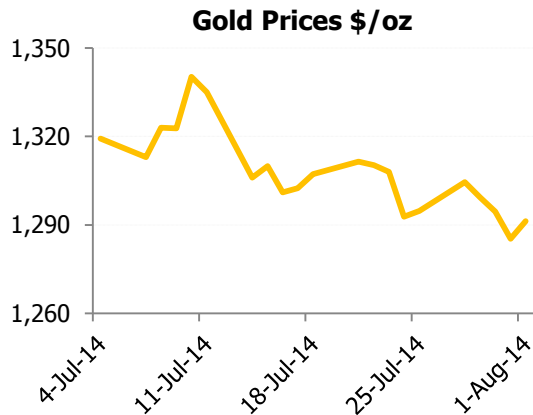


## WEEKLY ECONOMIC REVIEW

### Commodity 30-Day Price Chart

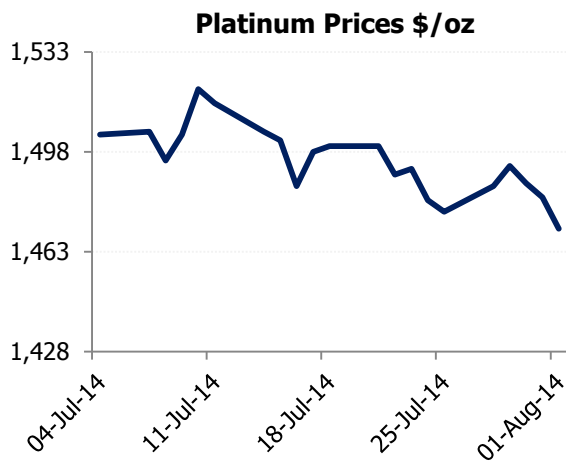


### Commodity Prices

Avg Prices US\$/oz		HoH %Δ
H1:13	1,523	
H2:13	1,300	-14.64
H1:14	1,291	-0.69
H2:14f	1,209	-6.35
Jul-14	1,310	
Daily		WoW %Δ
25-Jul-14	1,295	
28-Jul-14	1,305	
29-Jul-14	1,299	
30-Jul-14	1,295	
31-Jul-14	1,285	
1-Aug-14	1,291	
		<b>-0.27</b>

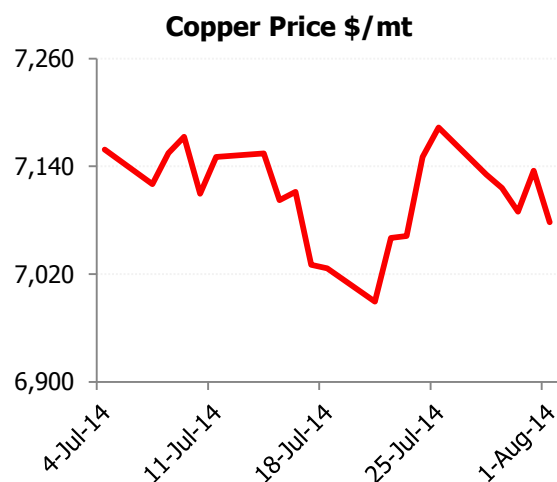
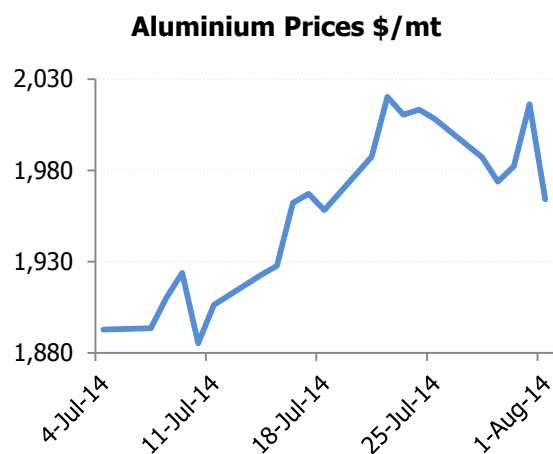
### Commodity Developments

- Gold prices are expected to average US\$1,209/oz in the H2:14, 6% lower than the H1:14 average as the Global economy continues to improve and geopolitical concerns dissipates.
- Over the past week, earlier data which showed strong US economic growth and wage increase weighed down on the yellow metal prices. However, further price declines were limited by disappointing U.S. nonfarm payrolls data which dampened talk of an early interest rate rise by the Fed Reserve and therefore increased bullion's appeal as a hedge.
- On the demand side, buying in Asian markets failed to pick up in a robust way in H1:14. Buying in the physical Gold markets of China and India may not be strong enough in the H2:14 to support the metal. The metal has gained 7% YTD, but most of these gains were made in the Q1:14.
- In Tanzania, AngloAshanti produced 106,000oz in Q1:14 with on mine cash costs increasing by 62% on a YoY basis to US\$631/oz.



Avg Prices US\$/oz		HoH %Δ
H1:13	1,594	
H2:13	1,424	-10.68
H1:14	1,437	0.91
H2:14f	1,423	-0.96
Jul-14	1,497	
Daily		WoW %Δ
25-Jul-14	1,477	
28-Jul-14	1,486	
29-Jul-14	1,493	
30-Jul-14	1,487	
31-Jul-14	1,482	
1-Aug-14	1,471	
		<b>-0.41</b>

- Platinum prices are expected to shed off closer to 1% in the H2:14 to average US\$1,423/oz. In 2014, precious metals price are generally expected to be weaker due to strengthening Global economy, which push investors towards interest bearing assets such as equities.
- Over the past week the metal prices slid weighed down by news that US auto sales growth slowed slightly in July, with most manufacturers reporting gains below expectations.
- In Zim, top platinum producer Zimplats recorded a 164% rise in profits during the period Mar-14 to Jun-4 as production and revenue rose. Zim's economy is totally dollarised so there are no exchange rate implications for mining firms unlike in SA, where miners are heavily exposed not only to global price fluctuations but also to swings in the ZAR currency.
- Zim-Russia joint venture Ruschrome Mining plans to invest US\$1.6bn in developing platinum mine and constructing a smelter and refinery in the country which holds 2<sup>nd</sup> largest known platinum reserves.

**Commodity 30-Day Price Chart**

**Commodity Prices**

Avg Prices US\$/t	HoH %Δ
H1:13	1,918
H2:13	1,775
H1:14	1,755
H2:14f	1,845
Jul-14	1,945

Daily	WoW %Δ
25-Jul-14	2,008
28-Jul-14	1,987
29-Jul-14	1,974
30-Jul-14	1,982
31-Jul-14	2,016
1-Aug-14	1,964

**-2.19**

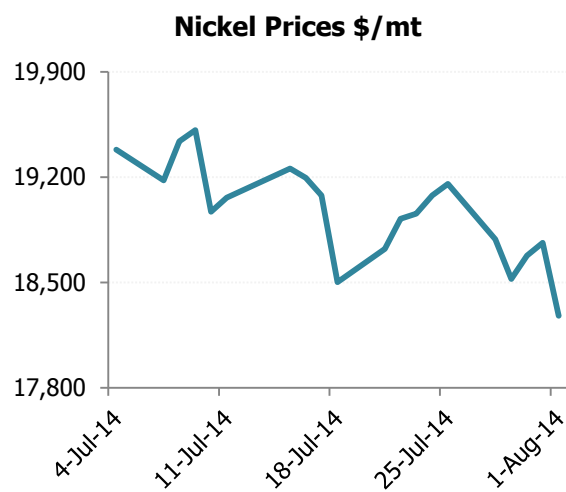
Avg Prices US\$/t	HoH %Δ
H1:13	7,540
H2:13	7,125
H1:14	6,913
H2:14f	6,887
Jul-14	7,104

Daily	WoW %Δ
25-Jul-14	7,183
28-Jul-14	7,131
29-Jul-14	7,116
30-Jul-14	7,090
31-Jul-14	7,135
1-Aug-14	7,078

**-1.47**
**Commodity Developments**

- Improving Global economy is a boon for most base metals which are aligned to industrial and construction use. On this background, Aluminium prices are expected to surge by 5.2% in the H2:14 to average US\$1,845/t. In the month of July, average prices were above the forecasted price, which is a positive for the metal.
- The metal which breached the US\$2,000/t mark on the 25<sup>th</sup> and 31<sup>st</sup> of July slid on a week on week basis after Chinese data showing manufacturing growth was not enough to outweigh prospects for slowing economic growth and a weaker-than-expected US jobs report.
- The metal market is expected to swing into deficit in the following 9 months as producers cut production to battle rising costs, Indonesia bans bauxite ore exports and demand for aluminium rises, particularly from US auto makers.
- In contrast to cutbacks in the West, smelters in the Middle East and India are expected to ramp up production, a move that could help ease some of the tightness in the market. The United Arab Emirates (UAE) Aluminium is expected to add production of 449,000t and the Saudi Arabian Mining Co 330,000t.
- Copper prices are expected to decline further in the H2:14 to average US\$6,887/t. Weak demand as a result of growth slowdown in top consumer China and market failure to deal with excess supply weighs down on the red metal. However, average prices in Jul were above the forecasted average, a positive for the metal.
- Just like aluminium, copper prices were hit by poor US and Chinese data and IMF sentiments that China should lower its growth targets as part for a push towards safer and sustainable growth.
- In Africa's 2<sup>nd</sup> largest producer, Zambia, hundreds of people protested on the 1<sup>st</sup> of Aug at Konkola Copper Mines (KCM) which is owned by diversified miner Vedanta Resources over taxes. The crowd believes that the mining giant is under declaring its earnings and the Gvt has vowed to investigate and recover the taxes.
- It has been noted that policy uncertainty, corruption and improper institutional set up negatively affect investment in most Sub-Saharan Africa (SSA) economies and where there is inflow, it is benefiting a few. SSA Gvts should work towards policy clarity and insert proper institutions for sustained growth.

### Commodity 30-Day Price Chart



### Commodity Prices

	Avg Prices US\$/t	HoH %Δ
H1:13	16,131	
H2:13	13,932	-13.63
H1:14	16,564	18.89
H2:14f	20,436	23.37
Jul-14	19,015	

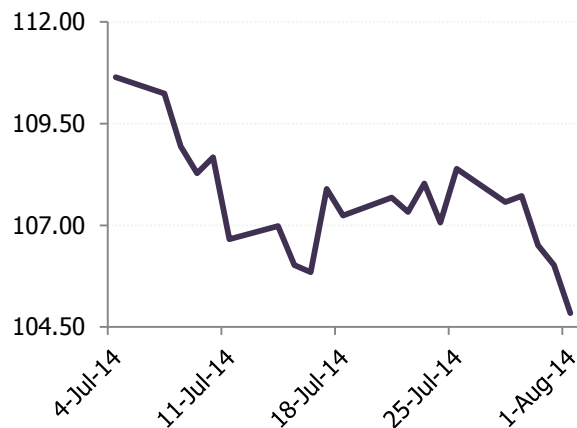
	Daily	WoW %Δ
25-Jul-14	19,155	
28-Jul-14	18,788	
29-Jul-14	18,523	
30-Jul-14	18,678	
31-Jul-14	18,763	
1-Aug-14	18,278	

**-4.58**

### Commodity Developments

- If the new Indonesian Gvt upholds the ban on raw nickel exports, nickel prices will soar higher to average US\$20,436/t. If the ban has to be reversed, the process may take long as the laws have to be debated in parliament before being passed.
- The metal which is used in alloying will also gather support from healthy economic growth in the US and improvement in Europe.
- Over the past week, just like all other industrial metals, nickel prices were not spared by weaker data out of US and China. The metal however, is gaining support from fears that the US will ultimately impose an embargo against major producer Norilsk Nickel as part of Western sanctions against Russia.
- Norilsk, the world's largest producer of the stainless steel ingredient, has not been targeted so far by western measures aimed at punishing Russia for its support of pro-Moscow rebels in neighbouring Ukraine.
- A mixture of a ban in ore exports from Indonesia and sanctions targeting major producer Norilsk will send nickel prices higher.

### Oil Brent prices \$/bbl



	Avg Prices US\$/bbl	HoH %Δ
H1:13	107.96	
H2:13	109.76	1.67
H1:14	108.83	-0.85
H2:14f	103.37	-5.02
Jul-14	108.50	

	Daily	WoW %Δ
25-Jul-14	108.39	
28-Jul-14	107.57	
29-Jul-14	107.72	
30-Jul-14	106.51	
31-Jul-14	106.02	
1-Aug-14	104.84	

**-3.28**

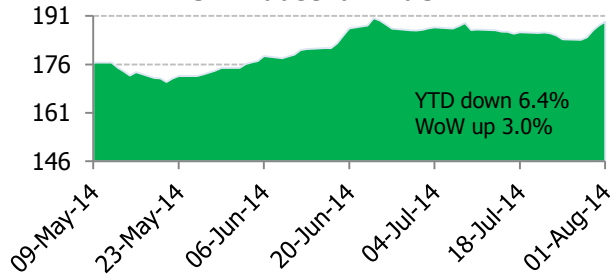
- Ease in geopolitical concerns in Nigeria, Iraq, Libya and Ukraine will result in fall in oil prices. Average prices are expected to decline in the H2:14 to US\$103.37/bbl, although they were high US\$108.50/bbl in July.
- Over the past week prices tumbled to the lowest in months as oversupply in the Atlantic basin and low demand outweighed worries over political tensions in the Middle East, North Africa and Ukraine. Worries over geopolitical risks to oil supply eased despite escalating violence in parts of the Middle East and North Africa
- Iraq is battling an Islamic insurgency in the north and west. The conflict threatens to split the country, but has yet to have an impact on oil exports from the south. Baghdad is also embroiled in a dispute with Iraq Kurdistan over oil exports via Turkey
- In Libya, oil output remains steady around 500,000bpd, down from 1mbpd in 2012, following weeks of clashes between rival militias. Energy investments in Russia also faced delays after sanctions imposed by the US and EU limited access to funds. All these failed to outweigh the oversupply in the market.

## Equities 90-Day Index Charts

### Zimbabwe



#### ZSE Industrial Index

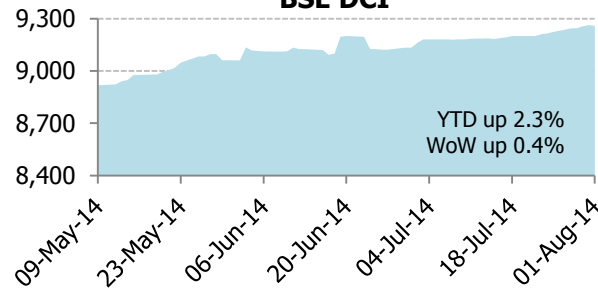


- The unit of the world's 2<sup>nd</sup> largest platinum producer Implats will spend US\$690m to upgrade its base metals refinery.

### Botswana



#### BSE DCI

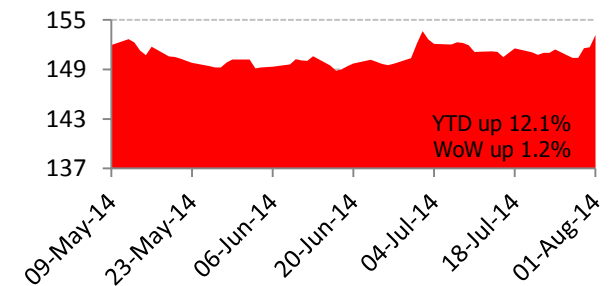


- African leaders urged the US to renew a trade benefits program giving duty-free access to billions of dollars of African exports for 15 years, saying it would help cement trade relations and boost development in the region.

### Kenya



#### NSE All Share Index

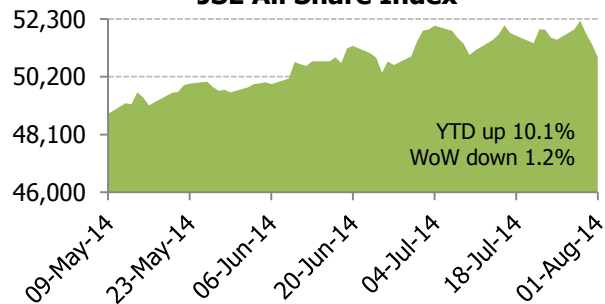


- The World Bank trimmed the 2014 economic growth forecast by 50 basis points to 4.7% in June, citing poor rains and growing insecurity in east Africa's biggest economy.

### South Africa



#### JSE All Share Index

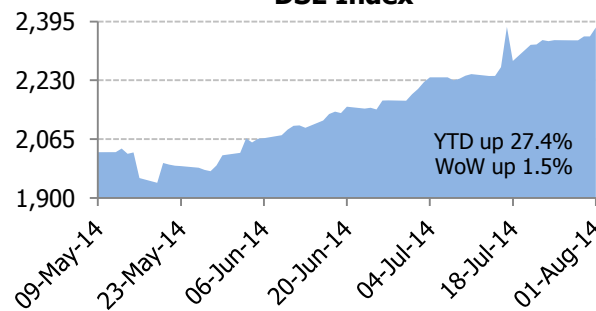


- Trade deficit narrowed more than expected to ZAR190m (US\$18m) in June from a revised ZAR7.44bn shortfall in May. Latest data brings the cumulative deficit for 2014 to ZAR48.27bn compared to ZAR35.57bn over the same period in 2013.

### Tanzania



#### DSE Index

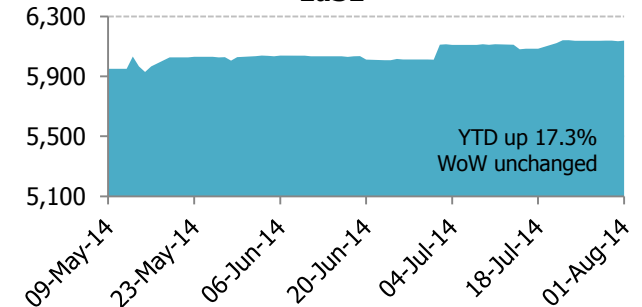


- East Africa's 2<sup>nd</sup> biggest economy, plagued by power cuts and other infrastructure challenges, is fast becoming a regional energy hub, following huge offshore natural gas discoveries.

### Zambia



#### LuSE



- Central bank left its benchmark interest rate unchanged at 12% citing that the monetary tightening policies it implemented during Q2:14 have begun to have an impact.

**Foreign Exchange Markets**

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
<b>Wk Ending</b>							
25-Jul-14	8.78	30.52	1,656	6.13	10.54	1.345	1.699
<b>Daily</b>							
28-Jul-14	8.77	30.52	1,656	6.15	10.53	1.344	1.698
29-Jul-14	8.83	30.50	1,655	6.16	10.61	1.344	1.698
30-Jul-14	8.83	30.52		6.16	10.60	1.340	1.693
31-Jul-14	8.87	30.52	1,655	6.14	10.71	1.339	1.688
1-Aug-14	8.90	30.50	1,655	6.13	10.73	1.339	1.685
<b>WoW %Δ</b>	<b>1.33</b>	<b>-0.07</b>	<b>-0.06</b>	<b>-0.07</b>	<b>1.79</b>	<b>-0.46</b>	<b>-0.82</b>
<b>YTD %Δ</b>	<b>2.05</b>	<b>2.25</b>	<b>5.68</b>	<b>11.20</b>	<b>2.50</b>	<b>-2.85</b>	<b>1.98</b>

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
<b>Wk Ending</b>				
25-Jul-14	0.834	2.87	0.583	157
<b>Daily</b>				
28-Jul-14	0.836	2.89	0.583	158
29-Jul-14	0.832	2.88	0.581	157
30-Jul-14	0.832	2.87	0.578	
31-Jul-14	0.830	2.85	0.575	157
01-Aug-14	0.828	2.85	0.574	155
<b>WoW %Δ</b>	<b>-0.71</b>	<b>-0.70</b>	<b>-1.42</b>	<b>-1.27</b>
<b>YTD %Δ</b>	<b>-0.89</b>	<b>-0.70</b>	<b>10.02</b>	<b>4.13</b>

**Exchange Rate Developments**

- The EUR and the GBP depreciated against the USD after disappointing European figures. The European Central Bank (ECB) is expected to pump more Euros in the financial system as the economy remains fragile.
- Speculation that the greenback could be beginning a longer term appreciation has grown after its best performance in 18-months in July. However, softer than expected US data on the 1<sup>st</sup> of Aug gave a slight knock to the World's most used currency.
- The BWP and the ZAR depreciated against the USD helped mostly by US jobs data which imposed mixed feelings on the case for loose monetary policy in the world's biggest economy.
- The TZS, MZN and ZMW slightly appreciated against the USD but generally traded in tight margins over the past week.
- All BancABC markets' currencies' appreciated against the ZAR during the past week.
- The ZAR was hit by vehicle sales data which pointed to suppressed consumer demand, dampening prospects of the South African Reserve Bank (SARB) hiking domestic rates further this year.
- Generally, the ZAR fragility is underscored by weak growth conditions and a wide cumulative deficit of ZAR48.27bn.

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## APPENDIX: ADDITIONAL SANCTIONS ON RUSSIA

### US Sanctions

- Arms Embargo
- Prohibition of US companies to transact with:
- Bank of Moscow
- Russian Agriculture Bank
- VTB Bank OAO
- Gazprombank
- Novatek

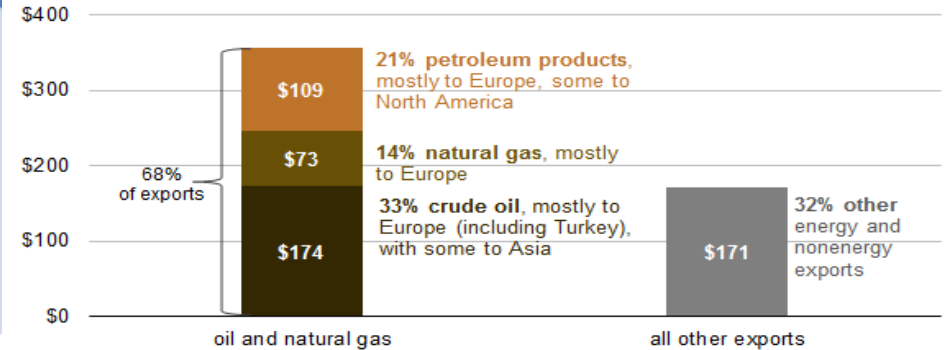
### EU Sanctions

- Restrictions on Russian firms on access to:
- Banking - European Financial Markets
- Defense Technology
- Energy Sector exploration technology excluding gas

### Japanese Sanctions

- Assets freeze for selected 40 individuals and two organisations
- Restriction of imports of product made in Crimea

Russia gross export sales, 2013  
billion U.S. dollars



### Impact on Russia

- Financial elements of additional sanctions will have a serious effect to Russian economy. By prohibiting EU and US citizens and firms from trading in the new debt or equity of state-owned Russian banks, the West has effectively shut Russian Gvt-sponsored enterprises out of capital markets.
- As reported by Britain's "Financial Times" (July 30), Russian state banks have US\$33bn in external debt due over the coming 12 months. Russian non-financial state companies have US\$41bn due over the same time frame, and private banks and companies have US\$87bn, showing heavy reliance of Russia on Western financial markets.
- Without access to capital in the US and Europe, Russia will have to turn to its Central Bank or other foreign lenders for support. Apart from a possible downgrade in rating, the cost of capital is set to rise.
- In the longer term, the impact will be largely on the energy sector since other sanctions restrict access for Russia's energy sector to new Western technologies. The sanctions do not target Russia's gas sector, which provides the EU with about one-third of its natural gas, but they do target Russia's oil sector, whose growth has powered Russia's economic resurgence since the collapse of the Soviet Union.
- Limiting access to new Western drilling technologies could be particularly painful because Russia is counting on developing Arctic, deep sea, and shale resources to replace its current reliance on Siberian oil fields, which are becoming depleted.

### Impact on EU, US and the Global Economy

- Although the West's role as the world's banker gives it a powerful diplomatic tool, using its power carelessly may drive non-Western countries to create alternative financing models.
- EU may pay an economic price as Russia is its 3<sup>rd</sup> largest trading partner. Fragile EU economy may start hurting immediately as large financial firms lose new business from Russian banks.
- Over time, however, it is the countries with the largest financial exposure to Russia that will take the biggest hit. In absolute terms, the focus is on France (Societe Generale), Italy (UniCredit) and Austria (Raiffeisen). Interest rate shock may spread across EU to trade financing and begin to suppress consumption and investment.
- However EU is vulnerable to Russian retaliation if it takes the form of an energy war. Russia accounts for less than 1% of US exports and the US does not import Russian energy making Washington's exposure far less than EU.
- Asian markets and emerging markets may benefit as Russia sought other capital markets. The BRICS which agreed in March to form a development bank and China maybe the immediate source of capital for affected Russian firms.