

motswedisecurities
(pty) Ltd



A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights 8th July 2016

Research
Garry Juma
Moemedi Mosele
Motswedi Securities (Pty) Ltd
Sales
Boikhutso Maja
Plot 113, Unit 30, Kgale Mews, Gaborone
P/Bag 00223, Gaborone, Botswana
Tel: +267 318 8627
Fax: +267 318 8629
Website: www.motswedi.co.bw



1. Equity Trading: What happened to BTCL?

The national telecommunications company listed on the local exchange 4 months ago and appreciated by 30% upon listing. Demand drove the market then and the stock price quickly peaked at P1.35 a share. 35% returns in such short notice lead to some profit taking and an immediate market correction resulted, pushing prices down to P1.14 and hovering around there May through to June.

The newly privatized company realized its financial reports in line with BSE regulations and revealed a larger than expected loss owing to a large once off impairment that saw risk averse retail investors and speculators rush to offload. The price dropped to under P1.10 by Monday and all the way through to negative territory, falling two thebe below IPO price of P1.00. It seems the 5th dividend declared isn't enough compensation for some, who couldn't bear to hold the stock for an extra week to qualify for the dividend.

Dim lights for Lucara diamonds...

Diamond miner Lucara saw optimism wane after its decision to hold on to the 1109 carat "Lesedi la Rona" diamond, as auction bids failed to match their expectation of \$70 million. Notably the auction, held in London on the 29th June, was a week after the unexpected vote by Britons to part ways with the European Union, conceding with a period of great uncertainty. Let's blame one more thing on Brexit. The company's stock has since taken a nosedive to P26.32, P4.96 lower for the week representing almost 16% loss.

More losses were recorded in the week as Furnmart dropped 13.5% following months of inactivity on the stock. The furniture company released poor financials showing a drastic decline

in profits as a result of currency depreciations relative to the pula.

It was not all doom and gloom as Engen and Choppies both recouped some losses, edging up 6 and 4 thebe respectively. Chobe and BOD pocketed a thebe a piece. BIHL's strong rally continued as it closed the week 15 thebe higher. Great company fundamentals including a low P/E ratio (7.7 times), strong net dividend yield (6.7%) continue to support the upward momentum and demand.

Falling stock prices have seen both the DCI and FCI fall over the week, closing at 10,059.17 and 1587.63 respectively.

Market Summary – Week ending 08th July 2016

No. of Shares Trading	9,379,466
Turnover (BWP)	31,444,036
Turnover (USD)*	2,829,963
No. of stocks trading#	22
No. of stocks advancing#	5
No. of stocks declining#	5
No. of stocks unchanged#	24

Source: Motswedi Securities, BSE *US\$/BWP = 0.0918
= Domestic Equity Main Board

Major movers– Week ending 24th June 2016

COUNTER	8 July (t)	30 June (t)	Change (%)	YTD (%)
BTCL ↓	263	255	3.1	+5.2
BIHL ↑	1676	1660	+0.9	+9.1
TURNSTAR ↓	324	325	+0.6	+5.9
Wilderness ↑	2900	2850	+1.8	-1.7
Choppies ↑	733	725	+1.1	+7.8
BOD ↑	33	32	+3.2	+146.2
Lucara ↓	263	3128	+2.0	+70.6
Letshego ↓	252	257	-1.9	-13.1
Engen ↓	800	805	-0.6	-6.0
FNBB ↓	340	346	-1.7	-11.0

Source: Motswedi Securities, BSE

BSE Indices – Week ending 08th July 2016

DCI Close	10059.17
Weekly Change (%) ↓	-0.22
YTD Change (%) ↓	-5.12
FCI Close	1,587.63
Weekly Change (%) ↓	-0.5
YTD Change (%) ↑	+0.97

Source: BSE; Motswedi Securities

2. Foreign Exchange: Pound slips to two year lows

The market relished on some stability in the Eurozone and Britain as discussions on corrective and cushioning measures were discussed by respective central banks. Focus immediately shifted to the US economy for market guidance as traders expect better non-farm payroll figures than previously experienced, when May figures came grossly lower than expected. This shifted expectations of a potential fed rate hike, resulting in the dollar losing much of its lustre. The figure released late on Friday will follow other indicators of a recovery released by US earlier on the week. The pound reached a 31 year low against the dollar but saw some much needed relief by the end of the week.

Domestic Exchange rates

Currency	08 July	30 June	Change (%)	YTD (%)
US\$/BWP ↓	0.0918	0.0925	(0.76)	3.15
ZAR/BWP ↑	1.3513	1.3443	0.52	(2.29)
EURO/BWP ↓	0.0829	0.0831	(0.24)	1.84
GBP/BWP ↑	0.0709	0.0696	1.87	18.17
JPY/BWP ↓	9.22	9.5	(2.95)	(13.99)

Source: Bank of Botswana

On the local front the Pula gained some traction against the rand following a previous week of losses. The crawl pegged currency was however weaker against the US dollar dropping in the first 3 days of the week and recovering a bit by Thursday and flat on Friday.

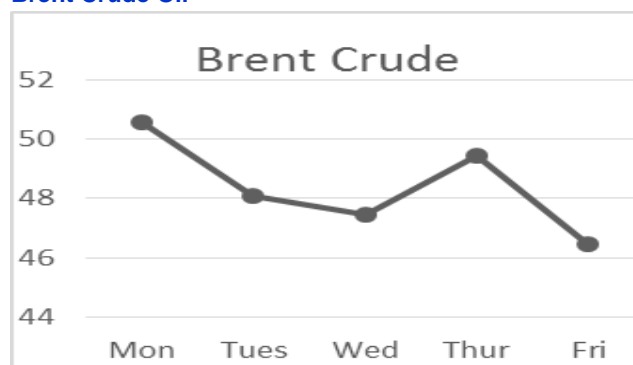
Pula-Dollar Movement



Source: Motswedi securities, Bank of Botswana

3. Commodity Markets:

Brent Crude Oil



Source: Motswedi Securities, Bloomberg Commodities

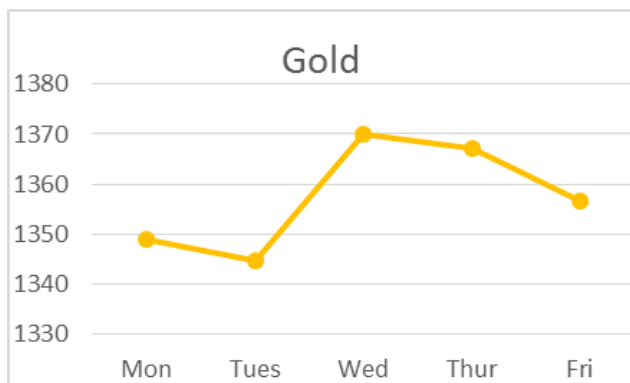
Brent Crude Oil has been trading with some wild swings as the market establishes equilibrium. The week opened in favour of producers with fresh militant attacks in Nigeria threatening supply, however the fossil fuel retreated over the course of the week as US data showed a reduction in reserve draws. This signaled that demand is slowing and fears of a global economic downturn compounded

by Euro-British concerns post the Brexit helped push prices down to below \$47 a barrel.

Precious and Base Metals

Gold continued on a bullish rally as the week began, global fears and uncertainty of a post – brexit world continue to support the safe-haven buying of the precious commodity. Fund managers have also increased their long positions adding to the demand. This week saw the commodity hit levels last seen in 2013 with some consolidation ahead of strong US payroll figures on Thursday.

Base metals continue to suffer through the week as Chinese data disappointed and fears that the global economic engines are slowing.



Source: Motswedi Securities, bloomberg

Disclaimer:

The views expressed in this research note reflect the views of Motswedi Securities (Proprietary) Limited based on the information available at its disposal at the time of writing and may change without notice, and is provided for information purposes only. While Motswedi Securities (Proprietary) Limited has taken all reasonable steps in carefully preparing the document, it does not take any responsibility for any action that may be taken on the basis of the information contained herein. Each recipient of it is advised to undertake its own analysis and evaluation of the terms and contents hereof, and obtain independent advice as appropriate, before acting in any way upon the information contained herein. Accordingly, this document is not intended, and no part of this document should be read, as constituting, in any way, an offer or other solicitation for the purpose of the purchase or sale of any of the securities referred to herein. This document may not be reproduced, distributed or published by any recipient for any purposes without the authorization of Motswedi Securities (Proprietary) Limited.