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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights 21st October 2016

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1. Equity Trading: high activity little price movement

The market has been fairly liquid with for the week, with over 7 million shares worth over P27.7 million exchanging hands. However of the 20 counters that traded over the week only 4 moved in price, with only one gainer. The DCI ended the week lower having reversed all of the week's positive movement, closing at 9,710.12 while the FCI also retreated with Lucara to close at 1,596.40.

Engen share price moved up by 15 thebe on Wednesday after trading 676 500 shares, to close at P9.20 a share. The company's half year results showed a 13.36% decline in earnings per share compared with the same period last year. Its trailing twelve month PE is currently at 15.2 times, and has appreciated by 9.9% since the beginning of the year. Adding to its appeal the company has declared 62.6 thebe in special dividends this year, and declared a higher interim dividend of 15 thebe compared to 12t previously. We are worried that the closure of the BCL and Tati Nickel mines will have a severe impact on the company's revenue, and bottom line profitability going forth, though we cannot confirm whether the mines we direct customers of the corporation. Competition is also growing within the industry, with new players coming into the distribution space.

Lucara diamond was the biggest mover for the week, trading down P3.05 to close at a P31.72 a share. The diamond trading company has had an incredible year, having unearthed some record breaking stones over, and appreciating in value by 73%. In November the company will be selling 12 "exceptional" diamonds. Diamond prices have had a positive year but remain both fragile and subdued.

The has been no further updates on what has actually transpired at Cresta, however the market may be slowly reacting to the news of the suspension of both the Managing director and his chief finance office. The stock traded nearly 30 thousand shares on the last day of the week, losing a thebe in the process to close at P1.30 a share. Notwithstanding the scandal that may be unraveling the company has enjoyed quite a lucrative year, with interim profits up by 48%.

FNBB sunk to new lows after trading 20 000 shares for the week. The banking stock fell by a thebe to close the week trading at P3.04, down by 20.4% since the start of the year.

Major Movers– Week ending 21st October 2016

COUNTER	21 Oct (t)	14 Oct (t)	Change (%)	YTD (%)
Engen	935	920	+1.6	+9.9
Cresta	130	131	-0.8	+21.5
FNBB	304	305	-0.3	-20.4
Lucara	3172	3477	-8.8	+73..0

Source: Motswedi Securities, BSE

BSE Indices – Week Ending 21st October 2016

DCI Close	9,710.12
Weekly Change (%) ↓	-0.01
YTD Change (%) ↓	-8.42
FCI Close	1,596.40
Weekly Change (%) ↑	-0.31
YTD Change (%) ↑	+1.52

Source: BSE; Motswedi Securities

Market Summary – Week ending 14th October 2016

No. of Shares Trading	7,319,681
Turnover (BWP)	27,705,467
Turnover (USD)*	6,772,477
No. of stocks trading	18
No. of stocks advancing	3
No. of stocks declining	2
No. of stocks unchanged	29

Source: Motswedi Securities, BSE *US\$/BWP = 0.0928

2. Foreign Exchange: Chinese Yuan joins the SDR

The dollar flipped from a rally last week into negative territory. The greenback lost ground as speculation on the timing of the fed's interest rate hike wore off, leaving the currency susceptible to some profit taking. The dollar which remains at multi month high was trading at P10.65, while the dollar index was last at 98.78. The weaker dollar saw emerging market currencies rally as investors turned risk on.

The rand has erased most of the Gordhangate losses it sustained as the risk that the finance minister will lose his job subsided. The charges against him have been seen as trivial and part of the relentless pursuit of the presidency to control the national treasury. The minister has been very vocal of his intention to reduce fiscal spending and enforce tighter governance and accountability. The rand rallied against both the dollar and pula, closing the week higher by 1.42% to the later and trading R1.31 to the pula.

The week was not shy of events, but most of which did not move currency markets by much. The ECB decided to hold interest rates as expected and added little to the current quantitative easing efforts. The 3rd and final presidential debates saw a more restrained Trump, however the strengthening Mexican Peso alludes to Clinton perceived victory.

Domestic Exchange rates

Currency	14 Oct	07 Oct	Change (%)	YTD (%)
 US\$/BWP ↑	0.0939	0.0928	1.19	5.51
 ZAR/BWP ↓	1.3072	1.326	(1.42)	(5.48)
 EURO/BWP ↑	0.0861	0.0842	2.26	5.77
 GBP/BWP ↑	0.0766	0.0761	0.66	27.67
 JPY/BWP ↑	9.75	9.66	0.93	(9.05)
 CNH/BWP* ↑	0.635	0.6252	1.57	(0.16)

Source: Bank of Botswana, RMB. *added on 10th October 2016

3. Commodity Markets:

Brent Crude Oil, as expected oil traded with some swings for the week but remained above \$51 per barrel. The commodity price peaked at \$52.5 for the week only to end the week at \$51.62, little changed from the previous week. Russia and Saudi Arabia will remain at the forefront of any possible production cap agreements, while the world is seemingly drowning in oil.

Precious Metals were in consolidation mode for the week fluctuating up and down as the mark seeks new direction. The weaker dollar gave much needed room with gold trading slightly higher by 0.62% than the previous week close of \$1256.15, now at \$1263.95 per ounce. Silver and platinum however were softer trading down by 0.45% and 1.07% to \$17.51 and \$925 respectively.

Base metals on the other hand were hard hit by the slowdown in industrial and manufacturing production from the world's largest consumer. The Chinese GDP grew by a modest 6.7% however the growth was driven retail sales. The demand for base metals is also predicted to go on a decline for the next three years. Nickel and copper were down by over 3.5% trading at \$10,165 and \$4,633 a tonne, respectively.

4. Market News

Sechaba released a cautionary statement advising shareholders to exercise caution when dealing in its shares as Coca-Cola Company has indicated its intention to acquire the stake of AB InBev in Coca-Cola beverages Africa (CCBA). Although the soft drinks business does not form part of CCBA and is not part of the proposed acquisition, it operates in terms of bottlers arrangements. Under the new corporate structure Coca Cola have indicated its

intention to cut the “bottling” arrangement and this is where Sechaba might be impacted. Apparently, we have found out that AB-Inbev are the biggest distributors of rival Pepsi Co products in South America. What this implies is that Sechaba will likely stop the production and packaging of Coca-cola soft drinks. This will certainly impact on their earnings given that the soft drinks business is an important component in the business model.

Imara Holdings have received a firm intention from FWA Financial to acquire 100% of the issued ordinary shares in Imara at P2.10 per share. The offer price is curiously 15% below the current market price of P2.60 and it is to be seen if shareholders will accept the offer. FWA currently holds 28% of the ordinary issued shares of Imara and the successful acquisition of the shares will result in the delisting of Imara from the BSE. The Directors of FWA are Shammeemkhan Abdoolakhan, Sameer Ally Aumeerbocus, Hector Adam Fleming, Thomas Benedict Gaffney and Harry Joshua Wulfsohn.

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