



EXPECT MORE FROM US

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WEEK CAPTIONS

- Government will soon conclude an agreement with the Japanese government under which an US\$50 million credit line will be provided to support identified projects in the rural electrification master plan.
- CEC and Tata Africa Holdings have been awarded a concession to conduct a detailed feasibility study for the development of the 34-megawatt Kabompo Gorge hydro electricity power project in North Western Province.
- Zambia has qualified to access up to US\$700 million next year under the US Millennium Challenge Account.

QUOTE OF THE WEEK

"However, sustaining robust growth hinges on maintaining macroeconomic stability and making use of public resources and undertaking the improvements in infrastructure and financial and private sector reforms which are essential to enhance productivity and competitiveness." - IMF Mission to Zambia.

FBZ BUSINESS NEWS

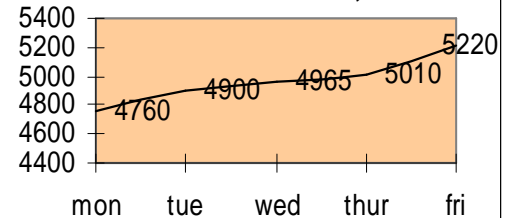
Finance Bank Zambia Limited has applied for a licence to operate in the Democratic Republic of Congo and has since started negotiations with the central bank of Congo.

FOREX MARKET

The ZMK was once again on a volatile ride last week as it broke out of its range breaching one psychological level after another. From the week's opening levels of 4740 and 4760 for bid and offer, the ZMK closed the week at sharply weakened levels of 5200 and 5220 recording a depreciation of just under 10% during the week. There hasn't been any positive news lately as the global financial crisis continue to wreck havoc on stock markets and commodity prices. Copper prices are down more than 60% from their peak in July as demand for the commodity has gone down. Demand for USD has continued to surpass supply.



Kwacha Performance in the week Dec. 8th-12th, 2008



MARKET INDICATORS

FOREX	5200/5220	
INTERBANK	14.60%	
T-BILLS	13.89%	
BONDS	16.58%	
INFLATION	15.30%	
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

Overnight funds on the Interbank market were traded at 14% last week. Levels of excess funds on the overnight market closed the week at K368.9 billion. The levels were found at K297.7 billion at the week's outset. BoZ was in the market taking deposits from the market. BoZ took deposits at lower yields owing to the increased liquidity in the short term market. The overnight OMO rate was found at 9% and this movement may give direction to the overnight Interbank index.

TREASURY BILLS

A total of K46.7 billion was allocated at last week's treasury bill auction. Investors showed interest in the government security and presented bids worth K50.8 billion. The 364 days treasury bill received bids worth K32.9 billion. The full amount was allocated at a depreciated average of 18.54%. The 273days tenor remains the least preferred as it only received bids worth K 1.9 billion and only K0.9 billion was allocated.

CAPITAL MARKET

THE EQUITY MARKET

The Lusaka Stock Exchange (LuSE) all share index last Friday closed at 2,565.11 points down by 3.63 percent compared to 2,661.62 points on Thursday. According to the LuSE daily stock update for Friday, there was a downward price change in CEC, Zain Zambia, and Zambeef. Trading was also recorded in Lafarge Cement Zambia, Standard chartered Bank, Shoprite, Zambia Breweries and Zambia Sugar.

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%.



International Banking?
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Currency Certificate - A note that grants the holder the right to convert a specific amount of one currency to another at a given exchange rate until it expires. A currency certificate is a bearer certificate with no registered owner. A useful tool for hedging foreign exchange risk.

KEY INDICES

T-BILL	RATES
91 DAYS	13.8880%
182 DAYS	15.8053%
273 DAYS	16.5000%
364 DAYS	18.5384%
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	1.2715 / 1.2720
GBP / USD	1.4683 / 1.4688
USD / JPY	92.820 / 92.850
USD / ZAR	10.275 / 10.335

LIBOR	RATES
1 MONTH	1.86750
2 MONTHS	2.04063
3 MONTHS	2.18563
6 MONTHS	2.55125
1 YEAR	2.69250

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

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IMF urges prudent economic management
IMF urged Zambia to stick to prudent economic management and warned a slump in global Copper prices would adversely affect stability. While Zambia has pursued sound fiscal policy in recent years, execution of the budget has exhibited weakness. In particular, the pattern of spending has deviated significantly from what has been budgeted, notably in regard to capital spending. A loosening of fiscal and monetary policies aimed at supporting activity needs to be balanced against the risks for macroeconomic

stability over the medium term. The falling Copper prices and a global economic slowdown would harm the economy and that structural reforms should be implemented urgently to allow effective use of available resources. Measures to stimulate private sector investment in infrastructure need to be strengthened. Zambia has projected a budget deficit of 1.2% of GDP, but it will revise the figure upwards after additional expenditure. It is also expected to revise the 2008 growth forecast downwards from an initial target of 7%, while inflation remains at 15.3%, against a target of 7%.

INTERNATIONAL NEWS

1. CURRENCIES

■ U.S DOLLAR

The Dollar fell against the Yen last week Friday, but recovered from a 13-year low after the White House said it would consider steps to stave off a collapse of the ailing U.S. auto sector. The Dollar hit an all-time low of 79.75 yen in 1995. The Euro fell to 121.81 Yen. The Euro was up slightly at \$1.3371 while Sterling fell to \$1.4945 and the Dollar rose to 1.1780 CHF.

■ GBP / EURO

Sterling hit a record low against the Euro and a currency basket last week Friday as risk aversion surged, putting pressure on the UK currency where sentiment was already dampened by a gloomy economic outlook. The Euro rose to a record high versus the Pound at 89.84 pence. The Yen jumped across the board, pushing the Pound as low as 132.66 Yen, it's lowest since 1995.

■ RAND

South African stocks fell 1.8% last week Friday as the collapse of a U.S. auto industry bailout battered platinum miners and Super Group slid more than 15% after it was forced to restate its results. The Rand currency weakened as much as 3% against the Dollar as risk aversion resurfaced on the failure of the auto-maker rescue plan. The Rand traded 1.9% weaker against the Dollar at 10.17.

2. COMMODITIES

■ COPPER

Copper futures closed lower last week Friday, but pulled up from the session low when a tentative proposal by the Bush Administration left open the prospect of an U.S. auto industry bailout, offering some hope for renewed red metal demand. Copper for March delivery fell at \$1.4285/lb. LME Copper-3 months delivery dropped to \$3,175/tonne.

■ OIL

Oil prices settled nearly \$2 lower last week Friday after the collapse of a \$14 billion rescue plan for U.S. auto-makers kept Wall Street and Oil markets volatile. Crude Oil settled down at \$46.28/barrel. London Brent Crude settled down at \$46.41/barrel.

■ GOLD

Gold futures retraced initial sharp losses but still ended lower last week Friday even as the Dollar plunged against the Euro, while platinum group metals were pummeled on demand worries after the U.S. Congress failed to pass a bill to save the auto industry. Spot Gold was at \$818.3/ounce. Gold futures for February delivery settled down at \$820.5/ounce. Bullion was supported after Oil sharply cut losses to end down at \$46.28/barrel.

3. DIARY

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.