

In Brief

Thai Prime Minister makes Liverpool offer

Thai Prime Minister Thaksin Shinawatra has bid US\$65 million for 30% of the English football club Liverpool FC. The board are considering the offer.

Nairobi SE steadies

The Nairobi Stock Exchange NSE 20 index rose by 0.7% last week to close at 2,645, ending recent declines. The commercial and allied sector led the gains.

Premier Wen finishes EU tour

Chinese Premier Wen Jiabao completed a two week tour of European Union countries last week, during which he met political and business leaders and outlined plans for closer economic ties between the two regions.

Nigeria oil production surges

Nigerian output increased to 2.7 million barrels per day last month, the BBC reports the central bank as saying. This record figure comes as oil prices are at all time highs.

Japan to open African offices

Japan is to open two African offices in Senegal and Kenya, stated the president of the Japanese International Cooperation Agency on Monday, according to reports by AFP. The offices are intended to strengthen Japan's activities in Africa.

Cairo SE registers 5.1% fall

After months of growth, the Cairo and Alexandria Stock Exchange's CASE-30 index fell by 6% during last Tuesday's trading, before rallying slightly to close the week at 1,481, down 80 on the week.

South Africa to host World Cup

South Africa will host the 2010 World Cup announced Fifa President Sepp Blatter in Zurich on Friday. The competition, which was due to be awarded to an African country, had been hard fought between South Africa and Morocco. In the end, South Africa won the final vote by 14 votes to 10.

The South African delegation at the award ceremony included some of South Africa's most well-known faces, including former President Nelson Mandela. The World Cup is expected to generate revenues of around US\$500,000 from ticket sales alone, and the spin-off effects are expected to run into billions of dollars. Estimates of jobs which will be created exceed 100,000 in a country of 35% unemployment.

Malaysia creates investment giant Khazanah

The Malaysian Government is to create one of Southeast Asia's largest investment houses by placing all its state controlled assets under a single management, announced Prime Minister Abdullah Ahmad Badawi on Friday. The responsibility for the US\$61 billion of assets will be with the state investment company Khazanah Nasional, which will make Khazanah and its new chief executive Azman Mokhtar among the most influential investors in the region. At present, Khazanah manages funds of around \$11 billion.

The transferred assets will include shares in some of Malaysia's best known companies, such as Telekom and car maker Proton. The total value of the Kuala Lumpur exchange quoted shares will be a little over a third of the whole exchange's value. Market opinion was generally positive about the move.

Oil found along East Africa coast

East Africa has far larger deposits of petroleum than previously thought, says a new report by Jebco Seismic, the UK based geophysical consultancy. It claims that there is potential for oil production from the Somali basin in the North to the Mozambique basin in the South. Tanzania and Mozambique were both characterised as having "excellent quality and richness". There has been exploration in the region for decades, and many major oil companies remain active there. But it had been believed that the area principally contained gas deposits, unlike oil rich West Africa.

Royal Dutch Shell has exploration rights in the regions around the southern Kenyan coast and northern Tanzania, either directly or through Woodside Energy, in which it has a minority share. It has been speculated that most oil discovered in East Africa would be exported to the Far East and China, which has insufficient deposits to meet its growing domestic demand.



The old and the new?... A Tanzanian farmer looks down on an oil refinery. FAO/17675/A.Conti; freefoto.com

Lao to end poppy cultivation by 2005

Lao is on track to end all poppy production by 2005, according to reports emerging from the capital Vientiane last week. The Government plans to remove poppies from a further 4,500 hectares of land this year, principally in the north of the country. The opium derived from the crop creates domestic problems of addiction, and Lao lies in a region known to produce much of the West's heroin.

Lao has adopted a policy of mobilising district authorities to eradicate the crop, and has already declared certain regions poppy-free. Other districts, including the area around the capital Vientiane, are currently engaged in destruction of the crop, and will finish next year. The provinces of Luang Prabang and Huaphanh, bordering the Vietnamese border have had serious problems with the poppy, and are also expected to be free by 2005.

Million ton steel plant for Vietnam

Construction of a major iron and steel plant in Vietnam's Dong Nai province started on Saturday, according to the state news agency. The plant will produce up to a million tons of steel ingots each year, and is projected to open in late 2005. Both the domestic market and exports will be targeted, with building linked to the Chinese Olympics of 2008 likely to increase demand sharply.

The plant is a joint venture between Taiwan's Sun Steel and China's Laiwu Steel. There is no government involvement.

Bolloré refused Abidjan port

Bolloré, the French transportation and logistics company, has been refused the right to run the port at Côte d'Ivoire commercial capital Abidjan. The decision by Ivorian Transport Minister Anaki Kobenan came on Friday, with Mr Kobenan saying that Bolloré had not provided the necessary documents for completion of the deal. The Port Authorities had announced earlier in the year that Bolloré would take control of the port for fifteen years with the possibility of a further ten years renewal, for a cost of US\$10 million.

Abidjan is one of the leading ports in West Africa, but its profitability has been badly affected by the ongoing civil tensions in Côte d'Ivoire. The deal with Bolloré was intended to restore its profitability, but the deal has attracted increasing political attention ahead of the 2005 elections. Mr Kobenan invited the company to present the required documents, but it is unclear

whether the deal will progress. An earlier temporary agreement with Bolloré for the operation of the port expired on March 26, and the port was fined \$15 million for illegal operations beyond that date.

Bombay SE dives on Congress victory and coalition rumours

The Bombay Stock Exchange fell 6% on Friday, following the surprise Indian General Election defeat of the ruling BJP which had pursued a policy of economic liberalisation and privatisation. The Congress Party won the largest single share of the vote, and is expected to enter into a coalition administration with leftist parties.

AAE swaps East African indices

AfricaAsia Enterprise has replaced the Uganda Stock Exchange All Share index in the Market Watch section with Nairobi Stock Exchange NSE 20. The change reflects the significance of Nairobi in the East African market, its more readily available data, and requests by AAE readers. Other indicators are unaffected.

Market Watch

(Week ending 14/5/2004)

Equity market leading indices and (increase in week)

Casablanca	4,578
MASI	(-1.0%)
Bombay	5,070
SENSEX	(-10.6%)
Cairo	1,481
CASE 30	(-5.1%)
Mauritius	656
SEMDEX	(0.4%)
Nairobi	2,645
NSE 20	(0.7%)
Lahore	2,940
LSE-25	(-2.2%)
Indian	1,582
National	(-12.3%)
NIFTY	

Selected currencies value to US\$1 and (strengthening in week)

Ethiopia	8.8
Birr	(0.2%)
Gambia	29.7
Dalasi	(0.2%)
Ghana	8,800
Cedi	(0.0%)
India	45.3
Rupee	(-1.4%)
Indonesia	8,998
Rupiah	(-3.2%)
Kenya	79.5
Shilling	(-0.5%)
Malawi	106.5
Kwacha	(0.0%)
Nigeria	130.0
Naira	(0.0%)
Pakistan	59.8
Rupee	(-0.1%)
Tanzania	1,137
Shilling	(0.6%)

Investors were reported to be alarmed by the possibility of an end to privatisation and an unfavourable business environment. One of the expected coalition partners, the Communist Party, rushed to reassure investors in the aftermath of the election, saying that "foreign investment is welcome" and "in a globalised world, no country can remain insulated from foreign capital flow". India retains a large public sector.

Angolan President tightens US links further

The Angolan President José Eduardo dos Santos visited the United States last week on a trip aimed at strengthening the relations between the two states. He had talks with US President George W. Bush on a range of issues, including bilateral economic relations between the two countries and the peace process in Angola.

Requests for support

As a major oil-producer, Angola has become increasingly important to Washington with recent petroleum discoveries and instability in the Middle East. It is understood that President dos Santos requested support for a number of initiatives ranging from export credits to the battle against HIV, which he described as a key area of cooperation. The meetings seemed to have had an immediate effect, with the US Ambassador to UNICEF promising to support Angola's search for funds for removing land mines left after the civil war.

Tensions rise among Filipino Left following elections

Exit polls following presidential elections in the Philippines last week indicate that Gloria Arroyo has retained the presidency following a campaign marked by violence that left over a hundred dead. The results were challenged by the main opposition figure, populist Fernando Poe, as well as the Communists who alleged widespread fraud. President Arroyo is seen as the most economically liberal of the main candidates.

President Arroyo's election was widely anticipated, and markets have been trading at three year highs on expectations that she would carry through further liberalisation. The final results are not expected for a month, so the markets may become volatile if uncertainty about the result emerges, or if it is subject to legal or popular challenges.

Ethiopia and Niger debt to be cancelled

The Paris Club of major creditor countries agreed on Wednesday to cancel all of Niger's outstanding debt to them. The debt owed to France, Japan, Spain, the UK and the US had a face value of US\$197 million at the end of 2002. The cancellation occurred as part of the Enhanced Debt initiative for Highly Indebted Poor Countries (Enhanced HIPC Initiative). The Paris Club said that they welcomed Niger's economic and poverty reduction program.

The Club also recommended that all of Ethiopia's debt be cancelled, as arranged on a multilateral basis through the Enhanced HIPC Initiative. As with Niger, the Club welcomed Ethiopia's policies. The majority of creditors also cancelled Ethiopia's debt owed on a bilateral basis.

Zambia anti-corruption team knocks on doors of power

The Zambian anti-corruption task force has found evidence of the involvement of international companies in corrupt practices, it revealed on Wednesday. The task force, set up to investigate corruption during the Government of former President Chiluba, has also identified key figures they would like to interview. The revelations came during a public meeting in the capital Lusaka organised by the charity Transparency International.

The struggle against corruption has received high-level support in Zambia, and the meeting was well attended by local leaders. Finance Minister Ng'andu Magande said that the Office of the President would be audited in future, and there were calls for senior government officials to account for their alleged actions. Participants discussed the international money laundering of embezzled funds. Stolen money is alleged to have moved to the UK and the Bahamas.

Comment: Irrational expectations

The Bombay Stock Exchange's slump following the Congress Party's surprise Indian election success was prompted by fears that the economic liberalisation programme would be stopped. Congress' recent history of pro-market reform and reassurances by their likely Communist partners were not sufficient to calm the markets. On the basis of long-term fundamentals, large price declines are not entirely rational. Congress may adopt the same course as so many other left-wing parties for the last twenty five years, and embrace free markets. The largest companies on the Bombay Exchange like Reliance and Infosys were never state-owned companies, and are very unlikely to be taken into state control. An increasing volume of their work is overseas, not domestically exposed. If future privatisations are stalled, they hardly affect the value of currently quoted shares.

A sensible approach to pricing would be to recognise the risks, not overreact to them. The probability of a decline in a company's domestic market and regulatory environment may be calculated, and used as a basis of calculation of theoretical share prices, with appropriate risk adjustment. Any deficiencies between actual and theoretical prices can be used as the basis of a purchase strategy. The shares may not give short term gains, as their capital value is exposed to market volatility. Long term, though, returns should be more rational.