

Dear Esteemed Client,

In our bid to keep you well informed regarding key factors that affect your investments, please find below some brief highlights for the month of April 2017:

OPERATING HIGHLIGHTS

- The **Kwacha** opened the month at ZMW 9.660/USD1 and closed at ZMW9.337/USD1 translating into a monthly appreciation of 3.34%. The beginning of the month saw the rate breach the ZMW9.700/USD1 level as a result of dollars demand. However, the movement of the rate reversed in the days leading to the provisional tax due date, 14 April, as there was an upswing in demand for kwacha. The kwacha remaining bullish till the end of the month corresponded with the GRZ bond and T-bill auctions indicating that the currency was supported by dollar conversions by offshore players.
- April's **inflation** rate was unchanged at 6.7% from March, the Central Statistical Office (CSO) reported. Of the 6.7%, food and non-alcoholic beverages accounted for 3.3% while non-food items accounted for 3.4%. The annual food inflation rate for April was recorded at 6.1% from 6.7% in March. The decrease was attributed to price changes in cereals such as maize grain, breakfast and roller mealie meal as well as vegetables and fruits. The annual non-food inflation rate for April was recorded at 7.5% from 6.6% in March. The increase is due to transport and price changes for the purchase of motor vehicles.
- Copper** prices opened April at USD5848/tonne and closed the month at USD5688/tonne, a monthly drop of 2.74% and a 2.91% positive price movement YTD. The price saw a high of USD 5870/tonne and a low of USD5600/tonne. The average price was USD5697/tonne.
- The Government Bond Auction was oversubscribed as investors showed keen interest in the 5, 10 and 15 year bonds.

Period (Years)	Yield Rate (%)	Prev Yield (%)	Change in Yield (%)	Amt Offered (ZMW Mn)	Amt Bid (ZMW Mn)	Amt Allocated (ZMW Mn)
2	20.00	20.00	0.00	50	8.24	8.24
3	20.00	20.00	0.00	200	159.73	159.73
5	19.25	19.50	-0.25	300	529.32	489.32
7	20.00	20.90	-0.90	100	218.18	198.18
10	19.94	19.95	-0.01	200	356.23	356.23
15	22.95	22.95	0.00	150	443.12	443.12
Total				1000	1714.82	1654.82

- The last **T-bill auction of the month** held on 27th had the following results:

Period (Days)	Yield Rate (%)	Prev Yield (%)	Change (%)	Amt Offered	Amt Bid	Amt Allocated
91	14.00	14.00	0.00	63	41.93	40.52
182	15.00	14.75	-0.25	135	63.21	58.81
273	15.75	15.25	-0.50	207	121.00	108.25
364	17.47	17.47	0.00	405	192.82	164.2
Total				810	419	372

- In an unexpected turn of events, the auction was significantly undersubscribed diverting from the streak of oversubscription witnessed over the last two quarters. The tender received bids amounting to ZMW419.36 million and a total of ZMW372.16 million was allocated. There was no movement in yield rates on the 91 day and 365 day tenors while the curve shifted upwards on the 182 day and 273 day with rates going up to 15.00% from 14.75% and 15.75% from 15.25% respectively.
- The **LuSE All Share Index** closed the month of April at 4,570.08 points from 4,414.49 points in March, representing a month on month gain of 3.52% and YTD gain of 8.92%. The **LuSE Free Float Index** closed the month at 2,683.35 points from 2597.98 points, representing a month on month gain of 3.28% and YTD gain of 17.33%. The total number of trades registered on the LuSE was 316, while the total turnover registered for the month was ZMW 34,351,182 a decline from the ZMW 46,227,368 recorded last month.
- Global equities as measured by the MSCI World Index** had a monthly USD performance of 1.33% while the YTD performance was 7.26% exhibiting solid capital appreciation. However, in kwacha the monthly and YTD performances were -2.02% and 1.87% respectively, significantly lower than the USD values owing to the strong kwacha appreciation seen over the period.

LOOKING AHEAD

- Our currency outlook for the year remains stable but we shall continue to monitor the market fundamentals.
- Copper price and production - An analysis of price jumps in the copper market indicates that the volatility often seems to arise more from recent events than long-term fundamental data. Over the month of April the disputes at Escondida mines in Chile were concluded and generally the copper producing countries did not experience production bottlenecks creating production pricing pressure hence the dip in prices seen this month. Conversely, analysts increasingly believe that there will not be any production surplus in the market for refined copper in 2017 and that instead supply and demand will generally be in balance or that there may be a slight shortage. This is backed by the World Bank's Commodity Markets Outlook in which it predicts copper's price to continue to appreciate in the medium term. On a local front, Zambia's copper output is expected to hit a record of 850,000 MT this year versus the 790,000 MT produced in 2016.
- Inflation - The Energy Regulation Board (ERB) announced its decision to grant ZESCO the 75% upward tariff adjustment pertaining to retail clients. The first phase will be a 50% upward revision to be implemented by 15th May and the remaining 25% to be effected on 1st September. This is likely to have an upward effect on both food and non-food inflation as the supply and price of energy tends to spill into the entire basket of goods and services. Given that inflation usually has a lag, the increase may only start to reflect this midway through the year. That being said, some comfort can be drawn from the announcement by the Ministry of Agriculture of an expected 25.5% rise in the maize harvest for 2016-17 compared to the last season indicating that local demand for the staple food will be met and prices will remain low.

We shall endeavour to keep you abreast of key events as and when they occur, to ensure you are able to make more informed decisions as we aim to fulfil the fund objectives.

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