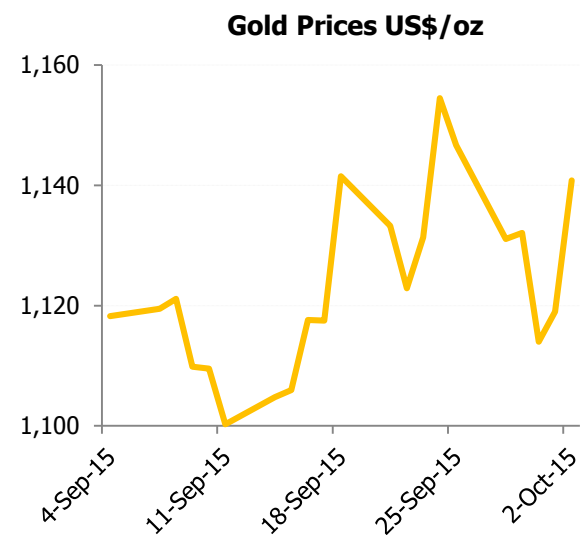


## WEEKLY ECONOMIC REVIEW

### Commodity 30-Day Price Chart

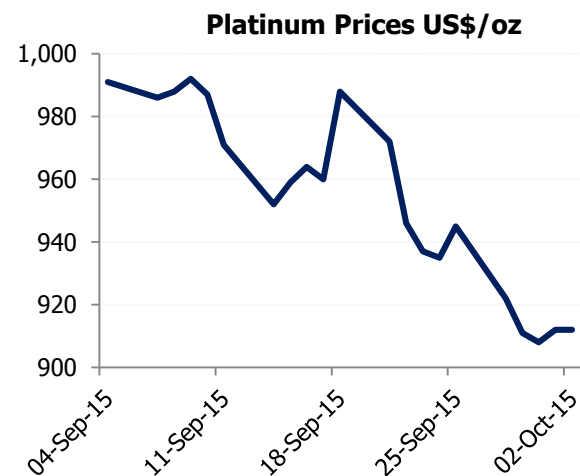


### Commodity Prices

Avg Prices (US\$/oz)		QoQ %Δ
Q3:14	1,282	-0.54
Q4:14	1,201	-6.32
Q1:15	1,219	1.50
Q2:15	1,192	-2.21
Q3:15	1,125	-5.62
Daily	US\$/oz	WoW %Δ
25-Sep-15	1,147	
28-Sep-15	1,131	
29-Sep-15	1,132	
30-Sep-15	1,114	
1-Oct-15	1,119	
2-Oct-15	1,141	
		<b>-0.51</b>

### Commodity Developments

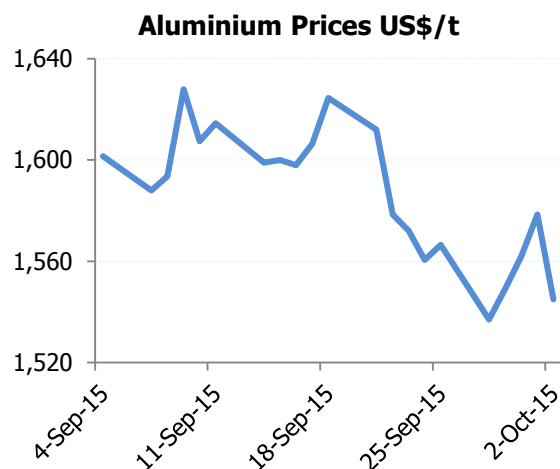
- Gold hit its lowest level in 2 weeks on the 30<sup>th</sup> of Sep and recorded its biggest quarterly loss since Q4:14 as US jobs data came in stronger than expected and the market awaited clarity on the timing the anticipated US interest rate rise.
- However, the metal leaped on the 2<sup>nd</sup> of Oct, supported by another set of weaker data from the US which fuelled concerns that a China-led global economic slowdown is sapping US economic strength and reinvigorating the declining bullion market.
- In Zimbabwe, gold producers are lobbying the Gvt to cut royalties and electricity tariffs by half to prevent the collapse of mines struggling with low bullion prices. Gold producers want the royalty on gold cut to 2.5% from 5% and the electricity tariff reduced to as low as 6.7 cents a kilowatt-hour from 12.8 cents. The Chamber of Mines announced that at current bullion prices below US\$1,150/oz, gold mines were incurring an average loss of US\$70/oz.
- Gold is Zim's 3<sup>rd</sup>-largest export earner after tobacco and PGMs. The sector is still trying to emerge from a deep recession suffered between 1999-2008, during which output fell to just 3.8t, its lowest since 1980.



Avg Prices (US\$/oz)		QoQ %Δ
Q3:14	1,476	1.58
Q4:14	1,237	-16.19
Q1:15	1,201	-2.91
Q2:15	1,135	-5.50
Q3:15	988	-12.95
Daily	US\$/oz	WoW %Δ
25-Sep-15	945	
28-Sep-15	922	
29-Sep-15	911	
30-Sep-15	908	
1-Oct-15	912	
2-Oct-15	912	
		<b>-3.49</b>

- Platinum suffered its biggest quarterly since Q4:14 after plummeting to its lowest level since Dec-08 on the 30<sup>th</sup> of Sep on fears of a drop in demand for diesel cars in the wake of the Volkswagen's (VW) emissions scandal. Platinum is mainly used in auto catalysts for diesel engines.
- The metal however slightly rose on the 1<sup>st</sup> of Oct on reports of strong car sales from major automakers. Ford Motor Co said its US sales rose 23% in Sep-15, the best level since 2004, while General Motors said its total sales rose 12%.
- However, as a direct result of German automaker VW's admission that it violated US emission regulations, diesel propelled vehicles may lose market share, removing a source of platinum demand growth, sending prices falling further.
- In SA, world's number 1 platinum producer, platinum miners have started restructuring, cutting costs and deferring capital expenditure due to weaker prices.

### Commodity 30-Day Price Chart

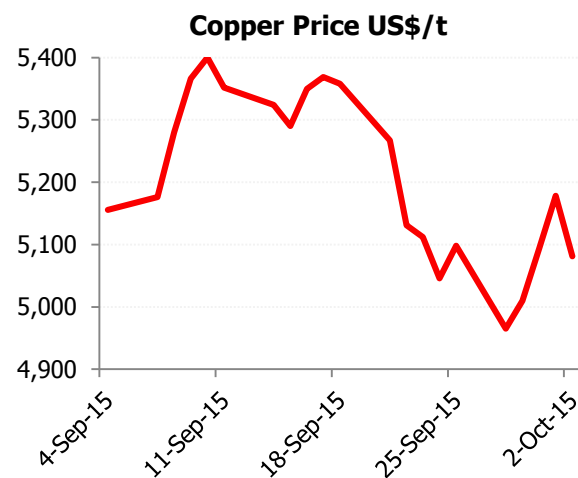


### Commodity Prices

Avg Prices (US\$/t)		QoQ %Δ
Q3:14	1,988	10.57
Q4:14	1,962	-1.31
Q1:15	1,799	-8.31
Q2:15	1,767	-1.78
Q3:15	1,590	-10.02
Daily	US\$/t	WoW %Δ
25-Sep-15	1,567	
28-Sep-15	1,537	
29-Sep-15	1,549	
30-Sep-15	1,562	
1-Oct-15	1,579	
2-Oct-15	1,545	
		<b>-1.37</b>

### Commodity Developments

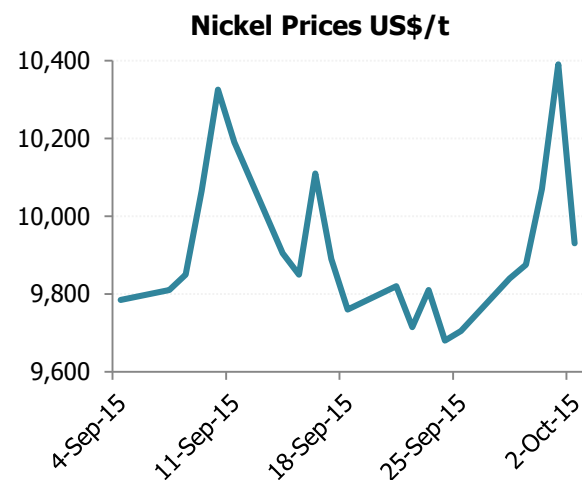
- Aluminium suffered its worst quarterly loss since Q3:14 weighed down by oversupply and weak demand.
- The price, which is currently below US\$1,600/t is not sustainable for many high cost producers. There have been plenty of smelter closures and curtailments. However, there were not enough, given China, which is exporting its surplus to the rest of the world in the form of semi-fabricated products.
- Generally, aluminium smelters are capital intensive to build and costly to shut down. Electricity which is the 2<sup>nd</sup> most important input for producing aluminium from bauxite acts as a brake on industry's responsiveness to low prices as many smelters have locked themselves into long-term supply contracts.
- This to some extent explains why the aluminium market has a long history of over-production, even during times of demand and price weakness.



Avg Prices (US\$/t)		QoQ %Δ
Q3:14	6,995	3.13
Q4:14	6,615	-5.43
Q1:15	5,818	-12.05
Q2:15	6,049	3.97
Q3:15	5,257	-13.09
Daily	US\$/t	WoW %Δ
25-Sep-15	5,098	
28-Sep-15	4,965	
29-Sep-15	5,010	
30-Sep-15	5,093	
1-Oct-15	5,178	
2-Oct-15	5,081	
		<b>-0.33</b>

- Copper hit its weakest level in more than 5yrs on the 28<sup>th</sup> of Sep and suffered its largest quarterly loss on worries on weak industrial activity in top consumer, China.
- The fall in copper prices is mainly driven by the slowing Chinese economy which weighing heavier than the slowing supply from countries such as Chile, DR Congo and Zambia.
- In Zambia, Glencore has told Gvt that it intends to lay off close to 3,800 of the about 20,000 workers (9,000 employees and 11,000 contractors) at the Mopani Copper Mines in line with its resolve to place 3 mines, including 2 in DR Congo, under care and maintenance.
- The move is meant to pave way for the much needed upgrade of the 3 mines, but will also serve to remove about 400,000t of copper from the market to counter the plummeting copper prices.

### Commodity 30-Day Price Chart

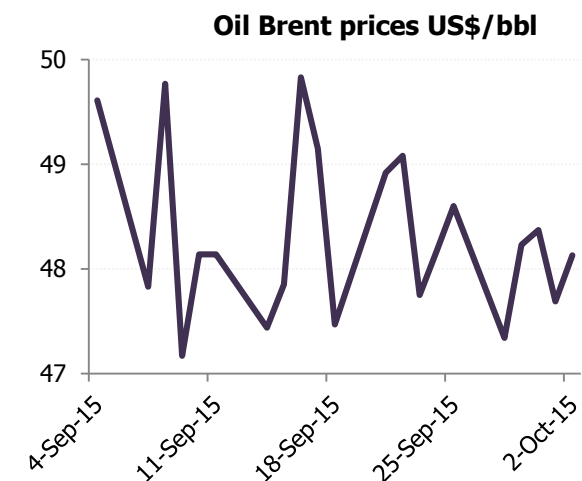


### Commodity Prices

Avg Prices (US\$/t)		QoQ %Δ
Q3:14	18,573	0.62
Q4:14	15,778	-15.05
Q1:15	14,334	-9.15
Q2:15	13,011	-9.23
Q3:15	10,551	-18.91
Daily	US\$/t	WoW %Δ
25-Sep-15	9,705	
28-Sep-15	9,840	
29-Sep-15	9,875	
30-Sep-15	10,070	
1-Oct-15	10,390	
2-Oct-15	9,930	
		<b>2.32</b>

### Commodity Developments

- Although major producer Indonesia, imposed a ban on nickel ore exports, nickel prices have tumbled to 2008/09 recession levels. The metal suffered its worst quarterly loss due to weak demand and abundant supply from the Philippines and the gulf area.
- The drop in nickel and other commodity prices saw diversified miner Mwana Africa's profit for its 2015 full-year falling to US\$7m from US\$50.6m in the prior year. The miner which is rebranding to Asa Resources Group Plc to reflect the new Chinese shareholding structure owns Bindura Nickel Corporation (BNC) and Freda Rebecca gold mine in Zimbabwe
- BNC is Africa's only integrated nickel company with a mine, smelter and refinery. The smelter is undergoing refurbishment and is expected to be in operation in the Q1:16.

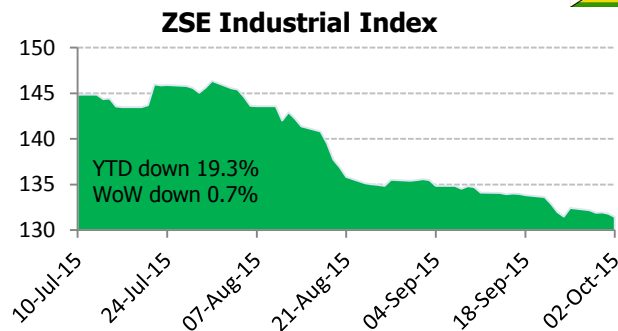


Avg Prices (US\$/bbl)		QoQ %Δ
Q3:14	103.49	-5.70
Q4:14	77.06	-25.54
Q1:15	56.03	-27.29
Q2:15	63.37	13.10
Q3:15	51.29	-19.06
Daily	US\$/bbl	WoW %Δ
25-Sep-15	48.60	
28-Sep-15	47.34	
29-Sep-15	48.23	
30-Sep-15	48.37	
1-Oct-15	47.69	
2-Oct-15	48.13	
		<b>-0.97</b>

- Oil prices have fallen from an average of US\$103.49/bbl in Q3:14 to US\$51.29/bbl in Q3:15 benefiting net oil importing countries whilst causing revenue and budgetary concerns in net oil exporting economies such as Angola and Nigeria.
- Over the past week, there were mixed trades on worries about Russian airstrikes on Syria, rising US inventories and a hurricane threatening energy infrastructure on the US East Coast.
- Warplanes from Russia carried out air strikes against Islamic State targets in Syria, feeding worries about growing war in the Middle East, the major oil producing zone.

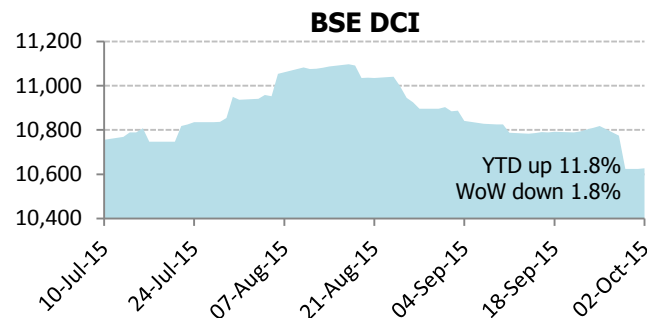
## Equities 90-Day Index Charts

### Zimbabwe



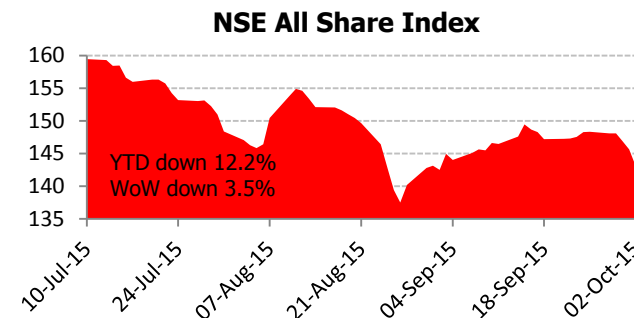
- The ZSE market capitalisation fell 3.1% to close the month at US\$3.6bn weighed down by tight liquidity pervading the entire economy.

### Botswana



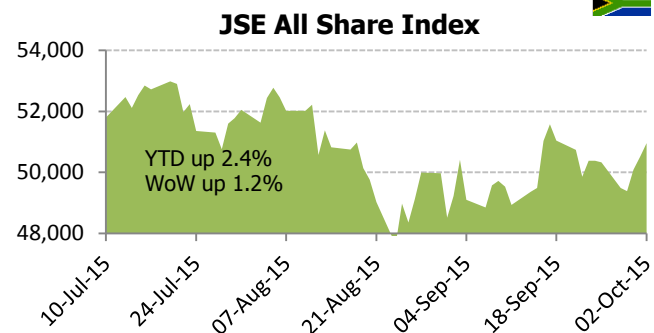
- The value of rough diamonds exports from Botswana's mines fell by 15% in H1:15 to US\$1.7bn due to weaker demand as result of a stronger USD.

### Kenya



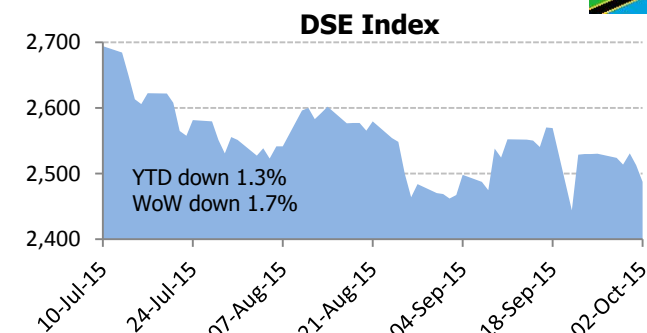
- Kenya has written off KES39.7bn (US\$381m) owed by state-owned sugar companies, aiming to ease their planned privatisations. The five companies are in need of modernisation to survive growing competition from COMESA trading bloc.

### South Africa



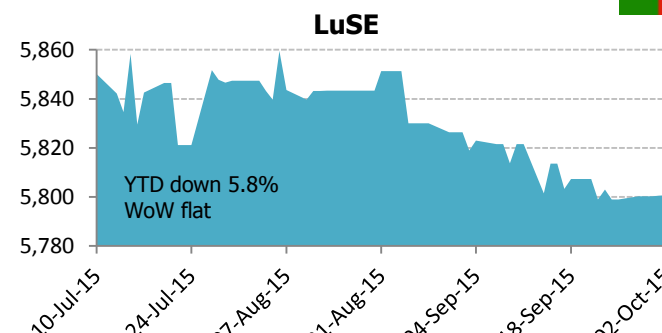
- According to German state development bank KfW, SA's ageing electricity transmission grid needs investment of US\$15bn by 2022 to help cope with increased new energy production. SA is investing in renewable energy to counter electricity deficits.

### Tanzania



- Tanzania expects to open its capital markets further in Dec-15 by letting foreigners from outside East Africa invest in Treasury Bills and other debt instruments.

### Zambia



- Prices for Eurobonds from many commodity-exporting emerging markets fell sharply over the week on fears that the latest metals price reversal will hit the ability of Gvt to repay debt. Zambia has been financing its infrastructure through issuance of Eurobonds.

### Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
<b>Wk Ending</b>							
25-Sep-15	10.56	39.96	2,163	10.71	13.74	1.114	1.523
<b>Daily</b>							
28-Sep-15	10.57	40.01	2,159	11.61	13.87	1.120	1.523
29-Sep-15	10.64	---	2,160	12.29	14.01	1.124	1.520
30-Sep-15	---	40.04	2,161	12.01	13.81	1.123	1.514
1-Oct-15	---	40.06	2,166	11.66	13.77	1.116	1.515
2-Oct-15	10.58	40.04	2,170	12.07	13.91	1.117	1.516
<b>WoW %Δ</b>	<b>0.21</b>	<b>0.20</b>	<b>0.33</b>	<b>12.70</b>	<b>1.20</b>	<b>0.27</b>	<b>-0.49</b>
<b>YTD %Δ</b>	<b>11.22</b>	<b>26.55</b>	<b>25.30</b>	<b>89.02</b>	<b>20.19</b>	<b>-8.14</b>	<b>-2.61</b>

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
<b>Wk Ending</b>				
25-Sep-15	0.762	2.94	0.774	158
<b>Daily</b>				
28-Sep-15	0.761	2.85	0.827	156
29-Sep-15	0.753	---	0.884	153
30-Sep-15	---	2.89	0.868	154
01-Oct-15	---	2.90	0.843	155
02-Oct-15	0.760	2.89	0.872	156
<b>WoW %Δ</b>	<b>-0.17</b>	<b>-1.70</b>	<b>12.68</b>	<b>-1.27</b>
<b>YTD %Δ</b>	<b>-7.47</b>	<b>5.09</b>	<b>57.76</b>	<b>5.41</b>

### Exchange Rate Developments

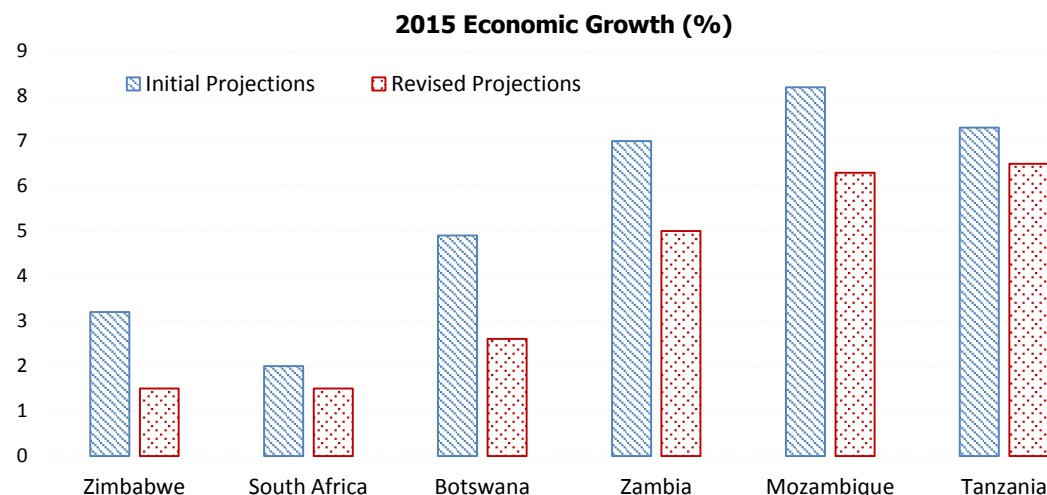
- With low foreign exchange reserves, many Sub Saharan Africa (SSA) economies have limited capacity to stop their currencies from tumbling amid a rout in commodities, China's devaluation and the prospect of higher US interest rates.
- Half of the world's 10 worst performing currencies this year are from SSA. According to the IMF, as reserves dwindle and exports fall, current account deficits in most SSA economies will worsen, deterring foreign investment and further weighing down on its currencies.
- While a weaker exchange rate makes exports more competitive, the benefits are being wiped out by the plunge in the value of crops and mineral commodities.
- The Kwacha depreciated by more than 8% (a record one day fall) on the 28<sup>th</sup>, and further by 5.9% on the 29<sup>th</sup> to reach all time high of 12.29 to the US\$.
- The free-fall in ZMW was triggered by a slide in the international copper prices, Glencore's financial woes, fear of job losses, a rating downgrade and Gvt departments sourcing dollars from the market. The Kwacha however slightly recovered after the Bank of Zambia intervened by selling dollars in the market.
- Although the BWP, MZN and TZS marginally depreciated against the US\$, they appear to be relatively stable.

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Contact telephone numbers: 369701-16; 752383-5

**APPENDIX: OVERVIEW OF BANCABC MARKETS' ECONOMIES: 2015**



- Many economies in the Southern Africa are already reeling under the weight of soft commodity prices which have triggered widespread downgrade in economic growths across many nations, widened fiscal deficits and led to loss of employment as mining companies scale down operations.
  - South Africa Reserve Bank (SARB) cut 2015 GDP growth forecast to 1.5%
  - Zambia reduced its growth from initial projection of 6.5% to below 5%, although Moody's believe that economic growth will be much lower around 3.2%.
  - In Zimbabwe, economic growth was officially revised downwards from 3.2% to 1.5% by Gvt, although we believe the economy could be headed for negative growth this year.
- Anticipation of a strong El Nino weather pattern in the Southern Africa which is expected to peak between Oct-15 and Jan-16 will affect the agriculture sector and food production in many countries.

- The El Nino weather pattern is expected to bring more drought to the region already struggling with the effects of last season adverse weather. Inadequate food production in 2015/16 season will intern result in emergency of food price pressures with many vulnerable people requiring food assistance.
- In a separate development, most countries in Southern African Development Community (SADC), have been facing power shortages largely due to the effects of 2014/15 drought and long periods of lack of investment in new power projects. The power shortages are already hampering economic growth.
- While the power shortages will take long to be addressed, various countries have been making concerted efforts to upgrade existing and/or build additional power stations. In the same vein, it has been highlighted that SADC, a regional trade bloc, will invest between \$114- \$233bn from 2012-2027 in order to ramp up renewable energy projects and improve electricity generation.
- Elsewhere, in light of the floundering economies and weakening currencies, African countries that have borrowed heavily in dollars risk slipping back into a debt trap - and ultimately default - only a decade after a far-reaching round of debt forgiveness exercise was carried out.
- Although domestic capital markets have slowly been deepening, a number of countries have or are contemplating issuing Eurobonds to finance infrastructure and their widening budget deficits. Given the impending US interest rates rise and the weakening of local currencies, the inevitably higher borrowing costs will do little to alleviate pressure on Gvt fiscal budgets.
- Assessments by credit agencies however, do not suggest imminent defaults, but the ratings trend is downwards and negative outlooks are prevailing. Nonetheless, in the event of a default or restructuring, it is likely to be a significant challenge than 2005 due to the presence of so many commercial investors in Africa's debt mix, as opposed to the bilateral lending practice that prevailed before then.