



FOREIGN EXCHANGE MARKET

The foreign exchange market was last week characterized by high volatility with the ZMK meandering within a range of 4600 and 4700 against the US Dollar. Last week Monday, the ZMK opened trading at a buy rate of 4650 and sell rate of 4670 against the US Dollar on the inter-bank market. By Tuesday the ZMK had weakened to 4685 and 4705 levels on US Dollar supply worries. Earlier in the day, the ZMK had traded at 4700 and 4720 levels before the Central Bank intervened to rescue it from further collapse and managed to stabilize it. On Wednesday, the ZMK became bullish

on improved US Dollar supply while on Thursday it briefly breached the psychological level of 4600 after recording an intra-day high of 4580. These firm levels coincided with the treasury bills auction on Thursday, an indication that offshore investors may have rekindled their interest in our high yielding government securities. The ZMK closed the week at 4610 and 4630 levels, an appreciation of 0.86%. Weakening US Dollar and loftier commodity prices is rendering support to emerging markets currencies as investors diversify away from USD to alternative riskier but high yielding assets.

KEY INDICES

T-BILL	RATES
91 DAYS	14.4731%
182 DAYS	15.7510%
273 DAYS	16.5620%
364 DAYS	16.0383%
BOND YIELD	RATES
2 YEARS	18.0902%
3 YEARS	19.6537%
5 YEARS	20.0097%
7 YEARS	17.2000%
10 YEARS	19.5752%
15 YEARS	19.2499%

CROSS	RATES
EUR / USD	1.4903 / 1.4906
GBP / USD	1.6357 / 1.6363
USD / JPY	90.870 / 90.910
USD / ZAR	7.3150 / 7.3700

LIBOR	RATES
1 MONTH	0.24500
2 MONTHS	0.25375
3 MONTHS	0.28406
6 MONTHS	0.59125
1 YEAR	1.24688

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

MONEY AND CAPITAL MARKETS

The overnight index continued on a downward trend and closed the week at 6.92%. Increased liquidity in the short term market has seen short term yields decline across the 1-year yield curve. Excess liquidity in the overnight market was K630billion at the close of the week.

Total bids at the treasury bill auction amounted to K257.1 billion and K94.4 billion was allocated. Just like at the previous auction, there was a general decline in yields. The benchmark 91 days t-bill now yields 14.47% from 15.01% previously.

The Lusaka Stock Exchange LuSE all share index closed at 2,777.53 points down by 0.11% from the previous week's closing of 2,780.62 points. On a year to date in kwacha terms, the index is down 9.77% and 14.81% in US Dollar terms.

In terms of price changes, CEC lost K3 to end at K4.35. Zain closed at K525 down by K5 and Farmer's House dropped by K50 to close at K2700. The market recorded 84 transactions involving 8.17 million shares worth K6.93 billion.

INTERNATIONAL MARKETS

Last week, the **Dollar** recovered some of the week's losses, as news of a large quarterly loss at Bank of America and flagging consumer confidence dulled investor demand for higher-yielding, higher-risk currencies. The Euro traded at \$1.4894 while the Dollar rose to 90.89 Yen. **Sterling** rallied for a second straight day, rising to \$1.6354. **Rand** has been under pressure, with USD/ZAR was trading at 7.3610. **Copper** futures ended with modest losses, as a firm Dollar, rising inventories, falling equity markets and mixed economic data dragged prices down into a lower band of consolidation. Copper for December delivery fell to

\$2.8455/lb. LME Copper for 3-month delivery ended at \$6,240/tonne. **Gold** rose slightly, erasing initial losses as light investment buying shook off worries about the banking sector stirred by a quarterly loss posted by Bank of America. Spot Gold was at \$1,052.80/ounce. December Gold futures settled up at \$1,051.50/ounce. **Crude Oil** futures extended gains to a seventh straight session and closed at the highest level in a year. November Crude settled up at \$78.53/barrel. December Brent Crude ended up at \$76.99/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	4610/4630	
INTERBANK	11.50%	
T-BILLS	14.47%	
BONDS	18.09%	
INFLATION	13.00%	

FBZ RATES ZMK US\$

BASE RATE	23.0%	13.0%
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DEPOSITS ZMK US\$

SAVINGS	3.0%	0.2%
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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