



FOREIGN EXCHANGE MARKET

The ZMK opened last week on a weak note against the US Dollar pressured by low supply of the greenback. The local currency was trading at a buy rate of 4580 and sell rate of 4600 against the greenback at the opening session on Monday. By close of business on the day, the ZMK had weakened to 4610 and 4630 for buying and selling. It remained at these levels on Tuesday but made some gains on Wednesday when it closed the day at firm levels of 4555 and 4575. The ZMK's bullish run on the day was against the background of positive market sentiments resulting from good

performance by world equities which helped uplift commodity prices. On Thursday however, the ZMK paired its gains by trading weaker at an intra-day low of 4640 and 4660 on the back of increased demand for the greenback largely from portfolio investors exiting from the local market. Pressure on the ZMK continued on Friday as it closed the day at bearish levels of 4660 and 4680 for buying and selling. The ZMK thus recorded a depreciation of 1.74% during the week. Last week therefore culminated in a complete reversal of all the gains made by the ZMK since the New Year.

KEY INDICES

T-BILL	RATES
91 DAYS	05.7291%
182 DAYS	06.2283%
273 DAYS	08.0085%
364 DAYS	08.9994%
BOND YIELD	RATES
2 YEARS	13.0328%
3 YEARS	14.2820%
5 YEARS	17.3354%
7 YEARS	17.9000%
10 YEARS	18.9000%
15 YEARS	18.9017%

MONEY AND CAPITAL MARKETS

Yields in the **overnight money market** continued on the downward trend. They are still driven by large volumes of excess liquidity in the short term. Usually, the central bank influences this liquidity through various operational instruments while investors also find a short term exit through the treasury bill auction. This time, both 'OMO' and the treasury bill auction have fallen short of investor demand for safer instruments in the wake of the world wide economic downturn.

Meanwhile, the **treasury bill** auction attracted demand amounting to K265.4 billion when government was only looking to borrow K100 billion across the four tenors. The 364 days tenor accounted K106.9 billion of the demand. This also further emphasizes market sentiment that favors a further decline in government security yields. A significant decline in yields was seen on all tenors and the 91 days treasury bill now yields 5.73% from 6.47% previously.

No secondary market trade was reported in the **bond market**.

CROSS	RATES
EUR / USD	1.3682 / 1.3687
GBP / USD	1.5655 / 1.5660
USD / JPY	89.250 / 89.280
USD / ZAR	7.7675 / 7.8075

LIBOR	RATES
1 MONTH	0.22844
2 MONTHS	0.23906
3 MONTHS	0.24969
6 MONTHS	0.38500
1 YEAR	0.83750

ECONOMIC	TARGETS
INFLATION RATE	8.0%
GDP GROWTH	5.8%
DEBT / BORROW-	1.8% GDP

INTERNATIONAL MARKETS

Last week, the **USD** and Yen gained as persistent worries about the euro zone's fiscal stability pushed investors further away from risky assets and sent the Euro to an 8-1/2 month low. The Euro fell to \$1.3658. **Sterling** was down at \$1.5641. It fell against the Euro trading up at 87.37 pence. The **ZAR** touched fresh 6-week lows against the USD. It traded weaker at 7.7220/USD. **Copper** fell to its lowest level in more than 3 months, as a stronger USD and worries over the health of the global economy outweighed mixed U.S. jobs data. Benchmark Copper for March delivery settled at \$2.8575/lb. On the LME, 3

month Copper ended at \$6,265/tonne. **Gold** futures fell to their lowest in more than 3 months, ending the week 2% lower, as economic uncertainties led to heavy selling in Gold and other investments perceived as riskier. April settles down at \$1,052.80/ounce. Spot Gold at \$1,065.10. London afternoon Gold fix at \$1,058. **Oil** slid 2.7% to \$71/barrel in record daily trading volumes for the front month crude contract, which extended losses in the biggest 3-day percentage loss. March delivery settled down at \$71.19/barrel. Brent for March settled at \$69.59/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	4660/4680	
INTERBANK	04.40%	
T-BILLS	05.73%	
BONDS	13.03%	
INFLATION	09.60%	

FBZ RATES ZMK US\$

BASE RATE	23.0%	13.0%
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DEPOSITS ZMK US\$

SAVINGS	1.0%	0.2%
24 HR CALL	1.0%	0.1%
1 MTH FIXED	2.0%	0.5%
3 MTH FIXED	3.5%	1.25%
NCD 90 DAYS +	LIBOR	+3%

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