

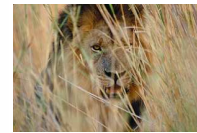


# FINANCE BANK

MAY 27, 2008

## TREASURY MARKET REPORT

TMR 05 / 05



WEEK CAPTIONS	QUOTE OF THE WEEK	FBZ BUSINESS NEWS
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- ◆ First Quantum Minerals Ltd., the Canadian miner of copper in Zambia and DRC, said first quarter profit more than doubled because of higher output and prices.
- ◆ The selection of the final bidder to develop Kafue Gorge Lower hydro power station will be concluded by mid next year.
- ◆ Celtel Zambia IPO closed on Tuesday 20.05.2008 with an overwhelming response from the Zambian public.
- ◆ National Milling Corporation has set aside US\$26 million for the purchase of maize and soya beans from small scale farmers in the country.

*"As much as we have the uranium in the country, government does not have immediate plans to use this resource for the generation of electricity. There are regulations that need to be put in place first before we can fully exploit uranium for a number of uses. For the time being, it is not a viable option."* Peter Mumba, Ministry of Energy permanent secretary.

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 closed the week marginally weaker in cautious trading last week. It opened the week at 3400 and 3420 levels against the US Dollar but rallied to 3360 and 3380 level by close of business on Monday. On Tuesday however, the Kwacha lost ground as demand for Dollars picked up and closed the day at weakened levels of 3440 and 3460. It remained largely unchanged on Wednesday in lackluster trading conditions before becoming bullish on Thursday on improved Dollar supply. On Friday, trading was rather quiet for most part of the day.

Some activity was however recorded towards closing on Friday which resulted in the ZMK becoming bearish to close the week at 3420 and 3440 for buying and selling on the inter-bank market. Overall the ZMK recorded a depreciation of 0.6% during the week. The market was characterized by mixed activity with corporates offloading Dollars when ZMK was weak and takers buying at appreciated levels.

**Outlook:**

*The ZMK is likely to be range bound this week as players continue to trade cautiously and as they seek the cue for its next direction.*

#### MARKET INDICATORS

FOREX	3420/3440	
INTERBANK	12.00%	
T-BILLS	12.12%	
BONDS	14.65%	
INFLATION	10.10%	
<b>FBZ</b>	<b>ZMK</b>	<b>US\$</b>
BASE RATE	19.0%	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

### MONEY MARKET

**INTERBANK**

The overnight index closed higher at 11.40% from the previous week's close of 10.50%. This was necessitated by the decline in liquidity levels in the overnight market resulting from treasury bill and bond settlements on Monday. In addition, BoZ took liquidity from the market through REPOS.

Excess market liquidity was consistently found around K200billion and the volumes of Inter-bank funds traded were just slightly lower.

**Outlook:** *stable to lower yields as the market recovers*

**TREASURY BILLS**

The total bid amount at the last auction was K111.7 billion. K80 billion was allocated across the four different tenors. However, the 364days tenor received an overwhelming K61.3 billion worth of bids. Bidders had redirected funds rejected from the last bond auction to the longer dated t-bill tenor.

The 91 days yield appreciated from 11.95% to 12.12% owing to lower than expected participation levels.

**Outlook:** *Stable yields at the next auction.*

### CAPITAL MARKET

**THE EQUITY MARKET**

A total of 3,213,713 shares were transacted in 147 trades resulting in a total turnover of K4.82 billion. Trading activity was recorded in AEL Zambia, BP Zambia, Cavmont Capital Holdings, CEC, Lafarge, Farmers House, Investrust Bank, National Breweries, Standard Chartered Bank, Zambeef Products, Zamefa, Zambian Breweries, Zambia Sugar and Bata Shoe. The all share index closed at 4,004.13 from 3, 3,912.72 points week ended 16 May 2008.

**GOVERNMENT BONDS**

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%.



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**Cross Rate** - The currency exchange rate between 2 currencies which are not the official currencies of the country in which the exchange rate quote is given in. Also used to refer to currency quotes which do not involve the U.S. Dollar, regardless of the country is provided in.

## KEY INDICES

T-BILL	RATES
91 DAYS	12.1210%
182 DAYS	13.2384%
273 DAYS	13.6122%
364 DAYS	13.5619%
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	1.5764 / 1.5768
GBP / USD	1.9795 / 1.9800
USD / JPY	103.30 / 103.35
USD / ZAR	7.6615 / 7.6981

LIBOR	RATES
1 MONTH	2.38250
2 MONTHS	2.54000
3 MONTHS	2.64563
6 MONTHS	2.84875
1 YEAR	3.06688

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

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**Zambia on course for \$415 mln tax target**

Zambia is on course to collect a projected \$415 mln from new mining taxes in 2008 following compliance by mining companies. The new tax regime increased mineral royalty to 3%, while corporate tax on miners rose to 30%. Zambia also introduced a 15% variable profit tax on taxable income above 8% and a minimum of 25% windfall profit tax. According to ZRA, mining companies had complied with the new tax law and paid the mineral royalties at 3%. Mining companies paid the tax authority \$8.4

mln in May compared with the \$1.4 mln that they used to pay per month before the introduction of the new taxes. Hence, the government is confident that the targeted \$415 mln will be collected. The first payments for mineral royalty were due in May, following the introduction of new taxes but the bulk of the revenue will be paid in June when the first returns and payments for company income tax and other taxes are due. Zambia was on course to achieve a targeted 1mln tonnes of refined copper in 3 years after resolving a controversy over new mining taxes with foreign investors.

## INTERNATIONAL NEWS

## 1. CURRENCIES

## ■ U.S DOLLAR

The Dollar fell last week Friday and was on track for its steepest weekly decline against a basket of major currencies in 2 months, as investors worried surging Oil prices could deepen an economic downturn and fan inflation pressures. The Euro climbed to a session high of \$1.5794 and last traded up at \$1.5783. The Dollar fell to 103.25 Yen.

## ■ GBP

Sterling fell against the Dollar last week Friday as an unhealthy combination of slowing growth and rising inflation kept investors bearish on the outlook for the UK economy. The Pound was down at \$1.9763. The Euro was up at 79.47 pence.

## ■ RAND

South African Stocks fell sharply last week Friday, dragged down by mining shares, while the Rand eased in a fairly quiet session as players paused for this week's slew of key economic data. The Rand traded just weaker at 7.66 compared to Thursday's close of 7.6350, after a volatile week where it weakened to 7.765/Dollar, hit partly by violent attacks on foreigners which analysts say have dented South Africa's investment image.

## COMMODITIES

## ■ COPPER

Copper futures ended up in mostly technical business last week Friday after an overnight test of key support held, sparking a bout of short-covering into the close and ahead of the long holiday weekend. Copper for July delivery settled up at \$3.7360/lb. LME 3-month Copper closed up at \$8,180/tonne.

## ■ OIL

Crude Oil futures gained more than a Dollar last week Friday, rebounding from Thursday's sharp loss as the greenback sagged and traders took note of French strikes affecting tanker traffic. July Crude settled up at \$132.19/barrel. July Brent Crude settled up at \$131.57/barrel.

## ■ GOLD

Gold futures ended higher last week Friday, capping the week with solid gains as a sharp Crude Oil rally prompted bullion investors to add long positions ahead of the Memorial Day holiday. The June Gold contract settled up at \$925.80/ounce. Spot Gold at \$925.20/926.60 an ounce. The London afternoon Gold fix at \$927.50.

## 3. DIARY

Friday, May 30<sup>th</sup>

**FRANKFURT:**  
ECB Governing Council member Axel Weber opens a symposium to mark the 10th anniversary of the ECB.

Sunday, June 1<sup>st</sup>

**FRANKFURT:**  
10th Anniversary of the founding of the ECB.

Monday, June 2<sup>nd</sup>

**FRANKFURT:**  
Ceremony to mark 10th anniversary of the ECB.

Tuesday, June 3<sup>rd</sup>

**PARIS:**  
OECD Forum 2008. 'Reform to Perform - Towards a more prosperous, stable and sustainable future' and Climate Change, Prosperity and Stability.  
**JOHANNESBURG:**  
National Automobile Manufacturers Association releases May new vehicle sales data.

*(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.*