FINANCE BANK

MAY 11, 2009

TREASURY MARKET REPORT

TMR 12-05/09

Bank with Pride!

FOREIGN EXCHANGE MARKET

The ZMK posted an impressive 8.1% appreciation last week buoyed by increased USD inflows and positive market sentiments. Having opened the week at 5550 and 5570 for buying and selling against the US Dollar on the Interbank market, the ZMK went on to breach three psychological levels in a roll to close the week at 5100 and 5120 levels.
Rekindled interest in government securities by portfolio investors saw an improvement in USD supply while the release of US$160 million by the IMF added to the positive sentiment for the ZMK

The ZMK's firm levels has triggered panic selling by various players including individual foreign currency account holders converting their hard currency to the local currency leading to further appreciation. The prospects for global economic turn around has helped commodity prices to rally in recent times. Copper price has risen by more than 40% this year and last week shot to its highest level in three weeks closing the week at US$4,680.00 per tonne.
We expect the ZMK to trade in the range of 5100 to 5200 this week.

MONEY AND CAPITAL MARKETS

Overnight excess liquidity in the **Interbank market** declined from about K800billion the previous week to K500 billion last week. The overnight index on the other hand remained unmoved at 12.14%. BoZ was in the market looking to take deposits last week.
The **treasury bill** auction attracted bids worth K155.2 billion at last week's auction. Of this amount, only K84.9 billion was allocated. There was a marginal decline of yields across all tenors and the 91 days treasury bill now yields 13.80%. The were no transactions reported in the **bond market**.
On Friday, the all **share index** ended on a positive note, recording a gain of 2.74%. It closed at 2,180.93 points from previous closing of 2.121.76 points. Celtel recorded an increase of K31 to end at K400 and Zanaco recorded a gain of K50 to close at K250. A volume of 765,489 was transacted in 29 trades, resulting in a turnover of K630, 881,265. Trading activity also occurred in CCHZ, Farmers House, Natbrew, Zambeef and Zambia Sugar.

INTERNATIONAL MARKETS

Last week, Friday, the **Dollar** fell to a 4-month low after a better-than-expected U.S. jobs report bolstered hopes the global recession may be easing and dented safe-haven demand for the greenback. The Euro traded up at $1.3625. The Dollar dropped to 98.41 Yen while the Euro rose to 134.10 Yen. The Euro rose to a 1-week high against the **Pound** of 89.75 pence. Against the Dollar, the Pound gained to $1.5047. **SAR** firmed slightly but, again, failed to take full advantage on a Euro rally. It was trading at 8.36/Dollar.

Friday, last week, **Copper** drifted to a softer close, as investors grabbed profits at week's end. Copper for July delivery closed at $2.1455/lb. On the LME, Copper for 3-months delivery settled at $4,680/tonne. **Gold** prices slipped. Spot Gold traded at $914.25/ounce. Gold futures for June delivery settled down at $914.90/ounce. **Crude** futures ended at their highest level in nearly 6 months. June Crude settled up at $58.63/barrel. June Brent Crude settled up at $58.14/barrel.

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MARKET INDICATORS	
FOREX	5100/5120
INTERBANK	11.50%
T-BILLS	13.80%
BONDS	18.85%
INFLATION	14.30%

FBZ RATES	ZMK	US$
BASE RATE	22.0%	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%	

KEY INDICES

T-BILL	RATES
91 DAYS	13.7961%
182 DAYS	15.6129%
273 DAYS	15.9121%
364 DAYS	18.0000%

BOND YIELD	RATES
2 YEARS	18.8542%
3 YEARS	19.0000%
5 YEARS	19.9971%
7 YEARS	17.2609%
10 YEARS	18.4069%
15 YEARS	19.2499%

CROSS	RATES
EUR / USD	1.3639 / 1.3640
GBP / USD	1.5244 / 1.5249
USD / JPY	98.590 / 98.600
USD / ZAR	8.2551 / 8.2950

LIBOR	RATES
1 MONTH	0.36750
2 MONTHS	0.76125
3 MONTHS	0.93750
6 MONTHS	1.46250
1 YEAR	1.78125

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

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