



EXPECT MORE FROM US

Visit Zambia Campaign

### WEEK CAPTIONS

- Actual foreign direct investment from China to Zambia is projected to exceed US\$1.5 billion by mid-next year.
- The government will this December reopen invitations to tender for petroleum exploration.
- Lumwana Mine has begun crushing operations after the successful commissioning of the primary crushing and conveying circuit at the site.
- The government has approved the uranium policy that will regulate the production and mining of the mineral in Zambia.

### QUOTE OF THE WEEK

*"The most damaging effect potentially is on capital flows. You know well that Africa has seen very strong growth in foreign investment, both direct and portfolio,...Now there is a risk that if there is a really difficult financial crisis in US and Europe and risk aversion arises, it is possible these capital flows which have fuelled growth in Africa will fall. It will be a very serious problem for the continent."* S. Devarajan, WB chief economist for Africa.

### FBZ BUSINESS NEWS

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

The ZMK tumbled heavily last week in what appeared to be a free fall situation on US Dollar supply fears and negative market sentiments. The local currency which opened last week trading at 3520 and 3540 for buying and selling on the inter-bank market was bearish through out the week plummeting to its weakest level this year as it closed the week at 3925 and 3945 for buying and selling. This represents an overall depreciation of 11.44% during the week. This exchange rate was last witnessed in September last year.

The Kwacha's weak showing in the week under review was on the back of increased demand for the greenback by offshore players exiting the Zambian market. Negative market sentiments also contributed to the down fall of the ZMK as base metals prices fell sharply on mounting fears of a looming world economic recession. Copper prices fell to their lowest since January 2006 as investors scrambled out of commodities markets to safe havens such as gold.

**Outlook:** *The ZMK still exposed to huge volatilities this week as demand continue to outstrip supply of Dollars. Conversion of USD by corporates for tax purposes may mitigate.*

### MONEY MARKET

#### INTERBANK

The overnight money market index opened the week at 12.70%. It later firmed to 13.00% on Wednesday before closing the week at 13.20%.

Excess market liquidity was K153 billion on Monday. It was found higher at K322,8 billion on Friday while the overnight demand increased from K70 billion to closed the week at K100 billion.

BoZ continued to take funds from the market through the OMO window.

**Outlook:** *stable yields.*

#### TREASURY BILLS

Last week's treasury bill auction attracted bids worth K34 billion. A total of K33.4 billion was allocated.

In the past few weeks, participation levels have declined greatly while the central bank's offered amounts have remained at K100 billion.

Yields across all tenors appreciated marginally with the 91 days t-bill now trading at 13.14% from the previous week's close of 13.03%.

**Outlook:** *An upward trend in yields.*

### CAPITAL MARKET

#### THE EQUITY MARKET

The all share index plummeted further by 2.51% from 3,594.32 points week ending 3 October 2008 closing at 3,504.05 points. Year to date in Kwacha it was down by 0.83%.

AEL Zambia and CEC were both down by K20.00 closing at K1,800.00 and K500 respectively. Trading activity was also recorded in CCHZ, National Breweries, Zamefa and Zambian Breweries.

#### GOVERNMENT BONDS

The 9th government bond auction took place on 19/09/2008. BoZ was looking to secure K120 billion on behalf of the government. Commercial banks were less willing to commit funds long-term in a rising interest rate environment and only submitted bids worth K27.1 billion.

The total allocated amounts were found at K27.1 billion while yields were found higher. No secondary market trades were reported at the LuSE.

### MARKET INDICATORS

FOREX	3925/3945	
INTERBANK	13.00%	
T-BILLS	13.14%	
BONDS	14.91%	
INFLATION	14.20%	
<b>FBZ</b>	<b>ZMK</b>	<b>US\$</b>
BASE RATE	21.0%	10.5%

<b>DEPOSITS</b>	<b>ZMK</b>	<b>US\$</b>
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



**International Banking?**  
**We'll do the talking!**

**Tomorrow Next - Tom Next** - The purchase and sale of a currency made to avoid taking actual delivery of the currency. The current position is closed out at the daily close rate and re-entered at the new opening rate the next trading day. "tomorrow next procedure".

## KEY INDICES

T-BILL	RATES
91 DAYS	13.1386%
182 DAYS	15.0024%
273 DAYS	15.0024%
364 DAYS	17.5237%
BOND YIELD	RATES
2 YEARS	14.9050%
3 YEARS	15.6426%
5 YEARS	16.4747%
7 YEARS	17.2609%
10 YEARS	18.4061%
15 YEARS	19.2547%

CROSS	RATES
EUR / USD	1.3412 / 1.3416
GBP / USD	1.7041 / 1.7045
USD / JPY	100.64 / 100.70
USD / ZAR	9.4494 / 9.4894

LIBOR	RATES
1 MONTH	4.58750
2 MONTHS	4.68250
3 MONTHS	4.81875
6 MONTHS	4.39375
1 YEAR	4.16875

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

<b>MILES SAMPA</b>	<b>DIRECTOR TREASURY</b>
(+260 1) 237 582	msampa@financebank.co.zm
<b>MICHAEL BWALYA</b>	<b>ASSISTANT DIRECTOR</b>
(+260 1) 224 990	mbwalya@financebank.co.zm
<b>PAUL MANGOMBA</b>	<b>SENIOR DEALER M.M.</b>
(+260 1) 224 264	pmangomba@financebank.co.zm
<b>CHILEMBA ZULU</b>	<b>FOREX DEALER</b>
(+260 1) 224 990	czulu@financebank.co.zm

<b>HEAD OFFICE</b>	<b>P.O. BOX 37102 CHANIK HOUSE, CAIRO ROAD, LUSAKA, ZAMBIA</b>
<b>TEL</b>	(+260 1) 22 97 33 - 40
<b>FAX</b>	(+260 1) 22 44 50 / 75 44
<b>SWIFT</b>	ZFBAZMLU

**PTA Bank to Finance Oil Imports**

The Zambian government and PTA Bank have concluded talks on a 2-year deal to finance imports of Crude Oil for the Indeni Petroleum Refinery. The Oil financing deal is now awaiting the approval of the finance ministry and the final agreement should be signed early this week. The talks between the ministry of energy and PTA bank were concluded last week Wednesday. The ministry delegation has been holding talks with PTA bank following the collapse of Oil financing discussions with the Zanaco Bank.

The deal is estimated at around \$400 mln. The fuel consumption in Zambia has been on the rise as a result of increased copper mining activities. Copper mines continue to use thermal generators to meet output targets due to intermittent power outages. Zambia is planning to increase Crude Oil imports from 90,000 metric tons every 6 weeks to 120,000 tons to meet the rising fuel consumption. Total SA, which jointly owns Indeni with the Zambian government, stopped financing Crude Oil imports early last year after disagreements with the government over pricing of fuel.

## INTERNATIONAL NEWS

## 1. CURRENCIES

## ■ U.S DOLLAR

The U.S. Dollar surged to a 15-month high against a basket of other major currencies last week Friday as plunging stocks and persistently tight credit markets prompted investors to scramble for cash in the world's reserve currency. The Euro fell against the Dollar at \$1.3399 after touching an 18-1/2-month low.

## ■ GBP / EURO

Sterling stood near 5-year lows hit earlier against the Dollar last week Friday, pressured by a flight from riskier assets as global stock markets tumbled. Sterling was down at \$1.6990 in choppy conditions. Earlier, the Pound hit a 5-year low of \$1.6802. The Euro was down at 79.37 pence.

## ■ RAND

South African stocks dropped last week Friday as global markets dived on fears policymakers are not doing enough to contain the credit crunch, while the Rand weakened against the Dollar on aversion towards risky assets. The Rand was trading at 9.42 to the Dollar. The Rand firmed to 9.1925 after U.S. stocks moved briefly into positive territory but came back.

## 2. COMMODITIES

## ■ COPPER

Copper futures finished with heavy losses last week Friday that led to a January 2006 low, when investors seeking cash anywhere they could find it ignited a wave of panic selling that pervaded most commodity, energy and financial markets. Copper for December delivery finished down at \$2.1445/lb. Spot October ended at \$2.1565 cents. LME Copper for delivery in 3 months ended the Friday kerb \$4,790/tonne.

## ■ OIL

Crude Oil futures ended down more than 10% last week Friday to mark the lowest settlement since September 2007 as Wall Street tumbled on growing fears that tighter credit could spark a global recession. November Crude settled down at \$77.70/barrel. November Brent ended down at \$74.09/barrel.

## ■ GOLD

Gold dropped as much as 9.6% last week Friday, reversing sharp morning gains as a wave of panic prompted investors to dump assets across the board to meet liquidity needs. Spot Gold dropped to \$845.80. The Gold contract for December delivery settled down at \$859/ounce.

## 3. DIARY

**Wednesday, October 29<sup>th</sup>**

**KIGALI:** The East Africa International Business Forum on trade and investment opportunities.

**December**

A customs union for the 19-member COMESA trade bloc comes into effect.

**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.

**Wednesday, March, 2009**

**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.*