



FOREIGN EXCHANGE MARKET

It was not all rosy for the ZMK as it closed last week on a weaker note against the USD after an impressive three week bullish run. In the previous three weeks, the ZMK recorded an appreciation of over 6%, firming from 5100 at the end of July to 4785 by mid August. This was on the back of improved US Dollar supply and record copper prices which hit their ten-and-half-month high above US\$6,500 per tonne. But last week the ZMK retreated from its high levels of 4785 at the beginning of the week to 4840 at the end of the week, recording a depreciation of 1.15%.

The ZMK's bearish run last week was on the back of dwindling US Dollar supply amidst position covering by market players and increased demand from corporate takers. Copper prices had also fallen below US\$6,000 per tonne by Thursday, though it rallied on Friday.

Outlook :

This week, the ZMK is likely to rally on improved USD supply as the month draws to a close and increased world economic optimism likely to boost demand for commodities and their resultant price rallies.

KEY INDICES

T-BILL	RATES
91 DAYS	16.0571%
182 DAYS	16.3293%
273 DAYS	17.2678%
364 DAYS	18.4003%
BOND YIELD	RATES
2 YEARS	18.2640%
3 YEARS	19.7286%
5 YEARS	20.1678%
7 YEARS	17.2000%
10 YEARS	19.5752%
15 YEARS	19.2499%

CROSS	RATES
EUR / USD	1.4320 / 1.4326
GBP / USD	1.6505 / 1.6510
USD / JPY	94.370 / 94.390
USD / ZAR	7.7600 / 7.8600

LIBOR	RATES
1 MONTH	0.26563
2 MONTHS	0.30000
3 MONTHS	0.39313
6 MONTHS	0.79625
1 YEAR	1.34875

ECONOMIC	TARGETS
INFLATION RATE	10%
GDP GROWTH	5.8%
DEBT / BORROW-	1.8% GDP

MONEY AND CAPITAL MARKETS

Yields in the **overnight market** averaged at 12% last week. BoZ took deposits through the Open Markets Operations window (OMO).

The **treasury bill** auction attracted bids worth K100.9 billion last week and K64.6 billion was allocated.

The monthly **bond** auction attracted bids worth K67.9 billion last Friday. BoZ had been looking to secure K120 billion from the quarterly issue that included the 7,10 and 15 days tenors. Only K61.3 billion was secured.

A drop of 0.61% was recorded in the **all share index**, which closed at 2,698.12 points from previous recording of 2,714.63 points. CEC recorded a gain of K5 to end at K440. Zanaco closed at K452, down by K48 and Zambia sugar lost K2 to close at day K363. A turnover of K644, 393,263 was recorded after transacting 758,520 shares in 30 trades. Transactions were also recorded in AELZ, BATZ, Celtel, Lafarge, Farmers House Investment, SCZ and Zambrew.

INTERNATIONAL MARKETS

Last week, the **Dollar** and Yen fell after a strong U.S. housing sales report and upbeat comments reduced the safe-haven appeal of the U.S. and Japanese currencies. The Euro rose at \$1.4333 and also up at 135.18 Yen. The Dollar was up at 94.29 Yen. **Sterling** was up against the Dollar at \$1.6625. The **Rand** powered to a near 3-week high on growing risk appetite and a weaker Dollar, bringing gains to more than 4%, aided by a smaller than expected contraction in the local economy. It was trading at 7.7950/Dollar. **Copper** hit a 1-week high, rallying more than 5% as strong U.S. housing data boosted many investors' outlook for

demand. Copper for 3-months delivery on the LME closed at \$6,270/tonne. Copper for September delivery settled higher at \$2.8805/lb. **Gold** futures climbed toward \$960/ounce as the Dollar slumped against the Euro, boosting the metal's appeal as a hedge against the falling U.S. currency. December Gold settled up at \$954.70/ounce. Spot Gold rose at \$957.65/ounce. **Crude Oil** futures ended at a 10-month high on economic optimism, as Wall Street gained sharply and the Dollar weakened. October Crude settled up at \$73.89/barrel. October Brent Crude ended up at \$74.19/barrel.

(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.



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MARKET INDICATORS

FOREX	4820/4840	
INTERBANK	12.00%	
T-BILLS	16.06%	
BONDS	18.26%	
INFLATION	14.00%	

FBZ RATES ZMK US\$

BASE RATE	23.0%	10.5%
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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%	

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