



EXPECT MORE FROM US

WEEK CAPTIONS

- ◆ Zesco is to invest US\$20 million for the second phase of its fibre optic network that will provide a broadband backbone telecommunication infrastructure across Zambia.
- ◆ Government is considering revising the inflation target from the anticipated 7% to 12% following the current economic trends that outweigh the attainment of a single digit inflation.
- ◆ Finance Building Society expects to secure a loan facility of US\$7.5 million from international institutions to enhance its loan portfolio.

QUOTE OF THE WEEK

"In my opinion, it therefore makes good economic sense for Zambia to access highly concessional loans, in addition to the grants, for investing in pro-poor projects that have a high economic and financial rate of return." - Kapil Kapoor, World Bank Zambia country manager.

FBZ BUSINESS NEWS

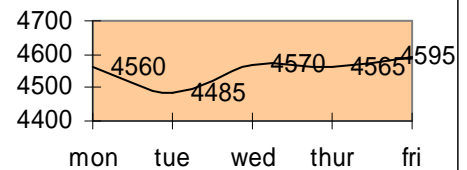
Finance Bank Zambia Limited has applied for a licence to operate in the Democratic Republic of Congo and has since started negotiations with the central bank of Congo.

FOREX MARKET

The forex market continued to be volatile last week as the ZMK struggled to find its feet. Overall, the ZMK posted a marginal depreciation of less than 1%. However, the intra-day trading witnessed a high level of volatility as the ZMK swung from one level to the other. The ZMK opened the week trading at a buy rate of 4540 and sell rate of 4560 on the inter-bank market. It then touched an intra-day high of 4355 and 4375 on Monday but rebounded to close the day at weakened levels of 4550 and 4570. The volatility continued through out the week on demand and supply mismatches and closed the week at weakened levels of 4575 and 4595.



Kwacha Performance in the week Nov. 17th-21st, 2008



MARKET INDICATORS

FOREX	4575/4595	
INTERBANK	14.00%	
T-BILLS	13.86%	
BONDS	16.58%	
INFLATION	15.20%	
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

The overnight index remained stable and closed the week at 16%. Amounts traded in the overnight market averaged at K60 billion in the week. The larger volumes of the funds traded in the short term market went through the Open Market Operations window. A total of K451 billion was accepted last week through the daily OMO window. OMO yields are currently found at 11.98%, 18.50% and 16.50% for the overnight, 21 days and 60 days tenors respectively.

TREASURY BILLS

There was increased demand at last week's treasury bill auction. In a week when both treasury bills and government bonds were auctioned in the primary market, the market showed greater preference for treasury bills. This was further testimony of the markets sentiments that see rising interest rates. Total bids amounted to K114.4 billion. of this amount, BoZ allocated K90.6 billion. The 91 days t-bill now yields 13.86%. **Outlook:** reduced bidding levels on account of month end settlements.

CAPITAL MARKET

THE EQUITY MARKET

The all share index declined further by 5.45%, closing at 3,064.27 points compared to 3,241.02 points week ending 14 November 2008. In terms of year to date in Kwacha the index declined further by K13 There was a general price drop in most securities. BATZ, Lafarge and BP Zambia recorded losses of K100 each. Celtel plummeted further, recording a drop of K73. Investrust closed at K37, down by K3.

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%.



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Universal Currency Converter - A quick conversion of currencies based on current exchange rates. It can be found online and can convert the value of one currency to another. It is free and useful when determining the value of your base currency against a foreign one.

KEY INDICES

T-BILL	RATES
91 DAYS	13.8552%
182 DAYS	16.0844%
273 DAYS	16.0001%
364 DAYS	17.9606%
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	1.2584 / 1.2589
GBP / USD	1.4935 / 1.4940
USD / JPY	95.910 / 95.960
USD / ZAR	10.435 / 10.515

LIBOR	RATES
1 MONTH	1.39500
2 MONTHS	2.02125
3 MONTHS	2.15750
6 MONTHS	2.56875
1 YEAR	2.73625

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

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7% GDP growth unlikely for 2008
Zambia's prospects of achieving this year's economic growth forecast of 7% might not be feasible due to the prevailing global economic downturn. Prospects of achieving single digit inflation in 2008 were slim and a prolonged global economic crisis could dampen crucial Foreign Direct Investments (FDIs). The pressures are so high that it will be lucky to even have 12% or 13% inflation in December. Expected higher government expenditure and lower seasonal food supplies in the last quarter

of this year and the depreciation of the kwacha would make it difficult to achieve a 7% inflation target year. GDP growth could slow down because of declining investments in the mining sector following the global financial squeeze and low food output. A prolonged global economic recession could deepen risk aversion and discourage both portfolio and FDIs. A decline in commodity prices and reduction in demand for exports would affect the trade balance. Zambia recorded a trade deficit of \$224.8 mln in the 3 months to September compared with a surplus of \$231.7 mln in the previous quarter.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The U.S. Dollar soared against the Yen last week Friday, buoyed by Wall Street's surge following reports NY Federal Reserve Bank President Timothy Geithner has been tapped as the new Treasury secretary. The Dollar rose to 95.94 Yen, while the Euro climbed to 120.71 Yen. The Euro also gained \$1.2582. Sterling was up versus the Dollar at \$1.4891.

■ GBP / EURO

Sterling bounced off a 13-year low against the Yen last week Friday, as the low-yielding unit's rally on global recession worry stalled after Japan's finance minister warned about extreme market moves. The Pound was up at 141.22 Yen. The Pound was up at \$1.4863, while the Euro fell to 84.57 pence.

■ RAND

South Africa's Rand and Stocks rebounded last week Friday, bolstered by firmer precious metal prices and higher global shares, while government bonds rallied on speculation interest rates may soon be cut. The Rand was trading at 10.58 versus the Dollar, 1.8% stronger than its previous close in NY.

2. COMMODITIES

■ COPPER

Copper futures ended largely flat last week Friday after an early short-covering bounce from fresh 3-1/2-year lows faded and sellers re-emerged amid a still-bearish fundamental backdrop of rising supply and slowing demand. Most-active Copper for March delivery ended down at \$1.5790/lb. LME Copper for 3 month delivery closed up at \$3,540/tonne

■ OIL

Crude futures ended higher last week Friday, rebounding from 3-1/2 year lows hit last week Thursday, as they tracked rising U.S. equities and refined product futures surged after heavy losses the day before. January Crude settled up at \$49.93/barrel. January Brent Crude settled up at \$49.19/barrel.

■ GOLD

Gold futures rallied above \$800/ounce last week Friday as mounting economic uncertainties and strong physical bullion demand triggered a bout of heavy buying. December Gold settled up to \$791.80/ounce. Spot Gold was up at \$798.75. Afternoon fix in London was \$774.50.

3. DIARY

December

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

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.