro and 3-week highs against the British Pound last week Friday as better-than-expected economic data allayed worries about a much sharper slowdown. The Euro was down at \$1.5538. Sterling, meanwhile, fell to 3-week lows at \$1.9729.

■ GBP

Sterling fell to a 1-month low against the Dollar as jitters about the health of the financial sector came to the fore and weak data deepened gloom about the health of the economy. The Pound had fallen as low as \$1.9654. The Euro was up at 79.25 pence.

■ RAND

The Rand was back at fresh multi-month best levels against major currencies last week Friday with continued good offshore demand for the local currency. The Rand was bid at R7.2703/\$. It was bid at R11.3161/€ and at R14.3703/£. The Euro was bid at \$1.5561 from \$1.5596 overnight.

2. COMMODITIES

■ COPPER

The price of Copper fell to a 6-month low as a broad sell-off in commodities added further pressure to the red metal, already struggling from a weaker demand outlook. Copper for September delivery fell to \$3.4260/lb. LME Copper for delivery in 3-months ended at \$7,610.

■ OIL

Oil prices bounced higher last week Friday, gaining as much as \$3/barrel, led by a surge in gasoline futures and amid supply fears fueled by tensions in the Middle East. Crude futures ended higher at \$125.10. The price of Crude was trading higher at \$145.45. The price of Brent Crude was trading higher at \$146.23.

■ GOLD

Gold recovered earlier losses as Oil prices climbed almost \$3/barrel and as the Dollar steadied, giving up earlier gains, in the wake of the closely watched monthly non-farm payrolls data. Gold futures for December delivery settled down at \$917.50/ounce. Gold was at \$909.85/911.45, when it had a volatile session, trading in a wide \$20 range.

3. DIARY

Thursday, August 7th

FRANKFURT: ECB Governing Council meeting, followed by interest rate announcement.

AUGUST 2008

VIENNA-
(TENTATIVE): ECB Governing Council Member and Austrian central bank governor expected to retire in August.

Friday, September 5th

BASEL, Switzerland: Global Economy Meeting (GEM) of central bank heads from leading industrial and emerging economies, held at the BIS.

Wednesday, September 10th

BRUSSELS: ECB President testifies before the European Parliament's Committee on Economic and Monetary Affairs.

Thursday, September 18th

FRANKFURT: ECB Governing Council and General Council meeting.

(Source: Reuters, Financial Times LUSE & BOZ) Every attempt has been made to ensure that the information provided is accurate. However, Finance Bank Zambia Limited and its employees cannot be held responsible for any errors and no liability is accepted for any losses which may arise from the use of this information.