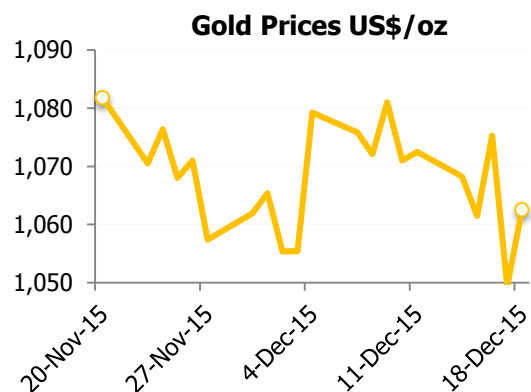


WEEKLY ECONOMIC REVIEW

Commodity 30-Day Price Chart



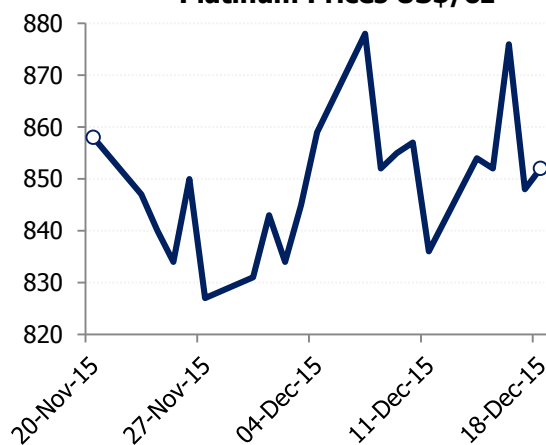
Commodity Prices

	Daily	WoW %Δ
11-Dec-15	1,073	
14-Dec-15	1,068	
15-Dec-15	1,062	
16-Dec-15	1,075	
17-Dec-15	1,049	
18-Dec-15	1,063	
		-0.93

Commodity Developments

- Gold price posted a marginal loss ahead of the Federal Open Market Committee (FOMC) on the 15th and 16th of Dec-15. It is likely that investors will continue to liquidate positions in the months ahead because of a higher US\$ and higher US interest rates. This could potentially push precious metal prices to new lows.
- In essence, 2015 has been the year in which all precious metal prices fell as a result of investors who aggressively liquidated open positions (speculative and exchange-traded funds (ETF) positions) in both precious metals.
- Gold has closest ties to developments in monetary policy of major economies such as the US. Consequently, the prospect of a Fed lift-off in Dec-15 and strength of the US dollar have weighed on all precious metal prices.

Platinum Prices US\$/oz



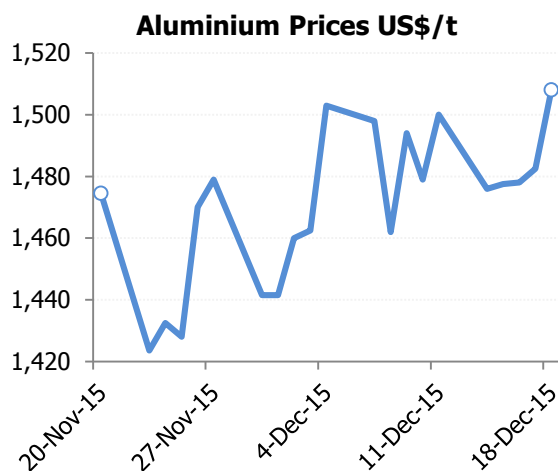
	Daily	WoW %Δ
11-Dec-15	836	
14-Dec-15	854	
15-Dec-15	852	
16-Dec-15	876	
17-Dec-15	848	
18-Dec-15	852	
		1.91

- However, in the coming days and weeks, the downside in precious metal prices may be limited due to low activity as a result of Christmas and New Year.
- On a YTD basis gold has lost about 11%, whilst cyclical precious metal prices such as platinum and palladium have weakened substantially by more than 30%.
- Investor sentiment deteriorated during the year because of the worries about the demand outlook in major platinum and palladium markets.

Commodity 30-Day Price Chart

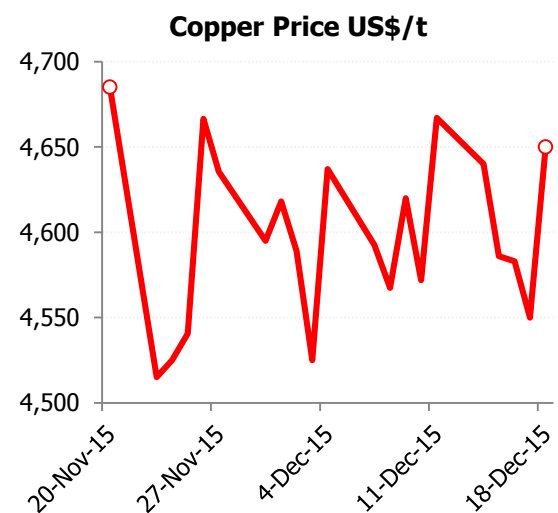
Commodity Prices

Commodity Developments



Daily	WoW %Δ
11-Dec-15	1,500
14-Dec-15	1,476
15-Dec-15	1,478
16-Dec-15	1,478
17-Dec-15	1,483
18-Dec-15	1,508
0.53	

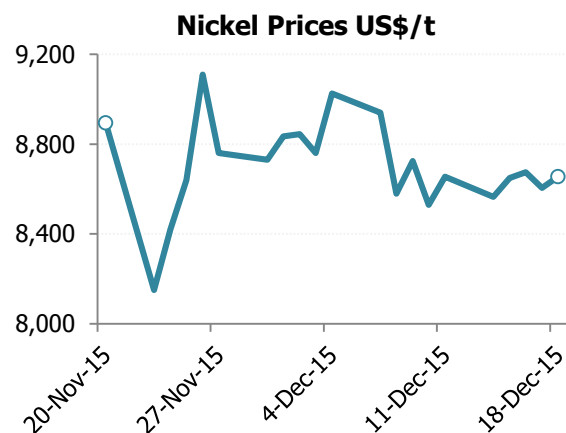
- On balance, commodity producers who were chasing China's "old normal" of rapid infrastructure-fuelled growth suffered from slowdown in demand and consequently low prices.
- In the face of depressed prices, some aluminium producers across the globe are looking for Gvt assistance.



Daily	WoW %Δ
11-Dec-15	4,667
14-Dec-15	4,640
15-Dec-15	4,586
16-Dec-15	4,583
17-Dec-15	4,550
18-Dec-15	4,650
-0.36	

- Copper is one of the industrial metals most associated with the boom years in China has been hit hard by the country's transition from its previous fixed-asset investment growth model.
- Copper prices although presently unsustainably low, they are somewhat way off its 2008 trough below \$3,000/t. Nonetheless, new mines, have been plagued by the usual start-up delays, whilst those operating have significantly downgraded their production targets.
- Concomitantly, Zambia's Konkola Copper Mines (KCM), owned by Vedanta Resources mothballed its loss making Nchanga underground mine from 27th of Nov, due to the increasingly weak global demand for base metals.
- Looking ahead, a combination of price-related cuts and chronic mine underperformance looks set to continue to constrain supply next year, which in the long run could support price recovery.

Commodity 30-Day Price Chart



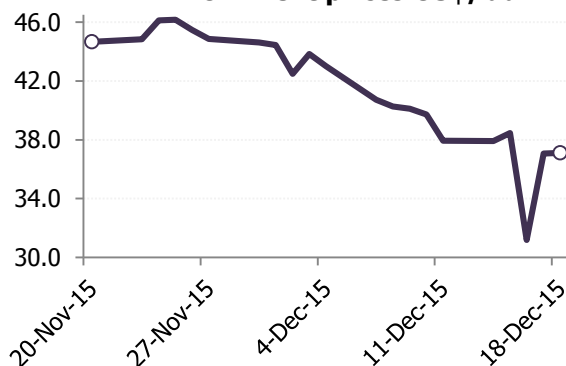
Commodity Prices

	Daily	WoW %Δ
11-Dec-15	8,655	
14-Dec-15	8,565	
15-Dec-15	8,650	
16-Dec-15	8,675	
17-Dec-15	8,605	
18-Dec-15	8,655	
		0.00

Commodity Developments

- During the week, nickel prices were broadly flat around US\$8,655/t.
- Nickel together with zinc, which are used extensively in steelmaking, have been hard hit by the sharp slowdown in China's steel sector.
- Figures from the International Nickel Study Institute showed that the global nickel market remained in a surplus in October, but the oversupply narrowed slightly to 6,800 tonnes from a revised surplus the month before.

Oil Brent prices US\$/bbl

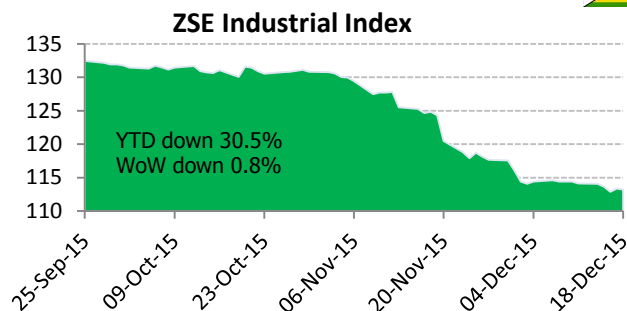


	Daily	WoW %Δ
18-Dec-15	37.11	
17-Dec-15	37.06	
16-Dec-15	31.19	
15-Dec-15	38.45	
14-Dec-15	37.92	
11-Dec-15	37.93	
		2.21

- Oil was weighed down by global fears of oversupply which sent prices to multiyear lows during the week. The oil price has now retreated to 11-yr lows or 2004 levels, with most exporters feeling the pinch.
- Brent, the global benchmark was set to lead prices to a third consecutive yearly drop, the first time that has occurred since exchange-based oil trading begun in the 1980s.
- On balance, BancABC markets which are non-oil producers have benefited from low oil prices this year through lower inflation and reduced import bill. Oil imports roughly constitute 20% of total imports.

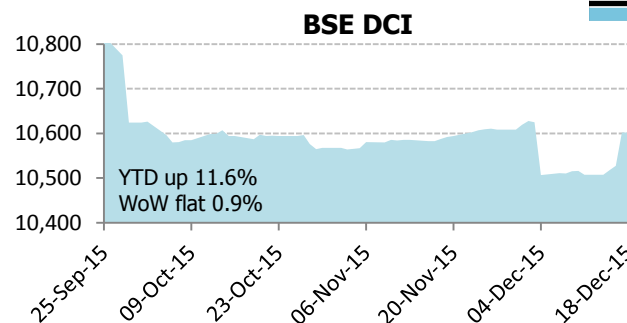
Equities 90-Day Index Charts

Zimbabwe



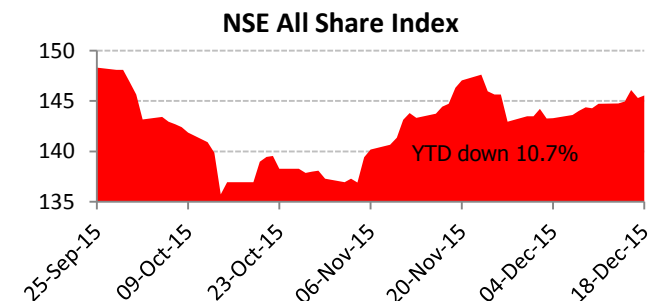
- ZSE has recorded consecutive weeks of decline since the beginning of Nov. Tight liquidity and cash situation could be contributing to this poor performance.

Botswana



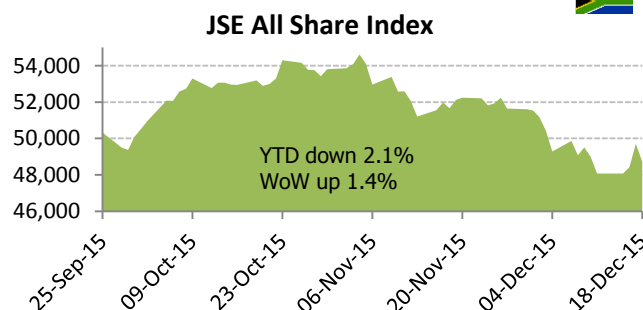
- Botswana's first privatisation of a state-owned firm will see 352 million Botswana Telecommunications Corporation Ltd (BTCL) shares being sold to citizens at one pula each before the end of the year.

Kenya



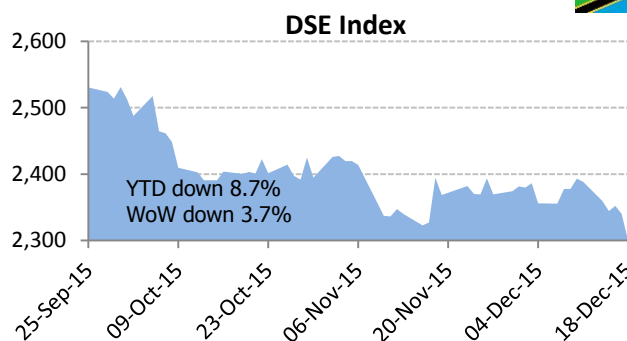
- The Central Bank sought to inject 2bn shillings (\$19.58m) into the money markets using reverse repos in order to provide liquidity to banks that might struggle to get funding on the interbank market.

South Africa



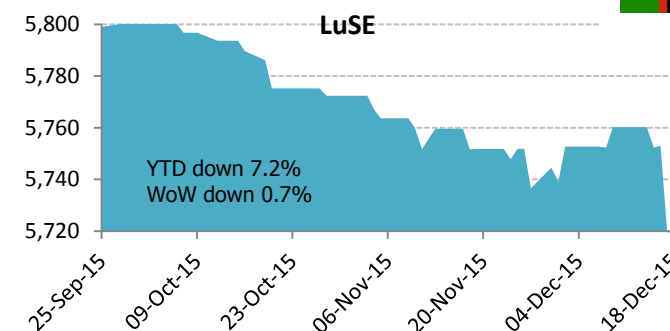
- An El Nino weather pattern has exacerbated jitters about a searing drought, in the process pushing white maize prices to record highs of ZAR4,160/t (US\$275/t) during the week ended 18 Dec.

Tanzania



- The President launched a campaign to root out corruption and inefficiency in Tanzania. Several senior officials have since been sacked as the fight against graft gathers momentum.

Zambia



- Zambia overspent its 2015 budget plan by ZMW14.9bn (US\$1.4bn) due to emergency electricity purchases, increased costs of importing fuel and a sharp depreciation of the kwacha.

Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
Wk Ending							
11-Dec-15	11.19	48.77	2,161	10.93	15.42	1.094	1.515
Daily							
14-Dec-15	11.07	49.09	2,161	10.94	15.08	1.097	1.520
15-Dec-15	11.06	46.71	2,160	10.94	15.04	1.102	1.517
16-Dec-15	11.01	47.99	2,160	10.95	15.04	1.095	1.506
17-Dec-15	11.05	49.03	2,158	10.95	14.94	1.085	1.493
18-Dec-15	11.14	49.12	2,147	10.96	15.20	1.086	1.494
WoW %Δ	-0.45	0.72	-0.62	0.25	-1.41	-0.77	-1.39
YTD %Δ	17.04	55.25	24.00	71.65	31.34	-10.68	-4.01

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
Wk Ending				
11-Dec-15	0.725	3.08	0.690	140
Daily				
14-Dec-15	0.731	3.20	0.712	143
15-Dec-15	0.731	3.12	0.731	143
16-Dec-15	0.736	3.19	0.729	144
17-Dec-15	0.737	3.27	0.733	144
18-Dec-15	0.731	3.26	0.726	141
WoW %Δ	0.88	5.84	5.29	0.70
YTD %Δ	-11.03	18.55	31.43	-4.73

Exchange Rate Developments

- The US Fed finally began the cycle to normalize interest rates on the 16th of Dec-15, when it raised policy interest rates for the first time in nearly a decade by 25 basis points (bps) to 0.25 -0.5%.
- Federal Open Market Committee (FOMC) policy statement emphasized that future interest rate increases would be gradual and would depend on incoming data.
- Generally, there was little movement in currencies, probably suggesting that the market had already priced the Fed rate hike.
- In SA, the recent rand volatility has been a result of interest rate hike in the US and domestic political turbulence.
- Tanzanian shilling is expected to extend its rally against the dollar in the days ahead, helped by a slowdown in demand for the U.S. currency towards the end of the year. There is also strong demand for shillings for various purposes, including payment of taxes.
- Other BancABC market currencies may however remain prone to pressure due to generally stronger US\$. Negative sentiments and low confidence due to widening fiscal and current account deficits together with slower growth outlook will also continue to weigh on currency performances.

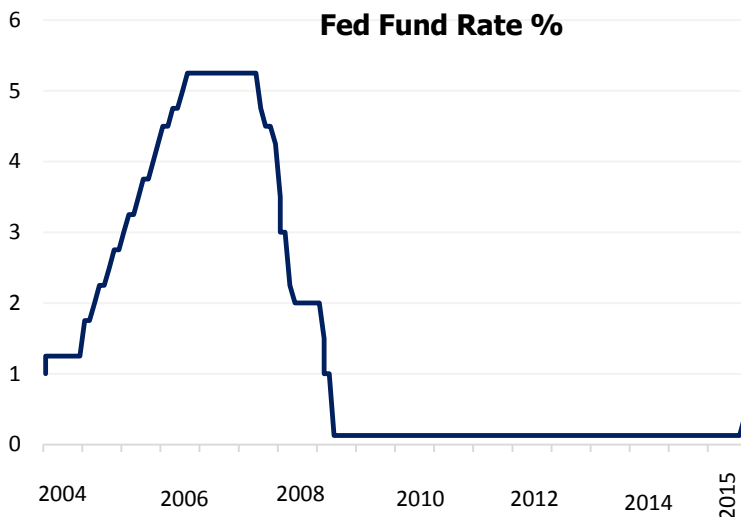
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APPENDIX: IMPACT OF FED INTEREST RATE HIKE

- The US Fed raised its interest rates by 25bps for the first time in almost a decade on the 16th of Dec-15. The Fed interest rate "lift off" came at a time when the European Central Bank (ECB) is pursuing an opposite policy direction. This is particularly so because whilst the US economy is strengthening while Europe is struggling with tepid growth, high unemployment and anaemic inflation.
- Nonetheless, the Fed does not want a 2004-06 style monetary tightening cycle where rates were hiked at every meeting for two years. Instead, the Fed would want a tightening cycle that is guided by economic data which will make the process more predictable. Such an approach is not expected to adversely affect financial markets.
- There are two key factors for emerging markets arising from US Fed interest rise. The first issue relate to reversal of capital flows. This is important because some emerging markets are heavily reliant on foreign inflows to fund fiscal or current account deficits. As investors dispose-off risky assets and deleverage their positions, thereby setting off a selling spree in emerging market assets, this may make funding of the "twin deficits" more difficult.
- Prior to the rate hike, volatility in the financial markets had seen equities recording marked declines while the local currencies had weakened significantly against the US\$. This however, indicates that the impact was already experienced, well before the Fed hiked its rates.



- The second factor for emerging markets relate to the threat of U.S. dollar denominated debt. Many countries may be vulnerable, as they have accumulated high debts during the period when interest rates were at historic lows.
 - As interest rates begin to rise, the debt burden may also rise due to an increase in interest payments. Brazil, Chile, Nigeria, Ghana and South Africa are believed to be among the most exposed.
 - In addition, local currency devaluation caused by a reversal of capital flows can make servicing this dollar debt more difficult.
- Likewise, BancABC operational markets are not insulated from developments in the US. The generalised strength of the US\$ together with the effect of low commodity prices have seen currencies weakening across markets. In Mozambique and Zambia, due to the sharp depreciation of currencies inflation pressures have started rising, triggering a cycle of monetary policy tightening.
 - In addition, Mozambique and Zambia have in the past issued Eurobonds, making them vulnerable to higher interest payments. Tanzania was contemplating on issuing a maiden Eurobond, but the plans have been postponed due in part to prohibitive interest rates which makes such an option unattractive.
 - Botswana and Zimbabwe will be impacted more via their heavy dependence on South Africa. Zimbabwean companies have lost competitiveness as a result of a sharply depreciated rand. On the other hand, the SA monetary policy tightening cycle may force Botswana to start its own tightening cycle so as to limit interest differentials between two countries.