FINANCE BANK

MARCH 10, 2009

TREASURY MARKET REPORT

TMR 04-03/09

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FOREIGN EXCHANGE MARKET

The ZMK opened last week on a weaker note as the mismatch between supply and demand for US Dollars continued to characterize the market. The market opened trading on Monday at 5625 and 5645 levels but quickly depreciated to 5730 and 5750 in intra-day trading on inter-bank activity. BoZ intervened at these levels leading the ZMK to bounce back a little to close Monday's trading session at 5700 and 5720 for buying and selling. On Tuesday however, the ZMK firmed by 2.6% on improved US Dollar supply to close the day at appreciated levels of 5580 and 5600.

Wednesday and Thursday saw the ZMK maintain some stability in lackluster trading conditions. On Friday however, the ZMK traded firmer intra-day touching a high of 5500 on bid and 5520 on offer with one or two banks providing the necessary US Dollar liquidity. These firm levels attracted some interest from takers thereby increasing demand. The ZMK quickly rebounded off from these levels to close the day at 5565 and 5585. Overall, the ZMK appreciated by 1.1% during the week. There was some improvement in copper prices last week which was positive news for the ZMK.

KEY INDICES

T-BILL	RATES
91 DAYS	13.9916%
182 DAYS	15.8856%
273 DAYS	17.2637%
364 DAYS	18.1754%
BOND YIELD	**RATES**
2 YEARS	17.5307%
3 YEARS	18.4346%
5 YEARS	19.4973%
7 YEARS	17.2609%
10 YEARS	18.4069%
15 YEARS	19.2499%

CROSS	RATES
EUR / USD	1.2665 / 1.2671
GBP / USD	1.4319 / 1.4324
USD / JPY	97.6000 / 97.6500
USD / ZAR	10.0850 / 10.1500
LIBOR	**RATES**
1 MONTH	0.49625
2 MONTHS	0.96313
3 MONTHS	1.26438
6 MONTHS	1.80313
1 YEAR	2.11938

ECONOMIC	TARGETS
INFLATION RATE	10%
GDP GROWTH	5%
DEBT / BORROW-	1.8% GDP

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MARKET INDICATORS	
FOREX	5565/5585
INTERBANK	10.00%
T-BILLS	13.99%
BONDS	17.53%
INFLATION	14.00%

FBZ RATES	ZMK	US$
BASE RATE	21.0%	10.5%
DEPOSITS	**ZMK**	**US$**
SAVINGS	3.0%	0.1%
24 HR CALL	3.0%	0.1%
1 MTH FIXED	3.5%	0.5%
3 MTH FIXED	10.0%	1.25%
NCD 90 DAYS +	LIBOR +3%	

MONEY AND CAPITAL MARKETS

The **overnight money market** index peaked at 10.9% on Friday last week from the weeks' opening level of 9.6%. Aggressive participation in the primary government securities market by commercial banks has brought about a decline short term liquidity levels. On Wednesday, excess overnight market liquidity levels were found at K200 billion while aggregate funds demanded where K120 billion. BoZ did not perform open market operations on the 3rd,4th and 5th.

Meanwhile, the **treasury bill** auction was over-subscribed by 206%. BoZ was looking for K100 billion on behalf of government but the market responded with K206.2 billion worth of bids. As a result yield declined across all tenors. Similar participation levels at the next auction may depreciate the yields further.

At the **LuSE**, the all share index closed at 2,335.37, recording no change from yesterday's close. The total volume transacted in 49 trades was 725,976, yielding a turnover of K541, 253,033.

INTERNATIONAL MARKETS

Last week Friday, the **Dollar** slid versus the Euro, as investors locked in gains and pared back safe-haven trades on the greenback, emboldened by U.S. payrolls data showing job losses were less severe than many had feared. The Euro rose at $1.2638. The Dollar rose versus the Yen to 98.31. **Sterling** rose against a broadly weaker Dollar as the greenback extended losses. Sterling was up at $1.4277. **SAR** was trading at 10.49 to the Dollar. **Copper** prices extended their weekly rally as another drop in stockpiles resuscitated hopes of a demand pick-up in China, and helped offset grim unemployment data in the USA. Copper for May delivery rose at $1.6890/lb. LME, Copper for 3 month delivery ended at $3,723/tonnes. **Gold** ended higher as stock markets reversed initial gains to fall back into the red. Spot Gold was at $937.95/ounce. Gold futures for April delivery settled up at $942.70/ounce. **Crude** futures ended more than 4% higher, rebounding from last week Thursday's heavy losses as the Dollar slumped against the Euro, making Oil and other commodities traded in the greenback more attractive to buyers. April Crude settled up at $45.52/barrel. April Brent ended up at $44.85/barrel.

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