

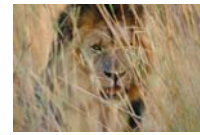


FINANCE BANK

MAY 05, 2008

TREASURY MARKET REPORT

TMR 02 / 05



WEEK CAPTIONS

- ◆ Celtel Zambia Plc has opened its Initial Public Offering of 1,040,000,000 ordinary shares to the public at a price of K640 per share.
- ◆ Exploration for oil and gas in North-Western, Eastern, Southern and Luapula provinces will start after legislation to protect the environment is enacted later this year.
- ◆ The European Investment Bank will facilitate a Euros 50 million loan package to promote SMEs entrepreneurs in Zambia.
- ◆ Zambia and Russia have signed a US\$7 million grant for the malaria national support programme.
- ◆ The inflation rate for April has rebound to double digit.

QUOTE OF THE WEEK

"For more than 2 billion people, high food prices are now a matter of daily struggle, sacrifice, and for some, even survival, with no apparent relief in sight. Malnutrition threatens to harm not only this generation but the generation to come. This is a test for the international community that we can not afford to fail." Robert Zoellick, World Bank president, speaking when he announced plans to double lending for agriculture in Africa to increase food supply.

FBZ BUSINESS NEWS

Credit Suisse, one of the world's largest global investment banks has acquired 40 percent equity in Finance Bank Zambia Limited.

FOREX MARKET

The ZMK last week posted a marginal appreciation of 0.9%. The ZMK opened the on a stable note at a buy rate of 3450 and sell rate of 3470 against the USD on the inter-bank market. It lost some ground on Tuesday on increased demand recording an intra-day low of 3500 and 3520 before rebounding to close the day at 3470 and 3490 for buying and selling. It remained largely unchanged on Wednesday in lackluster trading conditions. However, trading became choppy on Friday with the ZMK bulling itself to an intra-day high of

3410 and 3430 for bid and offer before closing the week at 3420 and 3440. The ZMK's strong showing on Friday was largely on account of strong sentiment for a bullish Kwacha and not actual Dollar flows.

The Kwacha's resilience since the beginning of the year has been on account of improved Dollar flows. High copper prices and the general positive sentiments on emerging markets have rendered support to the Kwacha.

Outlook:

Stable to bullish ZMK expected this week as strong sentiments for a bullish ZMK continues.

MARKET INDICATORS

FOREX	3420/3440	
INTERBANK	10.50%	
T-BILLS	12.37%	
BONDS	14.62%	
INFLATION	10.10%	

	FBZ	ZMK	US\$
BASE RATE	19.0%	10.5%	

	ZMK	US\$
SAVINGS	3.0%	0.2%
24 HR CALL	3.0%	0.2%
1 MTH	3.5%	0.6%
3 MTH	6.0%	1.2%

INTERBANK

The overnight money market index declined from 11% on Monday to 10.50% at the close of the week. This was on account of a healthy banks' aggregate current account balance at the central bank. Excess market liquidity was consistently found above K200 billion.

BoZ took term deposits through the 'OMO' window for tenors between 21 and 90days. Commercial banks placed a total of K95 billion.

Outlook: Overnight yields may remain stable but with a downside bias.

TREASURY BILLS

Although the short term market was fairly liquid, commercial banks opted to commit funds to the longer dated tenors. The total amount of bids was worth K113.4billion. The bids for the 273 and 364days accounted for 90% of the total bids. As a result, the yields for the 91days t-bills steeply appreciated from 11.80% to 12.37% but the 364days t-bill declined from 13.67% to 13.54%. **Outlook:** market sentiments still favor lower yields and the market will be keen to lock in funds long term.

CAPITAL MARKET

THE EQUITY MARKET

A total of 12,445,979 shares were transacted in 81 trades resulting in a total turnover of K10.76 billion. The all share index closed at 3,934.49 points down by 2.53% from 4,036.77 points week ending 25 April 2008. Farmers House lost K200.00 ending at K1,500.00. Standard Chartered Bank closed at K501 down by K59.00. Transactions also were also recorded in British American Tobacco, BP Zambia, CEC, Lafarge Cement, Investrust Bank and National Breweries. Zambeef Products, Zamefa and Zambia Sugar.

GOVERNMENT BONDS

Trade in the secondary bond market remained inactive at the LuSE last week. The primary market auction was held on Thursday 25th April 2008. only the 2,3 and 5year tenors were auctioned as BoZ sought to secure K120 billion from the market.

Commercial banks responded overwhelmingly with bids worth K172.3 billion. The yields declined marginally and the 2-year issue now trades at 14.62%.

TERMS & CONDITIONS APPLY



International Banking?
We'll do the talking!

Cable - The exchange rate between the U.S. Dollar and the BPG. Because it is the norm in forex for most major currencies to be quoted against the U.S. Dollar. Originally (1800s), the Dollar/Pound sterling exchange rate was transmitted via transatlantic cable.

KEY INDICES

T-BILL	RATES
91 DAYS	12.3700%
182 DAYS	12.7208%
273 DAYS	13.4534%
364 DAYS	13.5407%
BOND YIELD	RATES
2 YEARS	14.6169%
3 YEARS	15.1514%
5 YEARS	16.0276%
7 YEARS	17.2061%
10 YEARS	18.6064%
15 YEARS	19.4384%

CROSS	RATES
EUR / USD	1.5426 / 1.5428
GBP / USD	1.9708 / 1.9711
USD / JPY	105.32 / 105.34
USD / ZAR	7.5750 / 7.5921

LIBOR	RATES
1 MONTH	2.69750
2 MONTHS	2.73750
3 MONTHS	2.77000
6 MONTHS	2.87375
1 YEAR	2.99375

ECONOMIC	TARGETS
INFLATION RATE	9%
GDP GROWTH	7%
DEBT / BORROW-	1.2% GDP

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Foreign companies to invest in Coal Mine

ZCCM-IH had drawn up a shortlist of 10 companies as a potential equity partner in its Maamba Collieries Ltd. London-listed Vedanta Resources Plc was one of the companies seeking to invest in the Coal Mine. Vedanta is already the majority shareholder in KCM. The selected firm will be required to construct a 300-350 megawatts coal-powered thermal electric station. The company also has to become an equity partner in Maamba Collieries, into which ZCCM-IH plans to inject \$12 mln. Other bidders

include India's Nava Bharat Ventures, South Africa's Londoloza Resources, Borneo Mining, London-based Aldwych International and the Zambezi Consortium Limited comprised of investors from Mauritius and Zambia. Consortiums comprised of local and foreign investors who have also been short listed. ZCCM-IH had initiated measures to operate Maamba Collieries' mine on a marginal basis so that its viability is maintained. Its collieries have 78 mln known coal reserves to last over 70 years while the coal mine has capacity to produce up to 1 mln tonnes of coal/year.

INTERNATIONAL NEWS

1. CURRENCIES**■ U.S DOLLAR**

The Dollar scaled 2-month highs against the Yen and a basket of currencies last week Friday after an unexpectedly small drop in U.S. nonfarm payrolls left investors hoping any U.S. recession would prove a shallow one. The Dollar surged to a 2-month peak of 105.69 Yen, and has gained nearly 1% against the Japanese currency last week. It was last up 0.9% at 105.40. The Euro fell to \$1.5362. It traded back up at \$1.5425 at midday, down 0.3% on the day.

■ GBP

Sterling hit a 5-week high against the Euro last week Friday, reversing losses seen after weak housing data earlier, with traders citing heavy selling of Euro/Sterling thought to be M&A-related. Sterling was down 0.4% on the day at 77.95 pence, having hit a 5 week low at 77.91. The Pound was also up 0.4 pence at \$1.9846.

■ RAND

South Africa's Rand and stocks rose last week Wednesday ahead of a long weekend, but government bonds weakened on concerns about local inflation and interest rates. The Rand had risen 0.5% to 7.57 against the Dollar.

COMMODITIES**■ COPPER**

Copper futures closed higher last week Friday as investors took advantage of the previous session's sharp sell-off to re-enter at lower price levels. Copper for July delivery ended up at \$3.8205/lb. LME-3 months delivery closed up at \$8,410/tonne.

■ OIL

Oil jumped more than 3% to over \$116/barrel last week Friday after a report showing the U.S. economy lost fewer jobs than feared in April eased worries about the country's economic health. Crude Oil futures for June delivery rose to \$116.32. London Brent Crude settled at \$114.56.

■ GOLD

Gold ended higher last week Friday, recovering from an initial 4-month low, with analysts expecting future volatility to be driven by gyrations in the greenback and possible fund sales. Spot Gold fell as low as \$845/ounce after the dollar jumped following better-than-expected U.S. jobs data, but the metal rebounded when the

3. DIARY**Monday, May 12th****MILAN:**

Start of 3-day forum "The Economy and The Open Society".

Thursday, May 15th**VIENNA:**

40th Annual conference of the International Capital Market Association (to May 16), featuring ECB President Jean-Claude Trichet and ECB Governing Council Member Yves Mersch.

Saturday, May 24th**JERUSALEM:**

Israel to host the Group of 30 (G30) Spring Meeting (to May 26). Attendees include; ECB Governor Jean-Claude Trichet and BoE Governor Mervyn King as well as the central bank chiefs of India and China.

(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.