



FINANCE BANK

JUN 09, 2008

TREASURY MARKET REPORT

TMR 07 / 06



EXPECT MORE FROM US

WEEK CAPTIONS

- ◆ The Railway System of Zambia has committed an extra US\$30 million to upgrade the company's operations.
- ◆ The Lumwana copper project in Solwezi is nearing completion with production of first concentrates expected next month.
- ◆ The International Monetary Fund has approved a US\$79.2 million loan to Zambia over the next three years in support of the country's economic policies aimed at reducing poverty and sustaining economic growth.
- ◆ The Zimbabwe Dollar has registered a new record, crossing the one billion mark against the US Dollar.

MARKET INDICATORS

FOREX	3315/3335	
INTERBANK	11.50%	
T-BILLS	12.06%	
BONDS	14.65%	
INFLATION	10.90%	
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

QUOTE OF THE WEEK

"...how can we explain to people of good sense and good faith that it was not possible to find US\$30 billion a year to enable 862 million hungry people to enjoy the most fundamental of human rights: the right to food and thus the right to life?" Dr. Jacques Diouf, Food and Agriculture Organisation director general.

FBZ BUSINESS NEWS

Credit Suisse, one of the world's largest global investment banks has acquired 40 percent equity in Finance Bank Zambia Limited.

FOREX MARKET

The ZMK was bullish for most part of the week driven by a mismatch in the supply and demand fundamentals for the US Dollar. Having opened the week at 3380 and 3400 for buying and selling against the USD, the ZMK had firmed to 3310 and 3330 levels by Wednesday. On Friday, the ZMK hit an intra-day high of 3290 on the bid side and 3310 on offer on the inter-bank market before retreating a little to 3315 and 3335 on increased demand. The ZMK closed the week at these levels, almost 2% firmer from the opening levels.

The ZMK's robust performance for the week was largely on account of more Dollar conversions by corporates raising the local currency for tax obligations due mid this month. In the short to medium term, the ZMK will continue to be supported by favourable economic fundamentals in high copper prices as well as positive sentiments for the emerging markets.

Outlook:

The ZMK is likely to continue with its bullish run this week as more conversions of Dollars take place for mid month tax obligations.

MONEY MARKET

INTERBANK

Yields in the overnight market opened higher at 11.5% on Monday. The appreciation was driven by kwacha demand on account of treasury bill settlements.

The volumes of funds traded in the overnight market peaked at K131 billion on Monday but retracted to K56.7 billion on Wednesday when liquidity was restored. The index closed the week at 10.8% and the volume of funds traded at K76.1 billion.

Outlook: Yields may remain stable.

TREASURY BILLS

The treasury bill auction received an overwhelming K136.7 billion worth of bids. Of this amount, K90.6 billion was allocated for the four auctioned tenors.

The bids for the 364days tenor accounted for 60.57% of the total bids. Market sentiment still favours lower yields in the long term.

The 91 days treasury bill now yields 12.06% from last the previous weeks' 12.03%.

Outlook: Yields may decline marginally.

CAPITAL MARKET

THE EQUITY MARKET

A total of 3,314,761 shares were transacted in 157 trades resulting in a total turnover of K4.84 billion. The all share index closed at 4,043.45 points down by 0.46% from 4,062.00 points week ending 30 May 2008. Zambeef Products accounted for the bulk of total turnover recording K3.39 billion followed by Zambia Sugar with K1.28 billion. Trading activity also occurred in CEC, Lafarge Cement Zambia, Standard Chartered, Zamefa, Zambian Breweries and Bata.

GOVERNMENT BONDS

At the last auction, the monthly bond auction attracted bids worth K107.1 billion. The central bank was in the market looking to secure K120 billion on behalf of the government.

BoZ managed to secure K91.2 billion as the market continued to show appetite for the longer dated assets. The benchmark 2 years bonds closed marginally higher at 14.65% from last months yield of 14.62%. Meanwhile, no secondary trade was recorded at the LuSE.



International Banking?
We'll do the talking!

Cross Currency - A pair of currencies traded in forex that does not include the U.S. Dollar. One foreign currency is traded for another without having to first exchange the currencies into American Dollars.

KEY INDICES

T-BILL RATES

91 DAYS	12.0634%
182 DAYS	12.9681%
273 DAYS	13.5021%
364 DAYS	13.6559%
BOND YIELD RATES	
2 YEARS	14.6532%
3 YEARS	15.4808%
5 YEARS	16.3094%
7 YEARS	17.2609%
10 YEARS	18.4069%
15 YEARS	19.2547%

CROSS RATES

EUR / USD	1.5777 / 1.5778
GBP / USD	1.9700 / 1.9705
USD / JPY	104.90 / 104.95
USD / ZAR	7.8724 / 7.8784

LIBOR RATES

1 MONTH	2.44938
2 MONTHS	2.57938
3 MONTHS	2.69563
6 MONTHS	2.96938
1 YEAR	3.21063

ECONOMIC TARGETS

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

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IMF approves \$79.2 mln loan for Zambia

The IMF has agreed to give Zambia a \$79.2 mln loan over the next 3 years to help it fight poverty and sustain economic growth. The authorities remain committed to maintaining macroeconomic policies and pursuing structural reforms to sustain high economic growth, further reduce poverty, diversify the economy, and preserve macroeconomic stability and debt sustainability. Zambia expects its economy to grow by 7%. The poverty reduction and growth facility, IMF's concessional facility for low-inco-

me countries, lends at 0.5% p.a and its loans are repayable over 10 years. Zambia has to strengthen its debt management to ensure that new borrowing did not push the country back into deep debt. The programme envisages a cautious policy on foreign borrowing, emphasizing concessional loans and close monitoring of external borrowing by public enterprises. The new higher taxes for the mining sector would provide substantial resources. In implementing the new regime, the authorities are encouraged that the attractiveness of investment in the mining sector is preserved.

INTERNATIONAL NEWS

1. CURRENCIES**■ U.S DOLLAR**

The Dollar fell across the board last week Friday as a big jump in the U.S. jobless rate underscored the economy's weakness, which could prevent the Federal Reserve from raising interest rates later this year. The Euro gained versus the Dollar to \$1.5728. Against the Yen, the Dollar fell to 105.82. The Dollar fell to 1.0210 CHF.

■ GBP

Sterling slipped against the Euro last week Friday; extending losses a day after the European Central Bank said an interest rate rise was possible next month, while BoE rates are expected to fall later in the year. Sterling rose to \$1.9648. The Euro rose to 79.97 pence.

■ RAND

South Africa's Rand was largely range bound against the Dollar last week Friday but weakened on the crosses as investors turned slightly more risk-averse after a weak U.S. jobs number. The Rand drifted in the range 7.8075/8660 against the Dollar. The domestic currency was bid as weak as 12.3631 against the Euro.

COMMODITIES**■ COPPER**

Copper futures settled at a 1-1/2-week high last week Friday as mounting losses in the Dollar following disappointing May employment data boosted the appeal of commodities as a hedge against inflation. Copper for July delivery ended up at \$3.6230/lb. LME 3-month settled at \$8,000.

■ OIL

Crude Oil futures rocketed to an all-time high above \$139/barrel last week Friday, jumping by more than \$11 as buyers stampeded after remarks from Israel's transport minister that an attack on Iranian nuclear sites looked "unavoidable." July Crude settled at a record \$138.54/barrel. July Brent Crude settled at a record \$137.69/barrel.

■ GOLD

Gold futures jumped nearly 3% last week Friday, ending at just below \$900/ounce on a combination of record Oil and the Dollar's drop after a weak U.S. jobs report. The August Gold contract settles up at \$899/ounce. Spot Gold at \$896.80/898.20 an ounce. The London afternoon Gold fix at \$890.50.

3. DIARY**Monday, June 9th**

PARIS:
ECB President to speak at the "Forum for New Diplomacy" jointly organised by Academie Diplomatique Internationale and International Herald Tribune.

Sunday, June 15th

JEJU ISLAND, S/Korea:
ECB Vice-President to participate in the conference on "Asia, Europe and the Future of Regional Economic Integration" jointly organised by Korea and Slovenia and the European Commission.

Wednesday, June 25th

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

Wednesday, July 2nd

PARIS:
ECB President opens an event to promote Paris's role as an international financial centre.

(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.