

EXPECT MORE FROM US

WEEK CAPTIONS	QUOTE OF THE WEEK	FBZ BUSINESS NEWS
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- ◆ The African Development Bank has given Zambia a US\$24 million concessional loan for budgetary support for next year and 2010.
- ◆ M - M o b i l e Telecommunications Zambia Ltd is set to open the US\$3 million mobile cellular phone assembly plant before the end of December.
- ◆ Zambia's annual inflation rate increased by 0.1% to 15.3% in November.
- ◆ The Zambia Revenue Authority has posted a net tax surplus of K426.6 billion from January to October this year.
- ◆ The EU has approved EUR346 million for direct budget support and sector funding for next year.

"As you are all aware, in any economy, more so in a market driven economy, financial institutions play a critical role in the allocation of resources through intermediating between those with surplus resources and those in need of resources." - Denny Kalyalya, Bank of Zambia deputy governor.

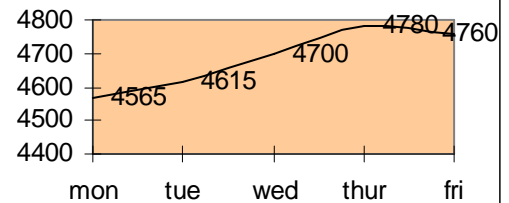
Finance Bank Zambia Limited has applied for a licence to operate in the Democratic Republic of Congo and has since started negotiations with the central bank of Congo.

FOREX MARKET

After a week of relative calm, the ZMK was on a volatile ride last week as it broke out of its range breaching two psychological levels of 4700 and 4800 in a roll. It opened the week trading at 4545 and 4565 for buying and selling on the inter-bank market and was on a one way traffic tumbling to 4700 on offer by Wednesday before breaching the 4800 level in intra-day trading on Thursday. It recovered slightly on Friday to close the week at 4740 and 4760 levels. The ZMK's bearish run was on account of negative market sentiments and USD supply worries as the copper prices hit their lowest in 3 years, in addition to the global financial crisis.



Kwacha Performance in the week Dec. 1st-5th, 2008



MARKET INDICATORS

FOREX	4740/4760	
INTERBANK	14.60%	
T-BILLS	13.92%	
BONDS	16.58%	
INFLATION	15.30%	
FBZ	ZMK	US\$
BASE RATE	21.0%	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	10.0%	1.2%

TERMS & CONDITIONS APPLY

MONEY MARKET

INTERBANK

At the close of last week, banks were able to square positions at an average of 13.8% in the overnight market. Overnight funds had been traded at 16% in the previous week. On Friday, excess liquidity in the market was found at K336.7 billion. However, volumes of funds traded was recorded at K24.5 billion. BoZ was in the market looking to mop up liquidity by accepting deposits and effecting reverse repos.

TREASURY BILLS

Treasury bill average yields closed the week marginally higher. This resulted from a decline in demand for treasury bills at the last auction. Total bids at the last auction amounted to K35 billion compared with K90.6 billion at the previous auction. The whole K35 billion was allocated. The 91 days yields appreciated from 13.83% to 13.92%. **Outlook:** *Stable to high yields are expected at the next auction.*

CAPITAL MARKET

THE EQUITY MARKET

The all share index declined further by 4.12%, closing at 2,686.62 points compared to 2,802.01 points week ending 28 November 2008. In terms of year to date in Kwacha the index declined further by 23.97% There was a general price drop in most securities. AELZ dropped by K10, closing at K1,740. BATZ closed at K1,480 down by K10. BP Zambia ended the week at K500 down by K95. Celtel closed at K350 down by K50. Lafarge dropped by K60, closing at K6200.

GOVERNMENT BONDS

The 11th Bond auction of the year was held on the 21st of November 2008. The Central Bank came to the market with offers for investment periods that ranged from 2 to 15 years. The total offered amount was K120 billion. The total bid amounts were K18.7 billion. The total allocated amount only represented 10% of the auction amount. The benchmark 2 year bond now yields 16.58%.



International Banking?
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Reserve Currency - A foreign currency held by central banks and other major financial institutions as a means to pay off international debt obligations, or to influence their domestic exchange rate.

KEY INDICES

T-BILL	RATES
91 DAYS	13.9224%
182 DAYS	15.9115%
273 DAYS	16.0001%
364 DAYS	18.6363%
BOND YIELD	RATES
2 YEARS	16.5806%
3 YEARS	16.2000%
5 YEARS	17.9423%
7 YEARS	17.2000%
10 YEARS	18.2000%
15 YEARS	19.2599%

CROSS	RATES
EUR / USD	1.2715 / 1.2720
GBP / USD	1.4683 / 1.4688
USD / JPY	92.820 / 92.850
USD / ZAR	10.275 / 10.335

LIBOR	RATES
1 MONTH	1.86750
2 MONTHS	2.04063
3 MONTHS	2.18563
6 MONTHS	2.55125
1 YEAR	2.69250

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

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November'08 inflation quickens to 15.3%

Zambia's annual inflation rate quickened marginally to 15.3% in November from 15.2% in October, mainly due to rising food prices. The November data dented chances of Zambia being able to reach a 7% inflation target by December. November annual food inflation rate was 18.5%, up from 17.6% in October this year. Annual inflation will probably end up at 15.5% in December when you factor in recent food price increases. Zambia, which has vast Copper

reserves, had agreed to try to keep inflation within single digits and maintain a stable exchange rate in return for increased funding from the IMF. But prices of white maize meal have increased due to a supply crunch triggered by severe floods in the 2007/8 season. The flooding reduced total maize output to 1.2 mln tonnes from 1.3 mln tonnes the previous season. The global financial crisis would make it hard to reduce inflation next year. Hence, the government would continue to maintain fiscal prudence and economic stability.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The Dollar rose against a basket of currencies last week Friday as investors hunted for safety after a dismal U.S. jobs report heightened worries about a deepening economic slowdown worldwide. The Euro fell against the Dollar to \$1.2727. The Dollar rose against the CHF to 1.2203. The Dollar fell as low as 91.60 Yen. For last week, the Euro rose 0.2% against the Dollar while the Dollar fell 2.8% versus the Yen.

■ GBP / EURO

Sterling stumbled against a broadly stronger Dollar last week Friday, as investors seized on data showing the U.S. economy lost more than half a million jobs in November as a fresh reason to unload exposure to risk. The Pound was down at \$1.4565. The Euro was down at 87.00 pence.

■ RAND

South Africa's Rand weakened against the Dollar last week Friday as negative U.S. jobs data raised risk aversion and local stocks also took hammering, shaken by weaker mining shares and lower global equities. The Rand was trading at 10.42 to the Dollar, about 1.3% weaker than its last New York close of 10.2850 last week Thursday. The Rand weakened sharply after U.S. markets opened.

2. COMMODITIES

■ COPPER

Copper futures stumbled below \$1.40/lb last week Friday to a new low dating back to May 2005 after bleak employment data reinforced concerns about the impact of the U.S. recession on demand for industrial metals. Copper for March delivery closed at \$1.3735/lb. LME Copper for 3-month delivery closed down at \$3,050.

■ OIL

Crude Oil futures ended down for the sixth straight session last week Friday, hitting their lowest level in 4 years, as demand worries persisted following a report showing a huge loss of jobs in November amid a raging recession. January Crude settled down at \$40.81/barrel. January Brent crude settled down at \$39.74.

■ GOLD

Gold futures fell sharply to close just above \$750/ounce last week Friday, ending the week more than 8% lower as a bleak U.S. jobs report triggered wholesale liquidation of assets across the board from stocks to Oil and commodities. February settled down at \$752.20/ounce. Spot Gold was at \$755.25. Afternoon fix in London at \$749/ounce.

3. DIARY

Sunday, January 11th

BASEL:

Global Economy Meeting of central bank heads from leading industrial and emerging economies, held at the Bank for International Settlements.

February, 2009

KAMPALA:

The World Agricultural Forum's World Congress to be held in Africa, the first time it is held outside the USA due to heavy interest in Africa.

March, 2009

TANZANIA:

African finance ministers to meet with the IMF to compare notes on their experience working with the donor organisation and chart a way forward.

MOMBASA:

Kenya hosts the fourth East African Petroleum Conference.

(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.