FINANCE BANK
TREASURY MARKET REPORT
SEP 08, 2008
TMR 20 / 09

WEEK CAPTIONS

- United Nations Development Programme said sustainable economic growth is important for Africa to attain the Millennium Development Goals.
- The World Bank called for immediate action to drop restrictions on food assistance in order to ensure that food gets to poor people affected by rising prices.
- Konkola Copper Mines has embarked on plans to set up a new concentrator with the capacity to process 3.6 million tonnes of copper ore per annum.
- Zambia Development Agency records US$ 4.1 bn worth of investments.

QUOTE OF THE WEEK

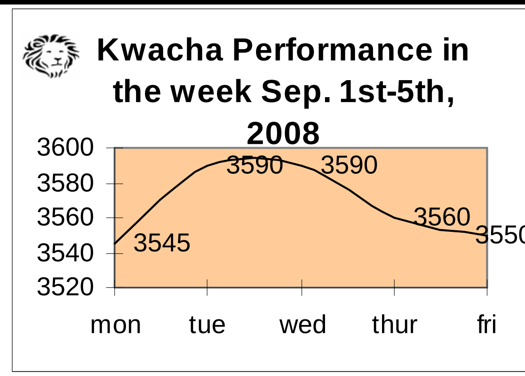
"The inflation target still remains the same because government has not revised this target and our focus is on attaining the same target until such a time when the government says otherwise.": The 7% year end inflation target still stands despite the variables threatening its attainment. Bank of Zambia deputy governor for operations Dr. Denny Kalyalya

FBZ BUSINESS NEWS

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).

FOREX MARKET

On Tuesday last week, aggressive Interbank trade drove the rates further north to close the day at 3570/3590 after hitting an intra-day low of 3585/3605. On Wednesday, the market remained closed to observe President Levy Mwanawasa's burial. Trading closed at 15.30 on Tuesday and resumed on Thursday at 08.30. Greenback supply improved immensely in the second part of the week. This caused ZMK to regain and peak at 3490/3510 before closing the week lower at 3530/3550. **Outlook:** *market sentiment still favours a bullish kwacha.*



MARKET INDICATORS

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FOREX		3530/3550
INTERBANK		11.30%
T-BILLS		12.48%
BONDS		14.94%
INFLATION		13.20%
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

MONEY MARKET

INTERBANK

Overnight yields in the short-term market remained stable at 11.6% last week. Excess market liquidity levels were found below K200 billion for the whole of last week. On Tuesday, K144.9 billion was traded in the overnight market while the aggregate excess amount was recorded at K127 billion.

The central bank took deposits worth K85 billion for various tenors that ranged from one day to 90 days.

Outlook: *Yields likely to remain stable.*

TREASURY BILLS

Participation at last week's auction was found at a lower than expected level of K26.4 billion. This was a fair reflection of low liquidity levels in the market.

There was no demand for the 273 days t-bills as it did not receive any bids. The 91 days issue turned out to be the most preferred as it received bids worth K15.6 billion.

There was a general upward movement in the average yields across all tenors.

Outlook: *Improved participation levels.*

CAPITAL MARKET

THE EQUITY MARKET

During the week a total of 7,355,228 shares were transacted in 120 trades yielding a turnover of K5.82 billion. The index closed at 3,667.59 points down by 0.43% from 3,683.56 points week ending 29th August 2008. The following stocks recorded share price losses: AELZ lost K50 closing at K1,850, Zambrew (K75) closing at K1,900 , Lafarge (K25) ending at K6,295. Trading activity was also recorded in CEC, Celtel, BATZ, Zambrew and Shoprite.

GOVERNMENT BONDS

At the last auction, the market was presented with an opportunity to invest in the 7-15 years period. The central bank was looking to secure K120 billion and the auction received bids worth K158.1 billion. The quarterly 7,10 and 15 years tenors received bids worth k100.1 billion and further emphasized the market's desire to invest long-term. A total of K92.5 billion was allocated. No secondary market trades were recorded at the LuSE **Outlook:** *A further decline in yields.*

Hard Currency - It is from a highly industrialized country (politically and economically stable), that is widely accepted around the world as a form of payment. A hard currency is expected to remain relatively stable through a short period of time, and to be highly liquid.

KEY INDICES

T-BILL	RATES
91 DAYS	12.4787%
182 DAYS	13.5167%
273 DAYS	13.5145%
364 DAYS	14.5100%

BOND YIELD	RATES
2 YEARS	14.9380%
3 YEARS	15.5019%
5 YEARS	16.4403%
7 YEARS	17.2000%
10 YEARS	18.2000%
15 YEARS	19.2040%

CROSS	RATES
EUR / USD	1.4269 / 1.4273
GBP / USD	1.7658 / 1.7663
USD / JPY	107.68 / 107.73
USD / ZAR	7.9380 / 7.9850

LIBOR	RATES
1 MONTH	2.48688
2 MONTHS	2.68438
3 MONTHS	2.81438
6 MONTHS	3.10250
1 YEAR	3.12938

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

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Zambia to cut deficit, fight inflation

Zambia hopes to cut its fiscal deficit to below 2% of GDP this year and will take measures to fight a worrying current inflation rate of 13.2%. BoZ intended to mop up excess liquidity in circulation in a bid to rein in inflation. The latest target for the fiscal shortfall is lower than the 3.2% deficit figure forecast in the 2008 budget but higher than the 0.95% fiscal deficit in 2007. The budget has planned supplementary expenditure to finance a presidential vote expected in November following the death last month of President Levy Mwanawasa. An IMF mission will visit Zambia this month for a periodical review of the economy to see if the government is meeting economic targets. Zambia hopes for an annual inflation rate of 7% in December and also hopes its economy will accelerate to GDP growth of 7% this year, from 6.2% in 2007. The Treasury would forge ahead with plans to suspend some less important economic projects in order to direct funds to the presidential election. But the government would still have to provide additional funds for the $3 billion 2008 budget unveiled in January.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The U.S Dollar edged higher versus the Euro last week Friday but retreated from 11-month highs after government data showed the U.S. economy lost jobs for the 8th straight month and the unemployment rate jumped. The Euro was slightly lower at $1.4235. Against the Yen, the Dollar recouped earlier losses and last traded at 107.10.

■ GBP

Sterling rose versus the Dollar and Euro, while UK interest rate futures slipped and stock markets pared gains after the Bank of England kept interest rates on hold at 5%, as expected. Sterling was up at $1.7816. The Euro hit session lows of 81.25 pence.

■ RAND

South Africa's rand gained more than 1.2% against the Dollar last week Friday, rebounding from a 2-1/2 month low, after the Euro rose against the greenback and precious metals prices climbed. The Rand was trading at 7.9663 against the Dollar, after firming to 7.9350 earlier, from a previous close of 8.0460. It hit 8.0790 earlier in the session.

2. COMMODITIES

■ COPPER

The price of Copper fell to a 7-month low below $3.10/lb last week Friday after a huge jump in supply of the red metal in London warehouses reinforced investors' fears of a demand slowdown. Copper for December delivery dropped to $3.0985/lb. Spot September finished at $3.1235. Copper for 3-months delivery LME closed at $6,900.

■ OIL

Crude Oil futures ended sharply lower last week Friday, weighed down by economic worries after government data showed the U.S. economy lost more jobs than expected in August. October Crude settled down at $106.23/barrel. October Brent ended down at $104.09/barrel.

■ GOLD

Gold rose last week Friday as the Dollar declined after the U.S. August Labor report showed a sharp drop in payrolls and an increase in the unemployment rate to a nearly 5-year high. December Gold gained to $813.30/ounce. Spot Gold advanced to $809.90/811.35 an ounce. London's afternoon Gold fix was set at $808.50.

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.