



### WEEK CAPTIONS

- ◆ Oval Biofuels says it has so far invested over US\$3 million in the production of bio-fuels.
- ◆ The Arab Bank for Economic Development in Africa has given Zambia US\$8 million loan for the rehabilitation of feeder roads in the rural areas of the Copperbelt Province.
- ◆ Government has exempted Albidon Mine from paying new mineral taxes until 2012.
- ◆ PTA Bank has signed a US\$50 million line of credit from China Development Bank to fund infrastructure projects of member states.

### QUOTE OF THE WEEK

*“In order for the momentum gained in the mining sector to flourish, government should provide and guarantee a favourable playing field that is presided over by mutual trust.”* Emmanuel Mutati, Mopani Copper Mines Chief Executive Officer

### 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

It was another bad week for the ZMK as it tumbled 7.22% against the USD. The previous week saw the ZMK depreciate by 11.44% on USD supply fears and negative market sentiments. It was the same story last week as the ZMK fell from the week's opening levels of 3925 and 3945 to close the week at weakened levels of 4210 and 4230 for buying and selling. The ZMK's bearish run for the second week running was on account of increased demand for the greenback largely by portfolio investors selling off their ZMK assets and buying Dollars in a

bid to exit the Zambian market. It is unclear to what extent the global financial crisis and the upcoming presidential by-elections have contributed to the off-shore players exiting the Zambian market but both appear to be factors in the current scenario. Falling commodity prices are also not helping matters. Copper prices have fallen sharply in recent times negatively affecting market sentiments.  
**Outlook:** *The ZMK still exposed to huge volatilities this week as supply and demand mismatches continue to characterize the market. Cautious trading might help stabilize the market.*

## MONEY MARKET

### INTERBANK

The average yield rate in the overnight money market appreciated by more than 100 basis points last week. Money market traders were quoting 13.6% on Monday but this figure was found higher at 14.70% on Friday. The excess funds available for placement in the market ranged from K180 billion to K270 billion. BoZ was in the market taking term deposits and effecting repo transactions. A total of K410 billion was mopped out from the market for tenors ranging from 1 to 90 days.

### TREASURY BILLS

Participation levels at the treasury bill auction declined further last week and were found at K23.2 billion. although the central bank was looking to borrow K100 billion, only K14.1 billion was allocated and yields continued to form an upward trend. There was zero appetite for the 273 days tenor and but the 364 days tenor was the most preferred as it attracted bids worth K12.9 billion.  
**Outlook:** *demand for treasury bills will most likely remain low in the short term and yields may rise further.*

## CAPITAL MARKET

### THE EQUITY MARKET

The equity market's all share index continued to plummet ending 17 October 2008, at 3,458.85 points going down further by 1.29% from 3,504.05 points week ending 10 October 2008. Year to date in Kwacha dropped further down by 2.11%. Losses were recorded in the following stocks: BP Zambia and Pamodzi were both down by K50.00 closing at K650 and K500 respectively. The total transactions recorded this week were 93; these trades involved 4,866,086 shares.

### GOVERNMENT BONDS

The 10th bond auction of the year took place on the 17th of October 2008. The central bank was in the market as the agent of the government looking to secure K120 billion. A total of K2 billion was received in bids and the entire amount was allocated. The fixed income asset has become less popular in a rising interest rate environment. There was no activity reported at the secondary market at the LuSE.

### MARKET INDICATORS

FOREX	4210/4230	
INTERBANK	13.00%	
T-BILLS	13.46%	
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!**

**Weak Dollar** – U.S. Dollar's value is decreasing relative to a basket of foreign currencies. A weak Dollar is exchanging U.S. Dollar for fewer amounts of foreign currency. The Dollar may weaken due to changes in the interest rate and outlook on the U.S. economy's future.

## KEY INDICES

T-BILL	RATES
91 DAYS	13.4576%
182 DAYS	15.1823%
273 DAYS	15.0851%
364 DAYS	17.8960%
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	1.3407 / 1.3411
GBP / USD	1.7285 / 1.7290
USD / JPY	101.65 / 101.70
USD / ZAR	9.9700 / 10.1300

LIBOR	RATES
1 MONTH	4.18125
2 MONTHS	4.30625
3 MONTHS	4.41875
6 MONTHS	4.13000
1 YEAR	3.97250

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

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**Copper Exports Seen Hit by Financial Crisis**

A prolonged global financial crisis could stifle international demand for Zambia's Copper. A slowdown in global economic growth is likely to have adverse affects on international demand for Copper which accounts for over 75% of the foreign revenue earnings. The financial crisis is likely to trigger a severe and prolonged recession which is likely to hurt foreign direct investment flows into the economy. The crisis might also call for changes in Zambia's macroeconomic policies. Zambia has since 2006 benefited from

the global Copper price rally, but with prices dropping to a 20-month low fears are rife the growth could be reversed. Zambia lacks a downstream industry and exports its Copper in metal bars. Major Copper expansion projects are underway and annual Copper output is projected to hit 1 mln tons by 2010. The surge in global Copper prices has been attributed to demand from resource hungry China and Chinese-owned companies are expected to invest up to \$900 mln in mining sector by 2010. However, Chinese demand for commodities would slow down due to global financial crisis.

## INTERNATIONAL NEWS

## 1. CURRENCIES

## ■ U.S DOLLAR

The U.S. Dollar rose against the Euro last week Friday, while the Yen gained in volatile trading, as financial distress and economic weakness beyond the US persisted, giving the greenback a safe-haven bid. The Euro was down at \$1.3422. The euro fell to 136.29 Yen. The Dollar was off its lows against the Yen but remained down at 101.54 Yen. Sterling fell to \$1.7299.

## ■ GBP / EURO

Sterling dipped against the low-yielding Yen and the Dollar last week Friday, as investors pondered the prospect of a prolonged economic downturn after recent financial market turmoil, prompting them to shun riskier assets. Sterling was down at 174.55 Yen. The Pound was little changed at \$1.7294 and the Euro was flat 77.75 pence.

## ■ RAND

South Africa's Rand steadied against the Dollar last week Friday as some investors saw buying opportunities in the currency after it weakened sharply last week, while gains in index heavyweight miners boosted local stocks. The Rand was trading at 10.0550 against the Dollar.

## 2. COMMODITIES

## ■ COPPER

Copper futures bounced to a firmer finish last week Friday as investors took their cues from a stronger tone on Wall Street and covered their short, or bearish, positions after technical support held. Copper for December delivery rose to settle at \$2.1795/lb. Spot October ended up at \$2.1810/lb. LME Copper for 3 months delivery closed at \$4,806.

## ■ OIL

Crude futures extended gains to more than \$4 last week Friday as traders raised expectations that OPEC's emergency meeting this week would decide to cut the group's output and as stocks on Wall Street rose sharply. November Crude was up at \$73.7/barrel. December Brent rose to \$71.3/barrel.

## ■ GOLD

Gold futures ended 2% lower last week Friday, capping a volatile week of selling, as a lack of confidence in the financial system and a Dollar rally triggered heavy liquidation by commodity funds. December Gold settled down at \$787.7/ounce. Spot Gold was at \$785.80/788.80.

## 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.*