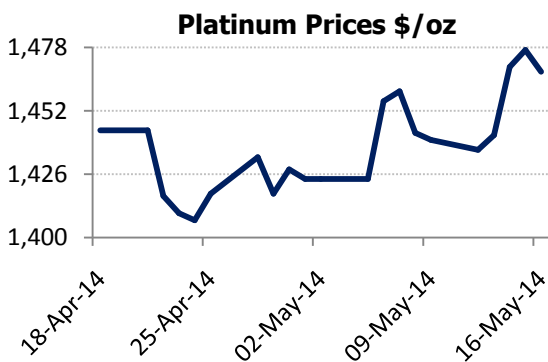
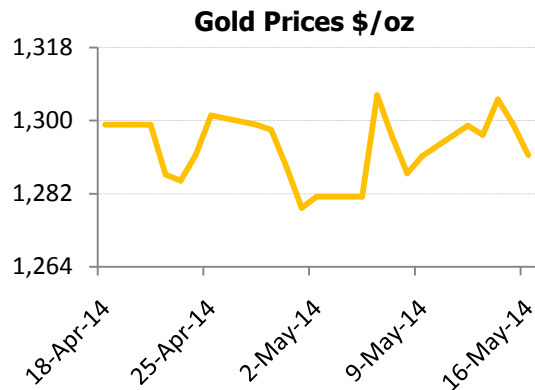


WEEKLY ECONOMIC REVIEW

Commodity 30-Day Price Chart



Commodity Prices

Avg Prices US\$/oz		Var %
Q1:14	1,293	
2014f	1,250	3.44
Daily		WoW %Δ
9-May-14	1,291	
12-May-14	1,299	
13-May-14	1,297	
14-May-14	1,305	
15-May-14	1,299	
16-May-14	1,292	
		0.02

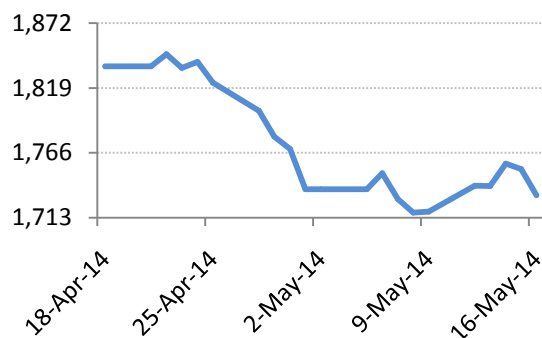
Avg Prices US\$/oz		Var %
Q1:14	1,433	
2014f	1,400	2.36
Daily		WoW %Δ
9-May-14	1,440	
12-May-14	1,436	
13-May-14	1,442	
14-May-14	1,470	
15-May-14	1,477	
16-May-14	1,468	
		1.94

Commodity Developments

- Q1:14 average Gold prices were 3.4% higher than the forecasted average price of US\$1,250/oz. Geopolitical concerns amid the Ukraine Crisis supported the yellow metal in this period.
- Over the past week, Gold prices were steadily trading in a narrow range. Losses were limited by political uncertainty in Ukraine that has increased tensions between the West and Russia whilst gains were capped by the generally good US data, which suggests that the Fed will continue to follow its Quantitative Easing (QE) unwinding path.
- The yellow metal may come under pressure this week due to lack of upcoming US economic indicators. The Fed Open Market Committee meeting scheduled for 22 May will not have any influence on bullion prices as the outcome of that meeting will be availed later.
- In Zim, Blanket Mine reported a decline in Q1:14 Gold output to 10,241oz compared to 10,472oz in Q1:13.
- Just like Gold, Q1:14 average Platinum prices were higher than the forecasted yearly average underpinned by prolonged SA miners' strike and fear of supply disruptions out of the number 2 producer, Russia.
- Over the past week, the metal extended its gains boosted by supply worries as strikes in top producer SA continues. World's 2nd largest miner Impala Platinum described the impact of the 16-week strike as devastating and reported that it has lost more than US\$500m in revenue. The company expects no production in the Q4:14 to at its affected Impala Rustenburg mine due to the ongoing strikes.
- In the aftermath of the May 7 elections, the ANC is expected to play a more active role in ending mining conflicts.
- Continued strikes and subsequent higher prices may benefit lower cost producers like Zimbabwe.

Commodity 30-Day Price Chart

Aluminium Prices \$/mt



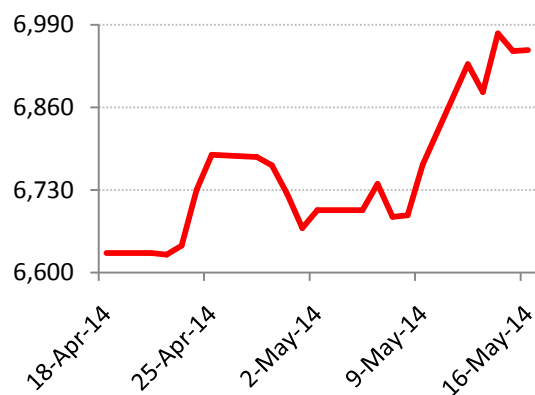
Commodity Prices

Avg Prices US\$/t		Var %
Q1:14	1,708	
2014f	1,750	-2.40
Daily		WoW %Δ
9-May-14	1,718	
12-May-14	1,739	
13-May-14	1,739	
14-May-14	1,757	
15-May-14	1,753	
16-May-14	1,731	
		0.77

Commodity Developments

- Aluminium prices surged and the gains were not long lived as the market struggles due to oversupply.
- China which accounts for greater share of industrial metals demand produced 5.8m tonnes of the metal in Q1:14, up 9.9% from the same period last year, with imports of bauxite (raw ore made into alumina) dropping by 5.4% same period, depressing the metal prices.
- This has negatively affected aluminium producers with United Company Rusal Plc, top producer, posting a net loss in Q1:14. The company cut its own production by 12% to 883,000t in the Q1:14 from a year earlier due to easing prices.
- Cuts to global capacity to ease a market glut are to some extent helping to offset production growth in China where more efficient smelters are replacing older ones that do not meet Gvt standards.

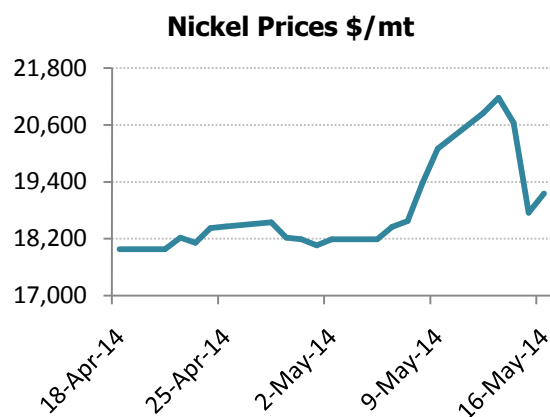
Copper Price \$/mt



Avg Prices US\$/t		Var %
Q1:14	7,045	
2014f	6,900	2.10
Daily		WoW %Δ
9-May-14	6,770	
12-May-14	6,928	
13-May-14	6,884	
14-May-14	6,976	
15-May-14	6,949	
16-May-14	6,950	
		2.66

- Copper posted a weekly gain on tight supply and falling stocks in the peak season for demand.
- However, uncertainties over China's economic growth and its potential to stimulate growth plus a fragile recovery in Europe have dented the demand outlook of the red metal.
- According to a China's Central Bank survey report, business confidence cooled in Q1:14 compared to the same period the previous year, a sign that the Chinese economy is faltering.
- Zambia a major copper producer recently rebased its GDP base year from 1994 to 2010. As a result the total GDP increased by 25% and the contribution of the mining sector surged from 2.6% in 2012 (under old base yr.) to 11.2% in 2012(under new base year).
- Mining sector contribution to Gvt revenue is estimated at about 25%.

Commodity 30-Day Price Chart



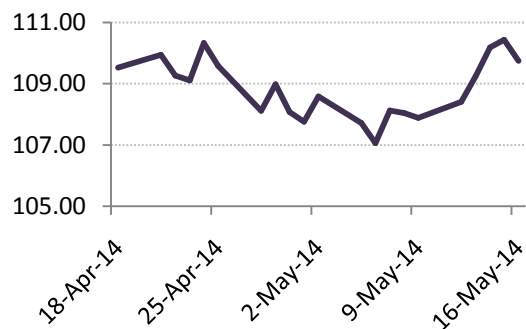
Commodity Prices

Avg Prices US\$/t		Var %
Q1:14	14,640	
2014f	14,800	-0.01
Daily		WoW %Δ
9-May-14	20,100	
12-May-14	20,848	
13-May-14	21,175	
14-May-14	20,648	
15-May-14	18,748	
16-May-14	19,153	
		-4.71

Commodity Developments

- Nickel prices which had dipped on the 15th rose on the 16th as investors refocused on shrinking supplies due to missing production from Indonesia.
- Refined Nickel prices have soared since Indonesia imposed a ban on ore exports in Jan-14 as producers scrambled for supplies.
- Supply concerns prompted a rally last week with Nickel hitting a 27-month peak on the 13th of May.
- However, the recent spark in prices is mainly speculation driven and Nickel prices are expected to come down as they correct to record a year average of US\$14,800/t.
- Prolonged Ukraine crisis with harsher economic sanctions on Russia compounded by Indonesia's ban on raw exports may support prices above the forecasted yearly average.
- Brent prices surged on renewed concerns over Libya's oil output, where recently opened fields were closed again and clashes erupted in the Eastern parts.
- Protesters shut again Libya's El Feel oilfield and the El Sharara field remained closed. In the east, Libyan forces clashed with Islamist militias in Benghazi.
- This caused supply disruptions with output edging down to about 200,000bpd, far less than the 1.4m bpd pumped last year.
- The conflict in Ukraine remains also a background support as US Secretary of State John Kerry warned Russia of facing broader sanctions if it interferes in Ukraine's Presidential elections on May 25.
- Meanwhile, Russia offered Ukraine a discount on its June natural gas supply if it pays US\$2.2bn of the US\$3.5bn debt Moscow says Kiev owes as of 1-Apr-14.

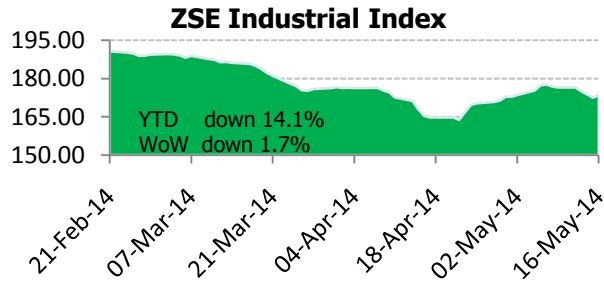
Oil Brent prices \$/bbl



Avg Prices US\$/bbl		Var %
Q1:14	107.92	
2014f	102.80	4.98
Daily		WoW %Δ
9-May-14	107.89	
12-May-14	108.41	
13-May-14	109.24	
14-May-14	110.19	
15-May-14	110.44	
16-May-14	109.75	
		1.72

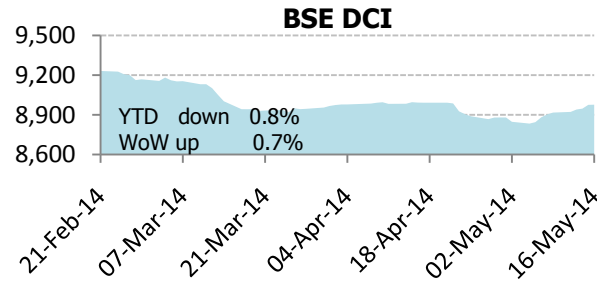
Equities 90-Day Index Charts

Zimbabwe



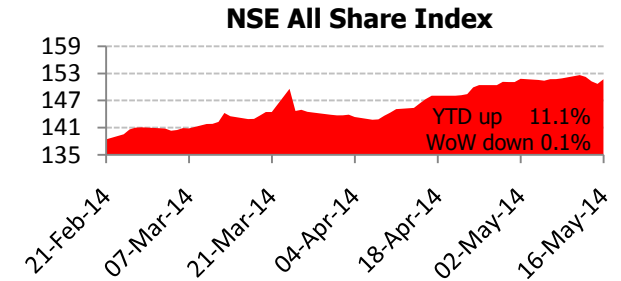
- Zim's deflation slowed to 0.26% YoY in Apr from 0.91% in Mar. On a month-on-month basis, prices increased by 0.58% in Apr, after falling by 0.22% in Mar.

Botswana



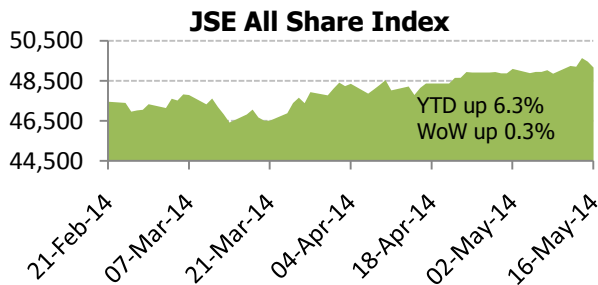
- ABCH continued with its rally closing at a new 52-week high of 710thebe after gaining 10thebe, as investors sought to benefit from the recent offer of US\$0.82 brought by Atlas Mara to acquire the bank.

Kenya



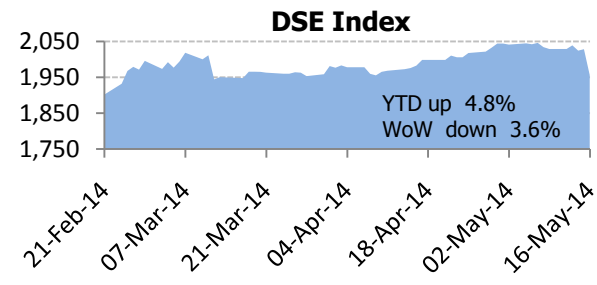
- Kenya won a 3-month extension on a US\$600m syndicated loan after its debut Eurobond was delayed. The 2-year loan was due for full repayment on 16-May-14. The country now faces reputation risk and its credit rating of B+ may be downgraded.

South Africa



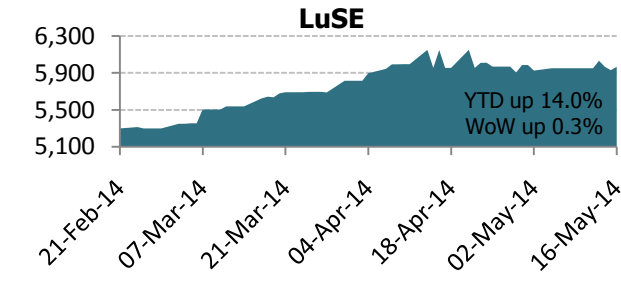
- SA stocks ended a the week weaker although up on a WoW basis, iron ore producers fell on concerns of oversupply in China, the world's largest consumer of steel. China's data released on the 16th showed iron ore production was up 12.3% from a year ago to 122.4m tonnes, sending stocks of SA producers lower.

Tanzania



- The Bank of Tanzania (BoT) plans to start using interest rates regularly to set monetary policy in the next 4yrs, giving itself ample time to ensure a smooth transition from the present system of influencing growth and inflation through other financial tools.

Zambia



- Bank of Zambia (BoZ) maintained its tight monetary policy by keeping its benchmark interest rate unchanged at 12% citing that the weak Kwacha poses upward risk to inflation.

Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
Wk Ending							
9-May-14	8.66	30.64	1,635	6.47	10.34	1.383	1.693
Daily							
12-May-14	8.67	30.64	1,637	6.49	10.35	1.377	1.688
13-May-14	8.68	30.65	1,637	6.55	10.33	1.377	1.685
14-May-14	8.65	30.65	1,638	6.58	10.28	1.372	1.684
15-May-14	8.67	30.64	1,637	6.62	10.32	1.367	1.675
16-May-14	8.70	30.64	1,637	6.65	10.40	1.372	1.680
WoW %Δ	0.52	0.00	0.12	2.80	0.60	-0.75	-0.74
YTD %Δ	-0.17	2.72	4.53	20.69	-0.66	-0.41	1.70

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
Wk Ending				
09-May-14	0.837	2.92	0.625	157
Daily				
12-May-14	0.838	2.96	0.628	158
13-May-14	0.838	2.98	0.637	158
14-May-14	0.841	2.98	0.636	159
15-May-14	0.840	2.96	0.640	158
16-May-14	0.837	2.96	0.642	158
WoW %Δ	-0.05	1.37	2.72	0.64
YTD %Δ	0.08	3.14	22.89	6.15

Exchange Rate Developments

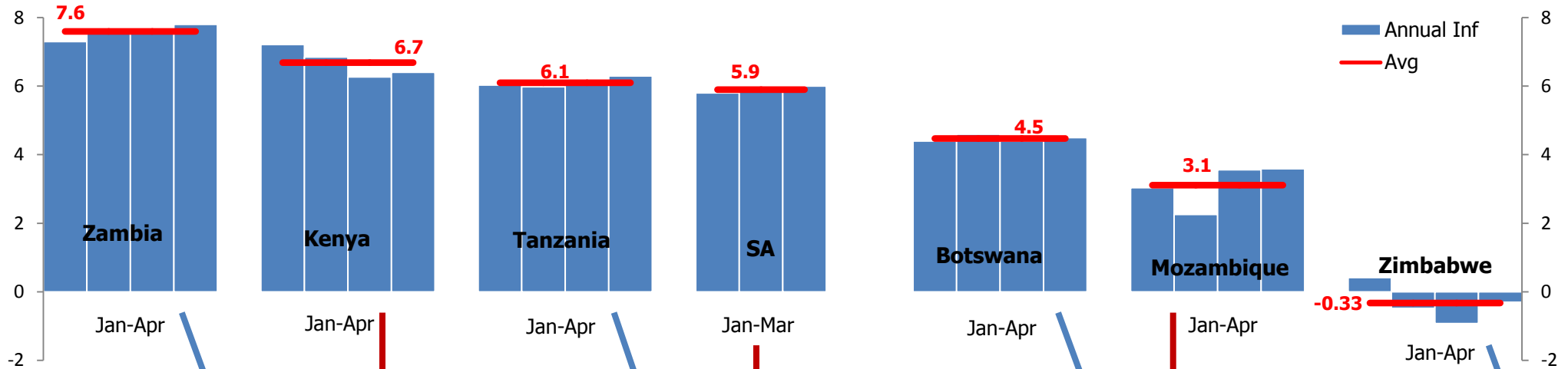
- The USD appreciated against all currencies as benchmark US Treasury yields edged up from their lowest levels in 6 months.
- The greenback gained the most against the EUR among major currencies after disappointing euro zone growth data raised expectations that the ECB will embark on more stimulus at its Jun policy meeting.
- Last week's violent wage strikes in SA dented the ZAR against the USD. Although, recent weak manufacturing, mining and retail sales data points out to an economy under strain, the South African Reserve Bank (SARB) is highly unlikely to hike its benchmark rate at its policy meeting this week.
- The ZMW depreciated further against the USD touching an all time low on the 16th. Huge infrastructure development drive which expanded demand for imports, compounded by tightened foreign exchange inflows due to falling copper prices, have put pressure on the ZMW.
- Large infrastructure projects usually require imported capital thereby creating huge demand for foreign currency.
- In Mozambique, the MZN remained stable against the USD, only retreating 2.7% YTD, prompting the Bank of Mozambique to leave its lending rate unchanged at 8.25% although citing underlying risks in the domestic and global economy.
- Both the BWP and TZS depreciated against the USD during the week.

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Contact telephone numbers: 369701-16; 752383-5

Appendix: Inflation in African Markets – Jan to Apr-14



- Pass-through effect of USD/ZMW on inflation through imported inflation appears to be fanning price pressures.
- BoZ tightened its monetary policy in an attempt to instil exchange rate stability and control inflation.
- Bias towards further interest rate hike.

- Inflation remains under control although showing a rising tendency.
- This possibly indicates an end to the disinflation cycle which commenced in 2012.

- For the first time in 15 years, inflation stayed well within the BoB's medium-term objective range of 3-6%.
- A stronger BWP against the ZAR should curtail inflation pressures.
- However, this could be negated by the rising domestic inflation in SA

- Negative inflation driven by acute liquidity challenges, weak domestic demand due to stagnant incomes and de-industrialisation, imported goods dominance benefiting from the weaker ZAR.
- Fears of a deflation could disappear after 0.6% rise in m-o-m inflation in Apr-14 – the highest since Feb-13.

- Inflation is well contained within the allowable 2.5% deviation from the targeted 5%.
- Likely to hike interests rates if inflation keeps on rising.

- Inflation reached the ceiling of the SARB inflation target range following a massive a 1.3% monthly increase.
- US unwinding of its QE programme and unending labour disputes weakened the ZAR, which in turn heightened inflationary pressures.

- Inflation is expected to remain well contained within the Central Bank's medium-term target of 5–6%.
- Effect of imported inflation is also likely to increase on account of the general level of prices in the SA economy, coupled with the nominal depreciation of the MZN against the USD and ZAR.