

Market Information

Net International Reserves (NIR) fell by USD 717 million in September to USD 10.1 billion - a minimum since at least 2011, when the current statistical series began. NIR decreased by USD 555 million compared to the end of last year, an average drop of USD 62 million per month; in the same period in 2018, reserves saw a monthly average drop of USD 183 million. Year-on-year, NIR are now USD 1.9 billion lower. Note that the floor agreed with the IMF for December 2019 is USD 9.1 billion. **According to our calculations, the level of reserves in September represents 5.6 months of imports, below the 6 months target of the authorities.**

At the extraordinary session of the Monetary Policy Committee (MPC), last Wednesday, the BNA implemented "a floating exchange rate regime in which the exchange rate is freely determined by the market". The change is in line with the intention of IMF, reiterated in the first evaluation of the EFF programme, which stated that excess demand for foreign currency would only be resolved "when the exchange rate changes freely with each auction." **In the MPC, the central bank decided to maintain the BNA rate at 15.5%, while the coefficient of mandatory reserves in local currency was adjusted from 17% to 22%, the foreign currency reserves rate remained at 15%.** However, the use of other tools continues to constrain currency liquidity, which is being reflected in the interbank market. Since the beginning of September, the 12-month LUIBOR was up from 15.78% to 16.61% and may continue to rise in the near future. **The central bank's intention is to withdraw liquidity from the market in order to contain a sharper pass-through effect of the depreciation into inflation, given the faster drop in value of the Kwanza in the last few weeks.** The Committee is scheduled to meet again on November 28.

In the foreign exchange market, the Kwanza depreciated 6.1% against the USD last week, trading at an average exchange rate of 478.2 last Friday - the cumulative depreciation since the beginning of the year is at 35.97%. In the parallel market, according to Kinguila Hoje, the Kwanza traded at USD/AOA 610; comparing with the sell rate of the central bank, the gap between the parallel and the official market now stands at 26.2%.

The State will issue AOA 45 billion in non-indexed Treasury Bonds (OT-NR) and USD 10 million in foreign currency bonds (OT-ME) this Thursday. With the Kwanza depreciation in recent weeks, Kwanza yields are possibly going to suffer an upwards pressure.

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Indicator	2018*	2019**	2020**
GDP change (%)	-1.2	-0.1	2.0
Average Inflation (%)	19.6	17.0	15.0
Current Account (% GDP)	7.0	0.8	-0.3

*GDP - IMF forecast; Inflation - INE; Current Account - BNA with BFA calc.
** Average of forecasts from Bloomberg

Sovereign Rating

Rating Agency	Rating	Outlook	Last change
Fitch	B	Negative	12/07/19
Moody's	B3	Stable	27/04/18
Standard & Poor's	B-	Negative	08/02/19

Monetary and ForEx data*

	25/10/19	7 days (p.p./%)	Change YTD (p.p./%)	12 months (p.p./%)
LUIBOR O/N	14.89%	0.02	-1.86	-1.86
USD/AOA	451.6	9.10%	46.33%	48.31%
AOA/USD	0.00221	-8.34%	-31.66%	-32.57%
EUR/AOA	503.1	10.32%	42.53%	44.11%
EUR/USD	1.113	0.83%	-2.98%	-2.96%
USD/ZAR	14.59	-2.05%	1.67%	1.86%

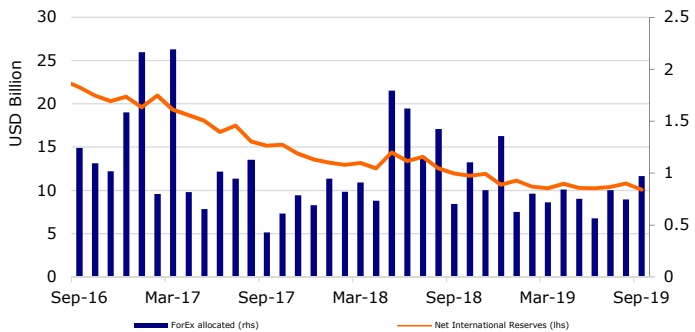
*Change of USD/AOA (or EUR/AOA) shows the appreciation/depreciation of the USD (or EUR) against the Kwanza; the change of AOA/USD shows the appreciation/depreciation of the Kwanza against the USD.

Auctions of Treasury bonds and bills last week

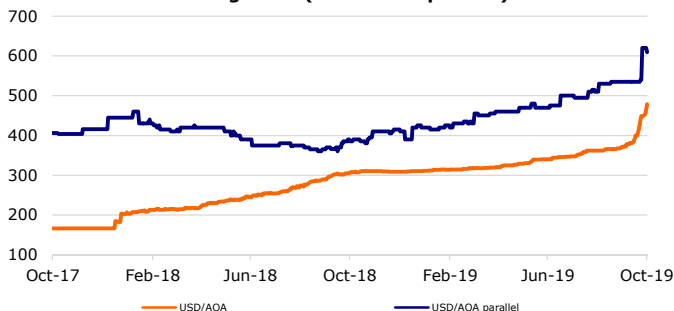
Maturity	Rate	Supply	Demand	Allocated
BT (6 months)	12.00%	17,000	748	748
BT (1 year)	14.68%	19,986	500	500

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

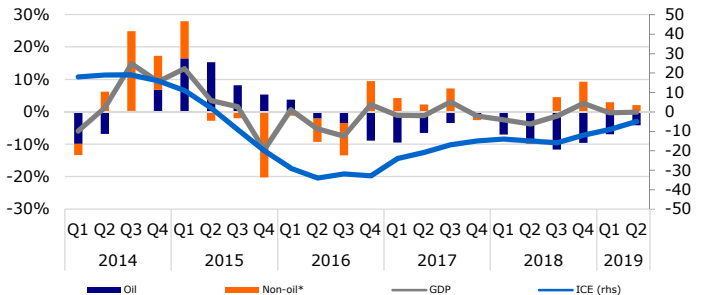
ForEx allocation and International Reserves



Exchange rate (official and parallel)

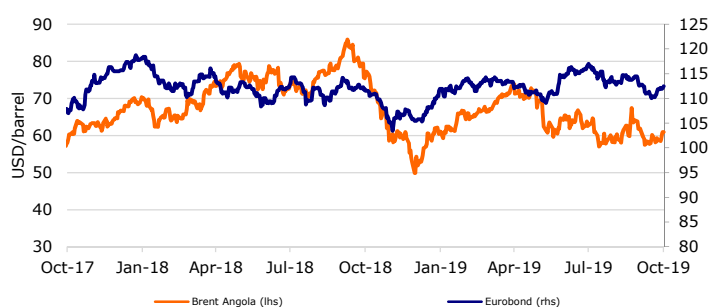


GDP yoy growth and economic sentiment



*Statistical agency

Oil price (Brent Angola) and Eurobond 2025 price



Sources: Bloomberg, BNA, INE, Finance Ministry