



EXPECT MORE FROM US

WEEK CAPTIONS	QUOTE OF THE WEEK	FBZ BUSINESS NEWS
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- ◆ Vedanta Resources, the largest stakeholder in Konkola Copper Mines, has through its subsidiary Sterlite Industries (India) Ltd purchased all operating assets of Asarco, America's largest copper producer for US\$2.6 billion.
- ◆ Zambian Breweries is to expand and modernize the two plants in Ndola and Lusaka at a cost about US\$40 million.
- ◆ The annual inflation for June has increased by 1.2% from 10.9% in May to 12.1%.
- ◆ Zambia's copper cathode output is forecast to rise to 600,000 tonnes this year from 521,984 in 2007

"My reaction would be to urge our colleagues in the G8 countries to increase their aid budgets but also to bear in mind that money alone will not solve Africa's problems. More is needed such as deep reforms and the building of capacity which takes not only money but also political will and time." Eduard Middeldorp, Netherlands Ambassador to Zambia.

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).

MARKET INDICATORS

FOREX	3210/3230	
INTERBANK	11.00%	
T-BILLS	12.15%	
BONDS	15.20%	
INFLATION	12.10%	
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

FOREX MARKET

The ZMK opened last week on a bearish note on lukewarm Dollar flows. It opened trading on Monday at a buy rate of 3160 and sell rate of 3180 against the US Dollar on the inter-bank market. By close of business on Monday, the ZMK had weakened to 3210 and 3230 levels. On Tuesday, the ZMK came under further pressure in intra-day trading recording an intra-day low of 3235 and 3255 but recovered to close the day at 3180 and 3200 levels. It remained relatively stable for the rest of the week in lackluster trading conditions.

The ZMK went on to close the week at depreciated levels of 3210 and 3230 representing an overall depreciation of about 1.6% during the week. Market players were trading cautiously during the week as they awaited the ZMK's next move after its bullish run covering several weeks. The short to medium term fundamentals still look very favourable for the local currency with positive sentiments for the emerging markets and high commodity prices.

Outlook: *Barring external factors, the ZMK is likely to resume its bullish path as the month comes to a close. Quarterly corporation taxes are due by mid July.*

MONEY MARKET

INTERBANK

Excess market liquidity was found at K198.3 billion at the week's outset but gradually soured to peak at K459.2 billion on Friday. On the other hand, the overnight index remained relatively stable. Yields were found at around 11.3%.

Commercial banks continued to invest excess liquidity in term deposits and repos throughout the week. On Thursday, the total amount of bids were K375 billion and the allocated amounts were K160 billion. The overnight tenor was the most preferred. **Outlook:** *Stable yields.*

TREASURY BILLS

Treasury bill rates closed marginally higher last week. Thursday's treasury bill auction only received bids worth K17.4 billion. This amount only accounted for 17.4% of the BOZ weekly requirement. All bid amounts were allocated. Although the overnight market was fairly liquid, commercial banks were not keen on committing short term funds to longer dated investment periods. The benchmark 91 days t-bill now yields 12.15%.

Outlook: *Increased participation at the next auction.*

CAPITAL MARKET

THE EQUITY MARKET

Trading was spread across most of the listed stocks and Zambia Bata shoe company on the quoted tier. During the week under review, 21,268,851 shares changed hands in 242 trades yielding combined weekly sales of K17.80 billion. Activity was highest in Celtel Zambia which transacted 17,629,845 shares worth K14.37 billion in 114 trades.

The index dropped by 1.16 percent ending the week at 4,180.66 points.

GOVERNMENT BONDS

The monthly bond auction in the primary market took place on Friday 20th June 2008. Commercial banks showed less appetite for the 3 year issue but focused on the 5year bond. The total worth of bids was K84 billion and the whole amount was allocated. At the LuSE, no trading activity was recorded in the secondary market. Secondary trades and collateral pledges are conducted at the LuSE.

Outlook: *Stable yields.*



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Forex Spot Rate - The current exchange rate at which a currency pair can be bought or sold. The spot rate in forex currency trading is the rate that most traders use when trading with an online retail forex broker.

KEY INDICES

T-BILL	RATES
91 DAYS	12.1498%
182 DAYS	12.7746%
273 DAYS	13.7416%
364 DAYS	13.8710%
BOND YIELD	RATES
2 YEARS	15.2000%
3 YEARS	15.6500%
5 YEARS	16.7500%
7 YEARS	17.2609%
10 YEARS	18.4069%
15 YEARS	19.2547%

CROSS	RATES
EUR / USD	1.5794 / 1.5795
GBP / USD	1.9941 / 1.9946
USD / JPY	106.12 / 106.14
USD / ZAR	7.8950 / 7.9340

LIBOR	RATES
1 MONTH	2.47063
2 MONTHS	2.66250
3 MONTHS	2.79125
6 MONTHS	3.15375
1 YEAR	3.37938

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

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Zambia cuts fuel import tax to cushion users

Zambia slashed its fuel import duties last week Thursday in a bid to cushion Copper mines and other consumers from the impact of rising global Oil prices. While announcing a hike in pump prices of finished petroleum products, the government explained the cut back in taxes had allowed to avoid a possible abnormal rise in pump prices that could have choked industrial output. Customs duty on diesel had been reduced by half to 15% while import duty for petrol would come down to 45% from 60%.

A 15% customs duty on kerosene was scrapped. The total revenue loss as a result of these reductions in tax rates for the remainder of the year will be ZMK127 billion. Diesel pump prices were raised to ZMK7, 237/litre while petrol prices were increased to ZMK8, 355/litre. The increases could have been higher without the reduction in the fuel import duty. The country's bill for Crude Oil imports had risen to \$118 mln for a 90,000 tonnes shipment of Crude Oil due to arrive in July. Zambia uses huge amounts of diesel to run its vast Copper mines.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The Dollar extended declines against the Yen and fell versus the Euro last week Friday, after U.S. stocks accelerated their losses. The Euro rose to \$1.5776. Against the Yen, the Dollar last traded lower at 105.96, a session low.

■ GBP

Sterling edged up to a 2-month high last week Friday versus a dollar weighed down by scaling back of U.S. rate hike expectations, but weakened versus the yen and the CHF. Risk aversion sent Sterling to 3-week low versus the safe have CHF, at 2.0201 francs. It also hit its lowest in over a week at 210.64 Yen. However the Pound gained versus a broadly softer Dollar, edging up to a 2-month high of \$1.9921. The Euro was down at 79.06 pence.

■ RAND

South African stocks rose more than 1% last week Friday, led by Gold and banking shares, while the Rand firmed versus the Dollar, lifted by buying interest out of London. The Rand was firmer at 7.91 against the Dollar.

COMMODITIES

■ COPPER

The price of Copper rose to its highest level in nearly 2 months last week Friday, boosted by declining warehouse stock levels and impending strike action in Peru. Copper for 3-month delivery on the LME ended at a quoted \$8,530/8,535 a tonne after touching \$8,559. Copper for September delivery ended up at \$3.8780/lb.

■ OIL

Oil futures ended above \$140/barrel for the first time last week Friday, though gains were pared on profit-taking after a rally to a record near \$143. August Crude settled up at \$140.21/barrel. August Brent Crude ended up at \$140.31/barrel.

■ GOLD

Gold futures ended nearly 2% higher last week Friday, extending the previous session's sharp gains on chart-based strength and as investors continued to pour funds into commodities due to weakness in the stock market. August contract settled up at \$931.30/ounce. Spot Gold at \$927.20/928.20. London afternoon Gold fix at \$919.50.

3. DIARY

Wednesday, July 2nd

PARIS:
ECB President opens an event to promote Paris's role as an international financial centre.

Thursday, July 3rd

FRANKFURT:
ECB Governing Council meeting, followed by interest rate announcement and news conference.

Friday, July 4th

AIX-EN-PROVENCE,
France- Aix-en-Provence:
Economic Forum 2008.

SAN SEBASTIAN, Spain:
ECB Executive Board member delivers speech during an international journalist course on "Europe in a globalised world".

Wednesday, July 9th

BRUSSELS:
ECB President in annual plenary debate with European Parliament to discuss Parliament's report in reaction to the ECB's annual report.

(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.