MONTHLY FLASH REPORT

MARCH 2024

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 March 2024:

OPERATING HIGHLIGHTS

- The **Kwacha** opened the month at ZMW23.47/USD1 and closed at ZMW24.91/USD1 translating into a monthly depreciation of 6.13% and Year-to-Date (YTD) movement of +3.11%. The local currency ended the month on the backfoot of the greenback as demand for hard currency steadily increased, while supply remained constrained. During the month, the Kwacha lost 8.01%, 6.21% and 6.04% against the South African Rand, British Pound Sterling and Euro, respectively.
  - **Money market liquidity** increased to an average of ZMW 1.49 billion from ZMW 1.33 billion, and the **average interbank** rate increased to an average of 19.29% from 18.38% in the prior month.
- Annual **inflation** increased for the ninth consecutive month to 13.7% from 13.5% in February 2024. The uptick was mainly attributed to the prices of food items increasing at a faster pace between March 2023 and March 2024. Annual food inflation rose to 15.6% from 14.1%, while annual non-food inflation fell to 11.2% from 12.7%. On a month on month basis, inflation fell by 100 basis points to 1.2%.
- **Copper prices** on the London Metal Exchange (LME) opened the month at USD 8,388.5/tonne and closed at USD 8,728.5/tonne, translating into a monthly appreciation of 4.05% and YTD movement of +2.99%. Copper's rally was fueled by global supply challenges and expectations of strong demand for the red metal to power the energy transition and for use in new artificial intelligence (AI) technologies.
- The month of March recorded a total of ten price movements on the **Lusaka Securities Exchange (LuSE)** including Standard Chartered (25.72%), REIZ (24.44%), Zanaco (20.00%), CEC Africa (13.64%), ZCCM-IH (1.13%), CEC (0.52%), British American Tobacco (BATZ) (0.43%), Zamefa (0.20%), Zambeef (-1.65%) and AECI (-4.72%).The LuSE All Share Index closed the month at 12,703.03 points, representing a month-on-month gain of 5.23% and YTD movement of 17.31%. The LuSE Free Float Index closed the month at 7,618.60 points, representing a month-on-month gain of 4.36% and YTD movement of 14.19%. Speaking to the trading activity, the total number of trades registered on the LuSE was 2,456, up from 2,266 the prior month while the total turnover registered for the month was ZMW16,753,155.20, down from ZMW431,748,306.12.
- **Global equities** as measured by the MSCI World Index had a USD monthly gain of 3.01% (YTD +8.47%). In Kwacha terms, the index gained 9.33% (YTD +5.10%).
- The **T-bill auctions** were held on the 7th and 21st of March:

	Amount Offered	Amount Bid	Amount Allocated	Yield Rate (%)	Prev Yield (%)	Change (%)
91	460.00	257.99	257.99	9.5000	9.5000	-
182	520.00	8.96	8.96	9.5000	9.5000	-
273	550.00	274.61	274.60	10.3000	10.3000	-
364	770.00	595.68	594.47	15.5000	15.4500	0.0500
Total	**2,300.00**	**1,137.24**	**1,136.02**			

The auctions had an average bid rate of 38.52% and an average allocation rate of 38.46%, in cost terms. An upward rate movement was recorded on the 364-day Treasury-Bill, which rose by 5 basis points to 15.50%. **April auctions:** 4th and 18th

- The **Government bond** auction held on 28th March had the following results:

	Amount Offered	Amount Bid	Amount Allocated	Bid to Cover Ratio	Range of Accepted Bids	Range of Rejected Bids	Yield Rate (%)	Prev Yield (%)	Change (%)
2	350.00	38.09	36.09	1.06	00.00%- 17.00%	45.00%- 45.00%	17.0000	17.0000	-
3	400.00	243.95	240.10	1.02	17.00%- 20.00%	21.00%- 25.00%	20.0000	20.0000	-
5	420.00	177.64	173.38	1.02	19.00%- 22.00%	22.19%- 70.00%	22.0000	22.0000	-
7	300.00	345.80	315.80	1.09	20.00%- 23.00%	23.75%- 23.75%	23.0000	23.0000	-
10	300.00	415.47	414.37	1.00	10.00%- 24.97%	25.00%- 25.50%	24.9700	24.9700	-
15	230.00	509.86	487.86	1.05	21.00%- 26.5%	26.95%- 28.50%	26.5000	26.5000	-
Total	**2,000.00**	**1,730.81**	**1,667.60**						

The auction had a subscription rate of 86.54% and an allocation rate of 83.38%. As seen in the previous auction, yields remained unchanged across the board with majority of the bids skewed towards the longer end of the yield curve. On a year-to-date basis, 79.68% of the amount on offer was allocated. **Next auction date:** 26th April

- The March **Purchasing Managers Index (PMI)** reading rose to 48.8, from 47.3 the previous month. While the reading signalled a marginal improvement in business activity from the previous month, it pointed to a continued contraction in business activity for the fourth consecutive month as a result of tight liquidity conditions and rising costs of production.

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LOOKING AHEAD

- The end of the first quarter was dominated by ongoing macroeconomic uncertainties both at home and abroad. Locally, the main challenges currently plaguing the country include the ongoing drought, the nationwide electricity load management and rising inflationary pressures. Despite the continued budgetary support from the International Monetary Fund (IMF) and cooperating partners such as the World Bank, as well as the progress that has been made by the government in their fiscal consolidation efforts, the first few months of the year have exposed the Zambian economy's vulnerability to external shocks. As the entire world grapples with the effects of climate change, geopolitical tensions and more recently, the escalation of conflict in the Middle East, developing economies such as Zambia are particularly susceptible to capital flight and liquidity challenges in the capital markets during periods of global macroeconomic turmoil, which may limit their short-to-medium term growth potential. However, on the plus side, the country's rich endowment of natural resources including copper and other minerals as well as the relatively stable political environment and tourist attractions still bode well for Zambia's longer term economic prospects.

- Speaking to more positive developments, on March 25th the Zambian government announced that an agreement had been reached on the terms of the debt restructuring with Eurobond holders. The new deal, which is similar to the previous one which was rejected by the Official Creditor Committee (OCC) due to concerns about the comparability of treatment, includes an increase in the nominal haircut on the total claim of 21% from 17%. This means that the government will issue two new bonds with a face value of USD 3.05 billion down from the USD 3.14 billion proposed last year. The debt repayment period being extended to between 8 and 15 years also augurs well for economic stability and improved fiscal consolidation by cushioning the debt repayment burden, and enhancing investor confidence as well as social economic development.

- With regards to other major global macroeconomic risks, over the past three months there has been growing evidence suggesting that the odds of interest rate cuts by the US Federal Reserve are waning. The continued resilience of the US economy with its tight labor market and strong consumer spending has defied all expectations, with inflationary pressures persisting despite the Fed's restrictive monetary policy stance. Three consecutive months of hot inflation data have pushed market pricing for a Fed rate cut to September from July, as policymakers wait for clearer signs of cooling price pressures. The uncertainties surrounding the timing of any interest rate cuts by the Fed, and the possibility of interest rates in the US staying "higher for longer" has significant implications for other major central banks such as the Bank of Japan, the European Central Bank and the Bank of England, and may also have ramifications for foreign exchange markets across the globe. In the near term, due to the fact that it is unlikely that the Fed will cut rates before the end of the first half of the year, the US dollar is likely to remain well supported for the foreseeable future.

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.