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WEEK CAPTIONS

- ◆ SADC council of ministers has approved a US\$5 billion investment in power supply projects aimed at mitigating the power deficit in the region.
- ◆ The Zambian Breweries Group is currently completing the installation of a new US\$20 million soft drink bottling line at its Ndola plant.
- ◆ First Quantum Minerals has said it expects the Zambian government and mining companies to reach a compromise on the new mining fiscal regime.
- ◆ Inflation has risen by 1% in September to 14.2%.

QUOTE OF THE WEEK

“Despite the broad consensus on the importance of financial inclusion as a poverty alleviation tool, it is estimated that between two and three billion people around the world are still excluded from access to financial services.”- Ng’andu Magande, Finance Minister.

FBZ BUSINESS NEWS

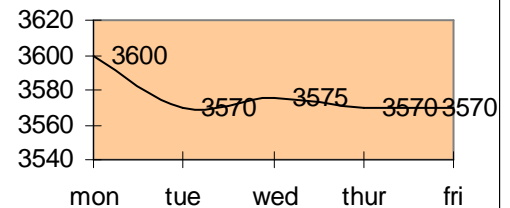
The PTA Bank and Finance Bank Zambia Limited will jointly finance eleven shipments of petroleum feedstock into the country from IPG of Kuwait.

FOREX MARKET

The ZMK was range bound last week registering only a marginal appreciation of just over 0.8% during the week. Except for some intra-day volatility, the ZMK was flat for most part of the week. It opened the week trading at 3580 for bid and 3600 on offer on the inter-bank market. On Tuesday, it firmed to intra-day high of 3530 and 3550 on improved USD supply but these levels enticed some demand and the ZMK retreated to close the day at 3550 and 3570 levels. It remained flat at these levels up to the end of the week in an evenly matched market. The ZMK will take its cue from the demand/supply levels for its next direction this week.



Kwacha Performance in the week Sept.22nd-26th, 2008



MONEY MARKET

INTERBANK

Last week, overnight yields rose from 12% on Monday and closed the week at 12.60%. At the week’s outset, excess liquidity was found at K105.2 billion. This figure was lower than the K139.3 billion traded by commercial banks in the overnight market.

BoZ offered term deposits and repos to the market but large appetite was only shown for the overnight tenor. On Thursday, BoZ took deposits worth K60 billion. **Outlook:** Increase overnight rates on resulting from month-end settlements.

TREASURY BILLS

BoZ was in the market looking to meet its K100 billion weekly borrowing at the treasury bill auction on Thursday.

The total bids only amounted to K27.6 billion and the entire amount was allocated. Yields continued to show an upward trend.

The 91 days t-bill now yields 12.95% from 12.51% previously.

Outlook: A significant improvement in participation is highly unlikely as banks will now focus on month-end related settlements.

MARKET INDICATORS

FOREX	3550/3570	
INTERBANK	12.00%	
T-BILLS	12.95%	
BONDS	14.91%	
INFLATION	14.20%	
FBZ	ZMK	US\$
BASE RATE	21.0%	10.5%

CAPITAL MARKET

THE EQUITY MARKET

A total of 9,216,077 shares were transacted in 179 trades yielding a total turnover of K4.79 billion. BP Zambia dropped to 690 down by K10.00. National Breweries closed at K6, 999.00 down by K101.00. Trading activity also occurred in British American Tobacco, CEC, Investrust, Zambeef Products, Zamefa and Bata. The all share index closed at 3,639.78 points up by 0.66% from 3,615.79 points week ending 19 September 2008.

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.

TERMS & CONDITIONS APPLY



International Banking?
We'll do the talking!

Interbank Market - The financial system and trading of currencies among banks and financial institutions. While some interbank trading is performed by banks on behalf of large customers, most interbank trading takes place from the banks' own accounts.

KEY INDICES

T-BILL	RATES
91 DAYS	12.9524%
182 DAYS	13.7240%
273 DAYS	14.4547%
364 DAYS	14.8178%
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	1.4613 / 1.4616
GBP / USD	1.8445 / 1.8450
USD / JPY	105.97 / 106.02
USD / ZAR	8.0601 / 8.0901

LIBOR	RATES
1 MONTH	3.70375
2 MONTHS	3.72250
3 MONTHS	3.76188
6 MONTHS	3.87625
1 YEAR	3.89125

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

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

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

China firm to spend \$400 mln

Sino Hydro of China will spend \$400 mln to expand the Kariba North Bank power station to meet rising demand from the Copper and Cobalt mines. 85% of the money will be provided by Exim Bank of China. The expansion would start in October and it would comprise installation of 2 generators with a total capacity of 360 megawatts of power. The project which was initially expected to last 4 years could be concluded 6 months ahead of schedule. The Kariba North Bank power, which currently

generates around 600 megawatts of electric power, would be expanded to 900 megawatts or more. It would provide 15% of the expansion budget. Resource-hungry Chinese firms have shown interest to invest in Zambia Copper and Cobalt mining industry and manufacturing, after authorities created the Chambishi tax-free economic zone. China has pledged to invest \$900 mln at the Chambishi multifacility economic zone, where its firms are exempted from paying taxes, including customs duty on imported machinery and equipment.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The U.S. Dollar fell against the Yen last week Friday, as anxiety over the government's proposed \$700 billion bailout plan and the seizure of Washington Mutual Inc prompted investors to shun risky trades. The Dollar was down against the Yen at 106.09, while the Euro lost to 155.02 Yen. Against the Dollar, the Euro slipped to \$1.4611.

■ GBP / EURO

The Euro fell against the Dollar last week Friday after Euro zone sources said market expectations about ECB rate cuts early next year or even sooner are reasonable. The Euro slipped to \$1.4572.

■ RAND

South African stocks slid almost 2% last week Friday as jitters about a \$700 billion bailout for the U.S. financial sector hit global markets and flagging platinum prices knocked miners of the precious metal. The Rand and Government Bonds, however, held relatively steady after a volatile week. The local currency was trading at 8.1085 to the Dollar.

2. COMMODITIES

■ COPPER

Copper futures slipped nearly 2% last week Friday as investor confidence crumbled in the face of a weakening global economic outlook and heightened nervousness about when Congress would pass a financial rescue plan. Copper for December delivery settled down at \$3.0745/lb. Spot September fell at \$3.0795. LME -3 months delivery closed down at \$6,775/tonne.

■ OIL

Crude Oil futures settled lower last week Friday, pressured by uncertainty as the wrangling in Washington over a bailout plan for the financial continued in the wake of another bank failure. November Crude settled at \$106.89/barrel. November Brent settled at \$103.54/barrel.

■ GOLD

Gold futures ended \$6.50 higher last week Friday, despite a \$50 intraday rally, whipsawing between safe-haven buying and profit-taking on heightened uncertainty about whether Congress would agree on a financial sector bailout plan. December Gold settled up at \$888.50/ounce. Spot Gold quoted at \$884.40/887.40 an ounce. The afternoon fix in London was \$902.

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.