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WEEK CAPTIONS

- ◆ The BoZ has attributed the increase in supply of foreign exchange to the good performance of the mining sector and non-traditional exports.
- ◆ World Bank's Doing Business 2009 has ranked Zambia 100th on its index based on its business regulations implemented by the government.
- ◆ The Micro Bankers Trust, has disbursed loans worth K6 billion in the past four years to women under the MPRP.
- ◆ The PTA Bank has signed a US\$50M credit line with China Development Bank to support projects in the telecommunications, mining, infrastructure, etc.

MARKET INDICATORS

| | | |
|------------|------------|-------------|
| FOREX | 3470/3490 | |
| INTERBANK | 11.30% | |
| T-BILLS | 12.48% | |
| BONDS | 14.94% | |
| INFLATION | 13.20% | |
| 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

"We are moving in a positive direction, although in some variables we are facing huge challenges but we are not off mark too much than other countries when compared to members of the Organisation for Economic Cooperation and Development (OECD)" Commerce and Industry Minister, Felix Mutati.

FBZ BUSINESS NEWS

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).

FOREX MARKET

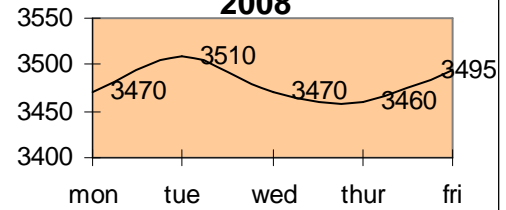
USD/ZMK traded at 3425/3445 at the week's outset. Mismatched demand and supply saw Kwacha record depreciated intra-day trading levels of 3450/3470.

On Tuesday, Kwacha depreciated to the week's lowest levels when it traded at 3490/3510 and was only supported by demand from corporates that sold off USD to meet ZMK tax settlements that fell due on the 15th. On Wednesday, a bullish kwacha rallied to peak at 3400/3420 before retracting to close the week at 3475/3495.

Outlook: A stable- strong ZMK is seen this week.



Kwacha Performance in the week Sep. 8th-12th, 2008



MONEY MARKET

INTERBANK

The overnight market opened the week with excess liquidity levels found at K165 billion. This figure improved as the week progressed to close at K254 billion.

Meanwhile, the overnight index softened from 11.60% to 11.10% at the close of the week. Demand was found in excess of K100 billion throughout the week. The central bank was ever present in the market through the OMO window taking deposits. **Outlook:** Lower liquidity levels after tax settlements may appreciate the overnight index.

TREASURY BILLS

There was increased participation at last week's auction. The previous week's auction had seen bids that amounted to K26.4 billion.

Improved liquidity in the short-term market saw the total bids rise to K58.5 billion last week. Investors demonstrated greater appetite for the shorter dated 91days tenor. The 182 days tenor was the least preferred as it only received bids worth K4.6 billion. The total amounts allocated across all tenors was K56.9 billion.

CAPITAL MARKET

THE EQUITY MARKET

During the week a total of 1,982,094 shares were transacted in 153 trades yielding a total turnover of K2.79 billion. The index closed at 3,618.70 points down by 1.33% from 3,667.59 points week ending 5th September 2008. Share price losses were recorded in the following stocks: CEC lost K105 closing at K495, Natbrew (K99) closing at K7,100, BP Zambia (K70) closing at K650, AELZ (K30) ending at K1,820. Zambrew lost K25 closing at K1,875.

GOVERNMENT BONDS

At the last auction, the market was presented with an opportunity to invest in the 7-15 years period. The central bank was looking to secure K120 billion and the auction received bids worth K158.1 billion. The quarterly 7,10 and 15 years tenors received bids worth k100.1 billion and further emphasized the market's desire to invest long-term. A total of K92.5 billion was allocated. The next bond auction takes place on the 19th.

Outlook: A further decline in yields.

International Banking?
We'll do the talking!

Inflation - The rate at which the general level of prices for goods and services is rising; subsequently, purchasing power is falling. As Inflation rises, every Kwacha will buy a smaller percentage of a good. Most countries' central banks will try to sustain an inflation rate of 2-3%.



KEY INDICES

| T-BILL | RATES |
|------------|----------|
| 91 DAYS | 12.4806% |
| 182 DAYS | 13.4827% |
| 273 DAYS | 13.9840% |
| 364 DAYS | 14.4113% |
| BOND YIELD | RATES |
| 2 YEARS | 14.9380% |
| 3 YEARS | 15.5019% |
| 5 YEARS | 16.4403% |
| 7 YEARS | 17.2000% |
| 10 YEARS | 18.2000% |
| 15 YEARS | 19.2040% |

| CROSS | RATES |
|-----------|-----------------|
| EUR / USD | 1.4227 / 1.4230 |
| GBP / USD | 1.7935 / 1.7940 |
| USD / JPY | 107.94 / 108.00 |
| USD / ZAR | 7.9713 / 8.0113 |

| LIBOR | RATES |
|----------|---------|
| 1 MONTH | 2.48813 |
| 2 MONTHS | 2.68563 |
| 3 MONTHS | 2.81875 |
| 6 MONTHS | 3.08938 |
| 1 YEAR | 3.12750 |

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

| | |
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Zambia Chamber of Mines welcomes news on windfall tax

The government decided to defer the collection of the 25% windfall tax from mining companies until discussions between mining companies and the government were concluded. The government's decision was in the right direction and hoped that the talks would bring favourable results for mining companies. Miners threatened to go to court over the potential imposition of the windfall tax as it was contrary to the Development Agreements intended to provide

stability for the mines. It was revealed that only 2 mining companies had paid the 25% windfall tax. The government said deferring the windfall tax did not mean that the Government cancelled what the mining companies owed the State, adding that the ZRA would treat mining companies that have not yet paid the tax as defaulters until a comprehensive report was compiled. Mining companies have cited a failure to pay the windfall tax because of high production costs, which the Government is mindful of and will take into consideration in its final decision.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The U.S. Dollar fell last week Friday, posting its worst one-day decline against the Euro in 6 months, as weak economic data and uncertainty over the future of troubled investment bank Lehman Brothers prompted investors to lock in recent steep gains. The Euro raced to a session peak of \$1.4231. It was last trading at \$1.4228.

■ GBP

Sterling rose last week Friday, bouncing off a 2 1/2-year low against the Dollar as weak U.S. economic data stalled a broad rally in the U.S. currency, while investors trimmed bets on an imminent UK interest rate cut. Sterling rallied higher to \$1.7794. Sterling rallied against the Euro, which fell half a percent to 79.35 pence.

■ RAND

South Africa's resource-heavy bourse closed higher last week Friday, boosted mainly by mining shares, while the Rand gained against the Dollar. The Rand traded at 8.04 versus the Dollar, after earlier touching a session high of 7.99.

2. COMMODITIES

■ COPPER

Copper futures closed up more than 2% last week Friday, bolstered by a weaker Dollar and continued support for the red metal after a spate of recent corrections. Copper for December delivery settled up at \$3.1940/lb. Spot September closed up at \$3.2090/lb. LME Copper for 3-months delivery closed up at \$7,122/tonne.

■ OIL

Crude Oil futures ended slightly higher last week Friday as Hurricane Ike approached the Texas Gulf Coast and amid seesaw trading that saw prices slip briefly below \$100/barrel for the first time since April 2. October Crude rose to settle at \$101.18/barrel. October Brent slipped to settle at \$97.58/barrel.

■ GOLD

Gold ended sharply higher last week Friday, as the Dollar fell on weak U.S. retail sales data and as Hurricane Ike, a potential catastrophe, moved toward the south-western USA. Spot Gold was at \$765.75/767.75 an ounce. Gold futures for December delivery settled up at \$764.50/ounce.

3. DIARY

Thursday, Sept. 25th

CHICAGO: 11th Annual International Banking Conference. Organised by The Federal Reserve Bank of Chicago and the ECB 'Credit Market Turmoil 2007-08: Implications for Public Policy'. (to Sept. 26).

Monday, October 13th

WASHINGTON: 2008 Annual meeting of the IMF and the World Bank.

Monday, October 20th

PRAGUE: 11th Conference of the ECB-CFS Research Network on "The Market for Retail Financial Services: Development, Integration, and Economic Effects" (to Oct. 21).

Thursday, October 30th

AMSTERDAM: ECB Governing Council member Nout Wellink opens a seminar on business ethics.

(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.