

MONTHLY FLASH REPORT

JUNE 2022

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 June 2022:

OPERATING HIGHLIGHTS

- The **kwacha** opened the month at ZMW17.28/USD1 and closed at ZMW16.96/USD1 translating into a monthly appreciation of 1.83% and year-to-date (YTD) movement of -1.76%. The kwacha ended the month on the front foot as a result of increased US dollar supply.
 - Money **market liquidity** decreased to an average of ZMW 2.03 billion from ZMW 2.64 billion while the average **interbank rate** remained unchanged at 9.00%.
- Annual **inflation** decreased for the 11th successive month to 9.7%. The slowdown in annual inflation was mainly attributed to a drop in price increases of both food and non-food items. Annual food inflation fell from 12.3% to 11.9%, while annual non-food inflation fell from 7.5% to 6.9%.
- Copper prices** on the London Metal Exchange (LME) opened at USD 9,500.00/tonne and closed the month at USD 8,245.00/tonne translating into a monthly depreciation of 13.21% and year to date movement of -14.93%. Copper prices ended the quarter with their biggest quarterly slump since 2011 as COVID lockdowns in top consumer China and concerns about a potential slowdown in global macroeconomic growth in the coming months curtailed demand.
- June recorded a total of eleven price movements on CEC Africa (34.15%), Zambeef (27.16%), AECI (13.51%), Puma (0.64%), BATZ (0.53%), Zaffico (0.41%), CEC (0.31%), Zambia Sugar (0.17%), Lafarge (0.07%), Stanchart (-1.43%) and Zanaco (-5.38%). The **LuSE All Share Index** closed the month at 6,854.12 points, representing a month on month gain of 0.81% from May and YTD position of 13.11%. The **LuSE Free Float Index** closed the month at 4,413.85 representing a month on month gain of 1.76% and YTD position of 16.58%. Speaking to the trading activity, the total number of trades registered on the LuSE was 1,882 up from 1,649 the prior month while the total turnover registered for the month was ZMW211,379,288.74 up from ZMW12,190,511 the previous month.
- Global equities** as measured by the MSCI World Index had a USD monthly loss of 8.77% (YTD -21.21%). In kwacha terms the index lost 10.44% (YTD -19.83%).

- The **T-bill auctions** were held on the 2nd, 16th and 30th of June:

	Amount Offered	Amount Bid	Amount Allocated	Yield Rate (%)	Prev Yield (%)	Change (%)
91	300.00	507.52	507.52	⇒ 9.3001	⇒ 9.3001	-
182	340.00	76.33	76.33	↑ 11.5001	⇒ 10.4999	1.0002
273	360.00	186.68	186.68	↑ 12.9999	⇒ 10.9500	2.0499
364	1,000.00	1,453.10	1,444.09	↑ 14.4999	⇒ 13.7500	0.7499
Total	2,000.00	2,223.63	2,214.62			

The auctions had an average subscription rate of 96.85% and allocation rate of 96.70%. At cost, the auctions sold an average of 87.09%. Upward movements were recorded across the board with the exception of the 91-day which remained unchanged. The most significant movement was on the 273 which rose by 205 basis points. **July auctions:** 14th and 28th

- The **Government bond** auction held on 24th June had the following results:

	Amount Offered	Amount Bid	Amount Allocated	Range of Accepted Bids	Range of Rejected Bids	Yield Rate (%)	Prev Yield (%)	Change (%)
2	300.00	685.97	635.97	16.00% - 17.50%	20.00% - 20.00%	⇒ 17.50	↓ 17.50	-
3	400.00	443.17	441.87	10.00% - 22.00%	25.00% - 25.00%	↑ 22.00	⇒ 20.00	2.00
5	650.00	606.29	600.54	20.00% - 23.50%	24.50% - 24.50%	↑ 23.50	⇒ 22.50	1.00
7	350.00	44.32	44.32	20.00% - 24.50%	Nil	⇒ 24.50	⇒ 24.50	-
10	500.00	116.790	116.79	19.00% - 25.25%	Nil	⇒ 25.25	⇒ 25.25	-
15	400.00	265.81	265.81	22.85% - 27.00%	Nil	⇒ 27.00	⇒ 25.00	1.00
Total	2,600.00	2,962.35	2,305.30					

The auction was undersubscribed with a subscription rate of 90.86% and allocation rate of 88.67%, relative to the amount offered. At cost, the auction sold 62.49%. Upward yield movements were recorded on the 3-year, 5-year and 15-year which increased by 200 bps, 100 bps and 100 bps respectively. **Next auction:** 22nd July, 2022

- The June **Purchasing Managers Index (PMI)** came in at 49.9 up from 49.8 in May. With inflationary pressures decreasing, firms expanded their employment levels and purchasing activity. Price pressures and money shortages dampened demand and lead to a reduction in output and new orders.

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LOOKING AHEAD

- The global macroeconomic outlook remained challenging for investors in the second quarter of 2022 as they struggled to price in the impact of the war in Ukraine, soaring inflation in developed economies such as the United States (US) and Europe, and increasingly hawkish stances from major central banks. The most prominent market theme over the past month has been the growing fears that the global economy may be heading towards recession in the next 12 to 18 months.
- The global inflation shock has triggered an interest rate shock and ultimately a valuation shock in financial markets. According to global investment bank, J.P. Morgan, markets now expect interest rates to rise to 3.4%, 3% and 1.6% in the US, UK and Europe, respectively, by next year. The increase in the expectations for the path of interest rates is reflected in higher yields in developed market sovereign bonds, wider spreads in credit markets and lower equity valuations. As such, there have been very few places for global investors and traders alike to hide in this destructive, high volatility and highly correlated market environment.
- Locally, unlike its Sub-Saharan African peers, Zambia has achieved relatively good results in several areas so far this year such as single digit inflation, a stable exchange rate and an estimated GDP growth of 2.4% in Q1 2022. A key development over the month was that the Zambian government held its first meeting with external creditors co-chaired by China and France and vice chaired by South Africa. With the second meeting expected to be held on the 18th of July, the official creditors are reportedly expected to offer financial assurances by the end of July, paving the way to unlock an International Monetary Fund (IMF) support programme.

We shall endeavor 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.