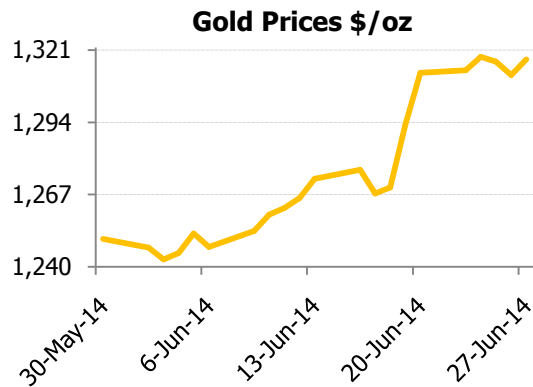


## WEEKLY ECONOMIC REVIEW

### Commodity 30-Day Price Chart

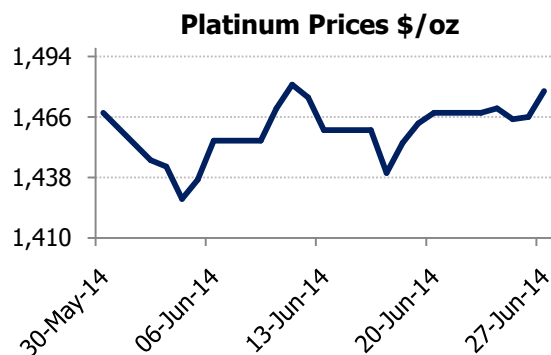


### Commodity Prices

Daily	US\$/oz	WoW %Δ
20-Jun-14	1,313	
23-Jun-14	1,314	
24-Jun-14	1,319	
25-Jun-14	1,317	
26-Jun-14	1,312	
27-Jun-14	1,318	
		<b>0.38</b>

### Commodity Developments

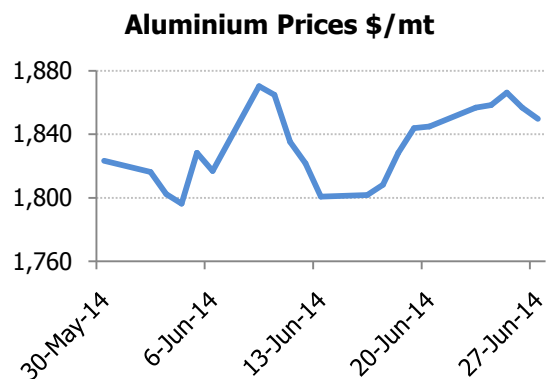
- Geopolitical tensions over Ukraine and Iraq boosted Gold's safe haven appeal to trade above the US\$1,300/oz mark.
- The situation in Iraq worsened after the most influential Shi'ite cleric called on the country's leaders on the 27<sup>th</sup> to choose a prime minister within the next 4 days. This may mean an end to Nuri al-Maliki's 8-year rule.
- Lacklustre demand from top consumer, China, and the discovery of US\$15bn-loans backed by fake Gold trades weigh down the yellow metals outlook.
- Much of the demand for the metal is speculative amid geopolitical concerns and should these tensions ease, Gold seems vulnerable to downward correction as real fundamentals come at play.
- In the market, there is already little doubt that the US economy and the Global economy at large is expanding, decreasing bullion's appeal as a hedge.



Daily	US\$/oz	WoW %Δ
20-Jun-14	1,468	
23-Jun-14	1,468	
24-Jun-14	1,470	
25-Jun-14	1,465	
26-Jun-14	1,466	
27-Jun-14	1,478	
		<b>0.68</b>

- Platinum prices climbed higher though the crippling 5-month-platinum-strike ended, on news that the National Union of Metalworkers of South Africa (NUMSA), could down tools at state-power utility Eskom if disputes over wages and other issues are not resolved. NUMSA is SA's largest union with over 200,000.
- Platinum producers in SA which were hit by the recently ended 5-month strike are struggling with rising costs and depressed prices and are expected to undergo a painful restructuring exercise.
- The largest producer, Anglo American Plc (Amplats), has signalled intention to sell some of its platinum mines in SA, in a move to dispose underperforming assets. It also plans to dispose its nickel business and copper mines in Chile.
- Generally, strikes and high wage demands represents a negative supply-side shocks to the economy, with a longer-term risk that higher wages and poor labour relations would reduce the incentive for mining companies to invest.

### Commodity 30-Day Price Chart



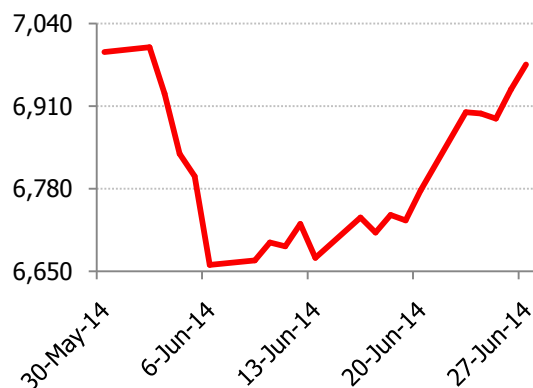
### Commodity Prices

Daily	US\$/t	WoW %Δ
20-Jun-14	1,845	
23-Jun-14	1,857	
24-Jun-14	1,858	
25-Jun-14	1,866	
26-Jun-14	1,857	
27-Jun-14	1,850	
		<b>0.27</b>

### Commodity Developments

- Aluminium prices were marginally up but below the \$1,900t mark on disappointing US consumer spending data. US consumer spending declined for 2 months in a row, with the country's economy suffering the worst performance in 5 years during Q1:14
- The metal found support from data showing that the Chinese economy showed some signs of stabilising in May as the Gvt unveiled more stimulus measures, but signs of further deterioration in the property market indicate more policy support may still be needed.
- China's Premier Li Keqiang is confident that the economy will grow by 7.5% and will maintain a medium-to-high growth in the long run. Given this, there is no need for authorities to resort to strong stimulus as the market had suggested.

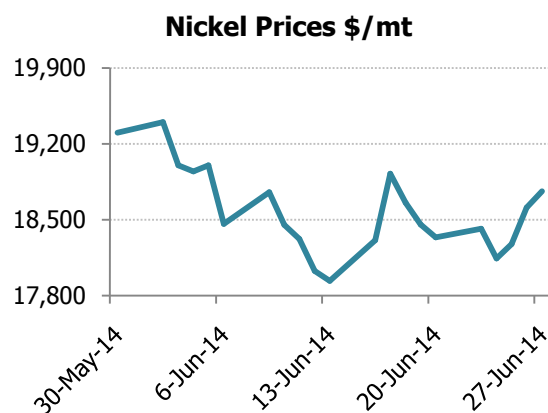
### Copper Price \$/mt



Daily	US\$/t	WoW %Δ
20-Jun-14	6,777	
23-Jun-14	6,901	
24-Jun-14	6,898	
25-Jun-14	6,890	
26-Jun-14	6,936	
27-Jun-14	6,976	
		<b>2.93</b>

- Copper prices surged spurred by hopes that an improved in the outlook of World's 2<sup>nd</sup> largest economy may strengthen demand, as the supply tightens.
- According to the International Copper Study Group (ICSG), the global refined copper market showed a 205,000t deficit in the 1<sup>st</sup> 3 months of the year, compared to a 206,000t surplus in the same period a year earlier.
- Indonesian restriction on ore exports since Jan-14, as miners Freeport-McMoRan Copper & Gold Inc and Newmont Mining Corp renegotiate taxes on their exports with the Gvt, has wiped out the expected global surplus.
- However, further gains were limited by a continuing investigation into suspected fraud at a Chinese port, which has caused banks to take longer to approve loans for copper imports. Chinese importers have turned to refined copper as banks tighten credit for buying following a suspected metal financing scam at China's Qingdao port
- In Zambia, uncertainty over the fiscal regime is deterring investment with Canada's First Quantum delaying a more than US\$1bn capital expenditure. The company stockpiled 200,000t of copper concentrates worth US\$350m at its Kansanshi mine after Zambia, which has limited smelter capacity, introduced the 10% export duty on concentrate exports.

### Commodity 30-Day Price Chart



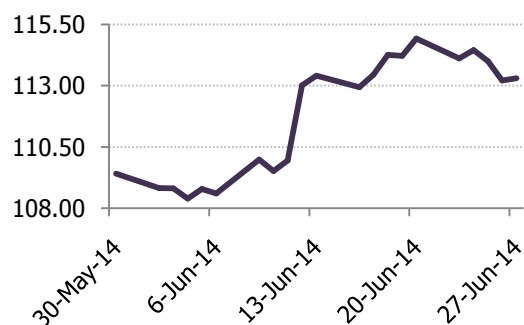
### Commodity Prices

Daily	US\$/t	WoW %Δ
20-Jun-14	18,338	
23-Jun-14	18,418	
24-Jun-14	18,145	
25-Jun-14	18,278	
26-Jun-14	18,613	
27-Jun-14	18,763	
		<b>2.32</b>

### Commodity Developments

- Nickel prices rose in line with the rising effect of the Indonesian ban on ore exports, which is expected to force the market into deficit after many years of surpluses.
- China has scarce Nickel resources and consumes a lot of the metal, 70% of Indonesian Nickel exports. Chinese domestic stainless steel enterprises are facing challenges in Nickel ore purchases due to rising prices as the impact of the ban magnifies.
- With China growing at 7.5%, the US showing more and more positive data points and Europe benefitting from more ECB monetary accommodation, industrial metals demand should rise ahead of their supply fundamentals ending the year stronger.

**Oil Brent prices \$/bbl**

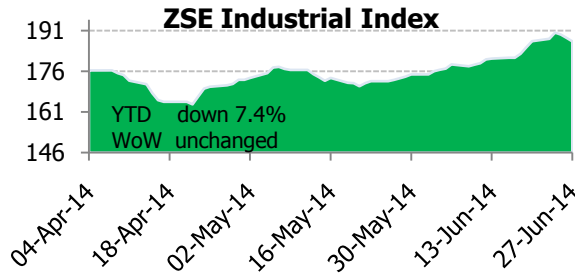


Daily	US\$/bbl	WoW %Δ
20-Jun-14	114.92	
23-Jun-14	114.12	
24-Jun-14	114.46	
25-Jun-14	114.00	
26-Jun-14	113.21	
27-Jun-14	113.30	
		<b>-1.41</b>

- Brent prices slip as fears of a disruption to supplies from Iraq eased after Gvt forces launched a pushback against a Sunni militant takeover of large areas of the country.
- Heavy fighting between Gvt-led forces and Sunni militants in the north of Iraq has spared refineries in the South, which process around 90% of the OPEC member's oil exports.
- Saudi Arabia's King Abdullah has ordered all necessary measures to protect the World's top oil exporter from potential terrorist threats following the Sunni insurgency in neighboring Iraq.
- The weekly oil report from the US EIA on the 25<sup>th</sup> that showed crude stockpiles to have increased more than expected last week, also weighed on crude prices.
- Generally, prices are expected to remain high as long as the geopolitical concerns remains, given the importance of Iraq to the global oil supply.

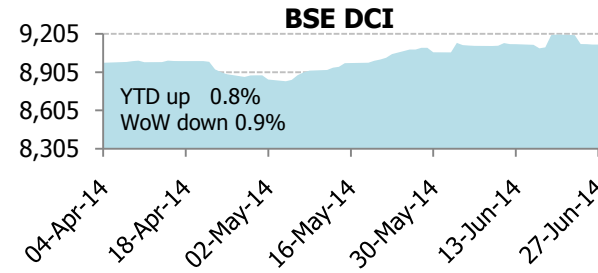
## Equities 90-Day Index Charts

### Zimbabwe



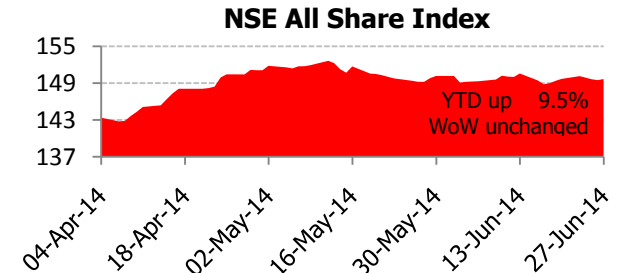
- The central bank is considering establishing a body to take over local lenders' non-performing loans (NPLs) and make it easier for them to attract new capital. NPLs currently stand at 17%, higher than Southern Africa average of 10%.

### Botswana



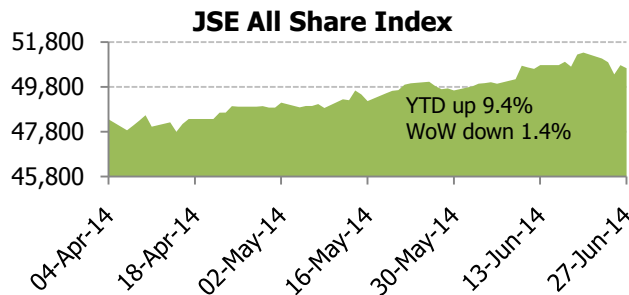
- A study on the feasibility of mineral beneficiation is scheduled to be carried out in the next 12 to 18 months according to the CEO of Botswana Chamber of Mines. Beneficiation could add value to the economy through increased export value and employment creation.

### Kenya



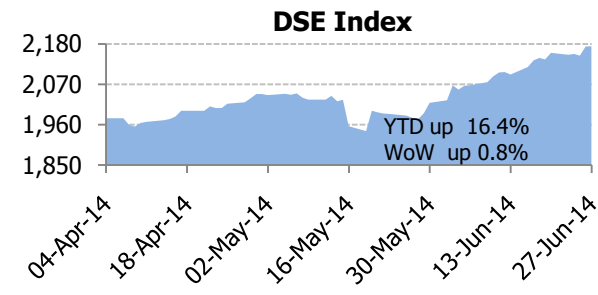
- Economy expanded by 4.1% in the Q1:14 of this year, slowing from a rate of 5.2% in the same period last year.

### South Africa



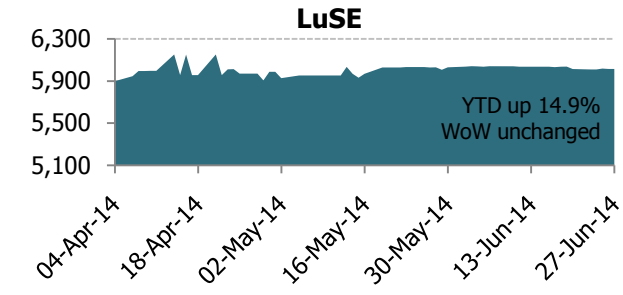
- New vehicle sales drop 2.3% YoY to 52,837 units in June. Export sales fell 0.8% YoY for the month to 24,024 units showing weaker economic fundamentals for Africa's most advanced economy.

### Tanzania



- Statoil discovered additional 2-3 trillion cubic feet of natural gas raising chances that a proposed liquefied natural gas (LNG) plant could be bigger than initially planned. The country's relative cost advantages, an abundance of gas and proximity to Asia's main LNG buyers make it attractive as a site for an LNG plant.

### Zambia



- According to the World Bank, Zambia's credit bureau, set up 5 years ago, still only has data on 12% of the population resulting in low financing by credit institutions as little information implies little financing.



## Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
<b>Wk Ending</b>							
20-Jun-14	8.86	30.62	1,653	6.08	10.71	1.361	1.706
<b>Daily</b>							
23-Jun-14	8.82	30.63	1,653	6.09	10.65	1.358	1.702
24-Jun-14	8.79	30.63	1,654	6.08	10.56	1.361	1.702
25-Jun-14	8.83	0.00	1,654	6.07	10.61	1.361	1.696
26-Jun-14	8.79	30.63	1,654	6.11	10.61	1.362	1.699
27-Jun-14	8.81	30.64	1,654	6.17	10.62	1.362	1.703
<b>WoW %Δ</b>	<b>-0.53</b>	<b>0.07</b>	<b>0.06</b>	<b>1.54</b>	<b>-0.88</b>	<b>0.11</b>	<b>-0.13</b>
<b>YTD %Δ</b>	<b>1.06</b>	<b>2.72</b>	<b>5.62</b>	<b>12.00</b>	<b>1.43</b>	<b>-1.13</b>	<b>3.09</b>

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
<b>Wk Ending</b>				
20-Jun-14	0.825	2.85	0.567	155
<b>Daily</b>				
23-Jun-14	0.829	2.89	0.574	154
24-Jun-14	0.831	2.90	0.577	156
25-Jun-14	0.828	0.00	0.575	157
26-Jun-14	0.831	2.87	0.572	157
27-Jun-14	0.829	2.89	0.582	155
<b>WoW %Δ</b>	<b>0.39</b>	<b>1.40</b>	<b>2.66</b>	<b>0.00</b>
<b>YTD %Δ</b>	<b>-0.88</b>	<b>0.70</b>	<b>11.49</b>	<b>4.13</b>

## Exchange Rate Developments

- The USD traded weaker against many currencies undermined by weaker US economic data that has added belief that the Fed Reserve may not tighten its policy soon.
- The USD weaknesses helped boost most emerging markets assets. However, concerns about SA domestic labour strife kept the pressure on the ZAR limiting its gains.
- SA's wide current account deficit and its large external funding requirements make the ZAR vulnerable to prospect of normalisation of Fed monetary policy and an associated capital movement.
- In Zambia, the authorities have managed to halt the Kwacha's decline. The currency has appreciated by almost 12% from its 28<sup>th</sup> of May low.
- The recovery has come on the back of proactive policymaking, which has seen domestic liquidity dry up rapidly. Increase in interest charged for loans from 21% to 28% and increase in reserve requirements wiped out domestic liquidity.
- Although monetary tightening measures will be effective in supporting the ZMW in the short term, over the longer term they will constrain economic development. Sustainable longer-term stability for the kwacha, and for the economy as a whole, will therefore depend on structural reforms, especially with respect to fiscal policy.
- The BWP appreciated against the weaker USD whilst the TZS and MZN remained stable.
- All BancABC market currencies depreciated against the stronger ZAR except for the TZS which remained stable.

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Contact telephone numbers: 369701-16; 752383-5

## Appendix: Focus Botswana

Risk to our growth outlook from ongoing issues with power generation in Botswana

In 2013 the water & power sector declined by 30.9%, the 3<sup>rd</sup> consecutive yr of decline

Despite its massive coal reserves, Botswana is reliant on SA for 40% of its electricity

Recent frequent power outages in SA also impacting Bots

Delays to major power station projects could create a significant drag on potential economic development

potential capital flight from the SA bond market presents downside risks

General elections , held every five years , are scheduled in Oct-14

• *Pressures to increase social spending*

Ian Khama, likely to retain his place in office, backed by the continuing dominance of BDP

Bank of Botswana has announced that it plans to maintain its accommodative monetary policy in 2014

Inflation pressures are likely to remain benign though with an upward bias

As inflation remains low, and growth is fairly sluggish raises a possibility of a further cut in the benchmark interest rate