

# Angola Weekly | May 4

Banco de Fomento Angola  
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## Market Information

**Angola tapped international markets, raising USD 3 billion for a dual-tranche Eurobond: a 10-year and a 30-year dollar benchmarks.** The 10-year bond amounted to USD 1.75 bn, at 8.25%. The longer-term bond raised the remaining amount (USD 1.25bn), at 9.375% interest. Demand was triple the offering, at USD 9 bn, hinting at a successful roadshow from the side of the Angolan authorities. In fact, the story 'sold' to investors was considered credible, also supported by the rise of Brent prices and the announcement of future cooperation with the IMF. The 30-year issue is a milestone for the widening of Angola's debt curve, and also somewhat surprising - a single 10-year issue was considered to be the most likely scenario. Moreover, aside from South Africa, Angola is now one of the few Sub-saharan nations having a 30-year international bond, joining the likes of Nigeria, Kenya and Senegal. **The 10-year bond interest rate was 1.25 percentage points below the similar issue in 2015.** Thus, although the cost is above the Executive's expectation, this is a more favourable financing source. Furthermore, the agreed spread (against the US yield), a measure of Angolan risk, was significantly lower: the 8.25% translates into a differential of 529 basis points (b.p.), compared to 726 b.p. in 2015.

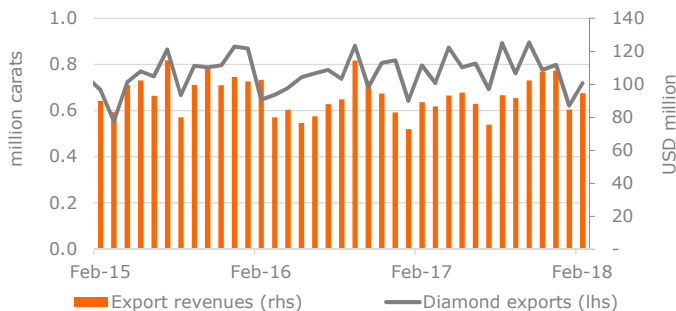
**Also this week, Angola agreed to a bilateral financing of USD 500 million from UK Export Finance - an official British agency - to support public investment.**

**Last Friday, Moody's downgraded Angola's rating to B3, considering the elevated liquidity risk face by the country.** The outlook is stable, meaning that upcoming drops in the rating are not likely.

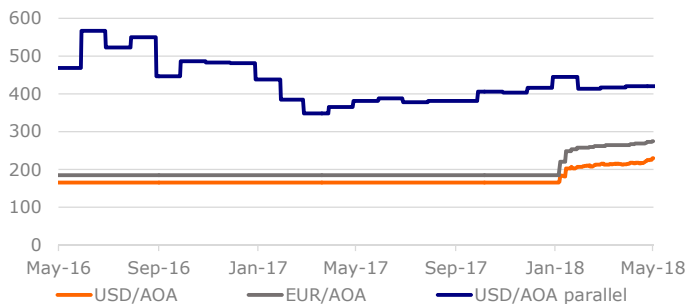
**The central bank kept all policy instruments unchanged on April 30.** The reference interest rate is now at 18% since late December. The next meeting is on May 28.

**Diamond exports dropped 9.6% yoy in February.** Nevertheless, a higher price (+17.4% yoy) has caused an increase of 6.1% in revenue. In the first two months of the year, revenue was on the rise, by 10.6% yoy, as prices increased (+18.8% yoy) - the volume exported averaged 670k carats, down 6.8% from the same period of 2017.

## Diamond exports and revenue



## Exchange rate (official and parallel)



## Macroeconomic Forecasts

Indicator	2017*	2018**	2019**
GDP change (%)	1.1	1.8	2.2
Inflation (%)	31.7	28.0	14.8
Current Account (% GDP)	-4.5	-3.5	-2.2

\*GDP: Finance Ministry estimate; Inflation: INE; Current Account Balance: IMF estimate  
\*\* Average of forecasts from Bloomberg

## Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B	Stable	25/04/18
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Stable	11/08/17

## Monetary and ForEx data

	04/05/18	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	20.05%	0.00	3.65	-2.35
USD/AOA*	229.95	-2.06%	-27.84%	-27.85%
EUR/AOA*	274.99	-0.63%	-32.58%	-32.58%
EUR/USD	1.20	-1.40%	-0.37%	8.88%
USD/ZAR*	12.66	-2.63%	-2.20%	7.85%

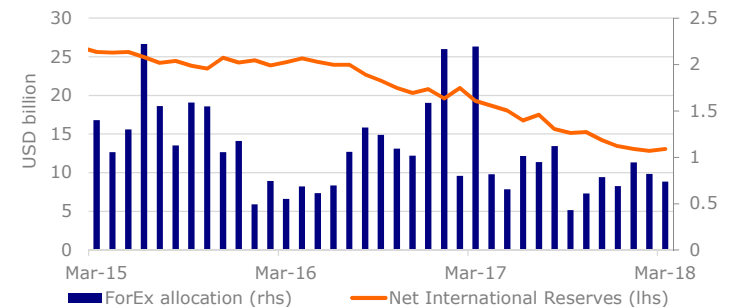
\* USD/AOA, EUR/AOA and USD/ZAR change is calculated inversely in order to directly evaluate the appreciation/depreciation of the Kwanza/Rand relative to the other currency

## Weekly auctions of Treasury bonds and bills

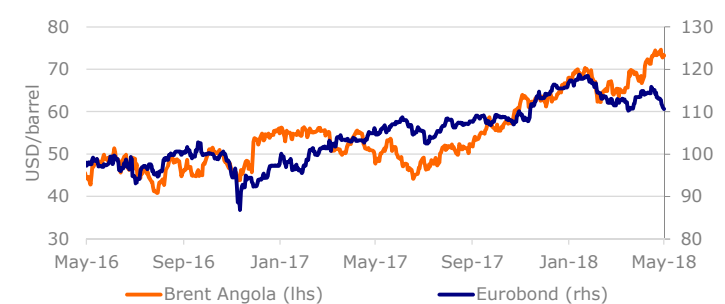
Maturity	Rate	Supply	Demand	Allocated
BT (182 days)	20.25%	13,769	13,769	5,543
BT (182 days)	20.25%	9,000	143	143
BT (364 days)	23.90%	10,918	10,918	9,060
OT (2 years)	24.00%	600	200	200
OT (2 years)	18.32%	60,000	53,012	53,012
OT (3 years)	20.35%	60,000	24,115	24,115

BT are treasury bills, OT are treasury bonds; Note: amounts (except for the rate) are in million Kwanza.  
\* Bond linked to the exchange rate \*\* Bond linked to treasury bills

## Net International Reserves and forex allocation



## Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry

