



### FOREIGN EXCHANGE MARKET

USD/ZMK opened the week at 4730/4750. Intraday, the currency pair traded steady before closing firmer at 4705 and 4725 for bid and offer respectively. On Tuesday, Interbank activity was restricted in the 4700 and 4760 range. With many corporate entities preparing for the industrial break, supply and demand for USD was kept at a minimum.

The sharp turn around began on Thursday when inflows in the market by far surpassed the outflows. USDZMK appreciated from 4750 to close the day at 4700. ZMK made further gains against

the dollar to close the week at 4650 and 4670 for buy and sell on the Interbank market. Off shore investors offloaded USD as they positioned themselves for the bond auction on Friday but for Monday settlement.

This movement may be seen as a correction from the high levels seen the last three weeks. A rebound is most unlikely and we expect USD/ZMK to trade in 4600/4700 band for the remainder of the year.

On the world market USD gained broadly on improved economic sentiment.

### KEY INDICES

| T-BILL     | RATES    |
|------------|----------|
| 91 DAYS    | 05.2802% |
| 182 DAYS   | 07.4631% |
| 273 DAYS   | 10.6687% |
| 364 DAYS   | 11.7026% |
| BOND YIELD | RATES    |
| 2 YEARS    | 14.3953% |
| 3 YEARS    | 15.8226% |
| 5 YEARS    | 17.0743% |
| 7 YEARS    | 18.2192% |
| 10 YEARS   | 19.0829% |
| 15 YEARS   | 19.3970% |

| CROSS     | RATES           |
|-----------|-----------------|
| EUR / USD | 1.4335 / 1.4336 |
| GBP / USD | 1.6152 / 1.6257 |
| USD / JPY | 90.440 / 90.450 |
| USD / ZAR | 7.5405 / 7.5875 |

| LIBOR    | RATES   |
|----------|---------|
| 1 MONTH  | 0.23188 |
| 2 MONTHS | 0.24069 |
| 3 MONTHS | 0.25125 |
| 6 MONTHS | 0.43538 |
| 1 YEAR   | 0.96838 |

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

### MONEY AND CAPITAL MARKETS

Interbank trade in the overnight money market saw the overnight index close the week at 4.20%. This was marginally higher than the 4.10% weeks' opening levels. The banks' aggregate current account balance at BoZ closed at K578.7billion while Interbank demand for ZMK swelled from K41.5billion on Monday to close the week at K74.0 billion.

At the treasury bill auction, total demand for treasury bills was K116.4billion. BoZ allocated K92.8 billion of the K100billion worth of treasury bills that had been offered to the market.

The benchmark 91days t-bill was down by 8 basis points to 5.28% from the previous weeks' close of 5.36%. The 273 and 364 day tenors defied the trend and closed higher.

The final bond auction of the year was held on Friday last week. Total bids for the longer dated instruments were found at K149.4 billion as BoZ sought to secure K120billion on behalf of the government. K111.7 billion was allocated and a decline in yields was seen across all tenors.

### INTERNATIONAL MARKETS

Last week, the **Dollar** gained broadly on improved economic sentiment and a safe-haven bid after Iranian soldiers crossed into Iraq in a disputed southern oilfield, which lifted oil prices. The Euro was down at \$1.434. **Crude** for January delivery settled up to \$73.36. London Brent Crude rose to \$73.75/barrel. **Sterling** rose against the Dollar, as traders took profits ahead of the weekend, though concerns remained about the parlous state of UK public finances. Sterling was up against the Dollar at \$1.6184. The Euro fell against the Pound to 88.61 pence. **ZAR** weakened against the Dollar, mainly reflecting the greenback's broad-based

gains against major currencies. It traded at 7.60/ Dollar. **Copper** held a firmer tone, as outside market supports enabled prices to recover from earlier Dollar-related losses. Benchmark Copper for March delivery ended up at \$3.1385/lb. On the LME, Copper for 3 month delivery was untraded at the close. **Gold** prices rose, reversing declines in a choppy session, but buying related to short covering trumped selling prompted by profit-taking and a strong Dollar. Spot Gold rose to \$1,112.50/ounce. Gold futures for February delivery rose to \$1,111.50/ounce.

*(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     | 4650/4670 |  |
| INTERBANK | 04.60%    |  |
| T-BILLS   | 05.28%    |  |
| BONDS     | 14.40%    |  |
| INFLATION | 11.50%    |  |

#### FBZ RATES ZMK US\$

|           |       |       |
|-----------|-------|-------|
| BASE RATE | 23.0% | 13.0% |
|-----------|-------|-------|

#### 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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