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(pty) Ltd



A Member Of The Botswana Stock Exchange

# Weekly Financial Markets Highlights 29 June 2018

## Research

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## Sales

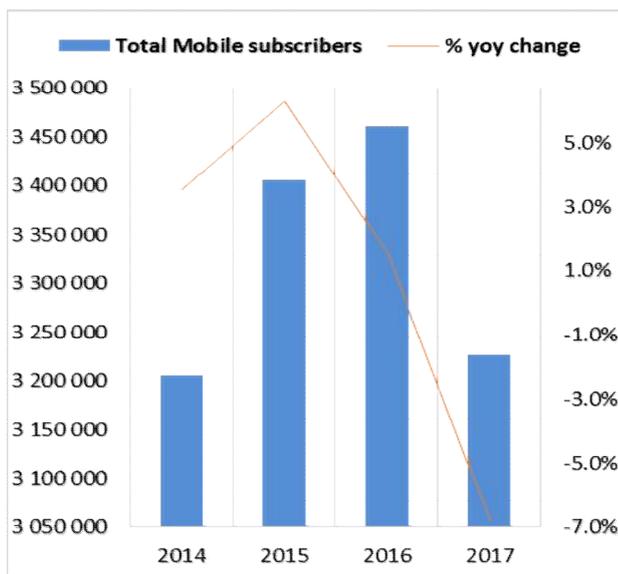
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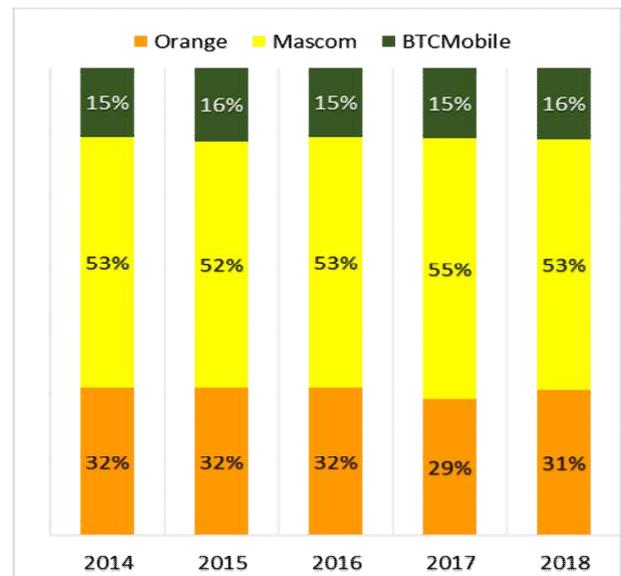
**1. BTCL March 2018 FY reflects the challenging operating environment**

BTCL released the much anticipated financial results for the year ended 31 March 2018. The telecommunications giant made a comprehensive income for the year of P269.1mn up from P237.3mn recorded during the prior year in 2017. Revenue however, decreased by 3% reflecting the challenging operating environment which has squeezed consumer’s disposable incomes. Of major worry is the decline in key blended Average revenue per user (ARPU) which fell to P56 from P86 the prior year. This is a reflection of the squeeze in consumer disposables incomes, decline in ICT spend within the private sector, government and individual consumers coupled with a decline in overall mobile market subscriber. Regional comparisons are interesting. Pre-paid ARPU for Vodacom is around R58 with the blended ARPU at R101 and is the highest among the four major networks in South Africa. Telkom comes in second with an ARPU of R98 per month.



Source: BTCL

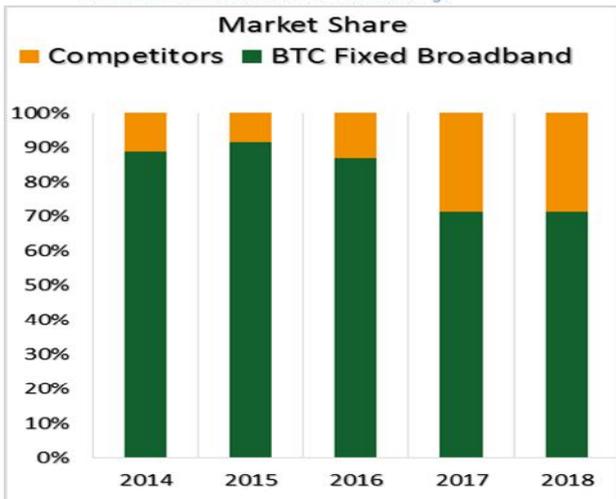
Subsequent to this total mobile penetration rate has fallen to 159% from 171% in 2017 according to statistics provided by BTCL management. On the other hand BTCL market share has remained stable at between 15% to 16% over the past years as shown by the graph.



Source: BTCL

The removal of off net premium on mobile voice calls might be positive for BTCL through possible increase in market share as subscribed will no longer be discouraged from switching networks as On-Net calls (Calls within network) and Off-Net calls (Calls from one network to the other) will now be the same.

Competition in the Fixed Broadband space is also intensifying as a result of the entrance of new players in this market segment. As a result BTCL market share has fallen from around 90% in 2014 to around 70% in 2018.



Source: BTCL

Competition is healthy as this will ensure that BTCL is always on top of its game if it is to retain its dominant market share in the Fixed Broadband space. Meanwhile, shareholders had something to smile about after a 9.70 thebe final dividend was declared, bringing its 52 week dividend yield to 10.1%.

## 2. BSE Performance during the week

The Domestic Companies Index (DCI) lost 1.21% during the week under review following losses in heavy weights Barclays, BIHL, BTCL and Letshego.

### BSE Indices – Week ending 29 June, 2018

<b>DCI Close</b>	<b>8,402.66</b>
Weekly Change (%)	-1.21
YTD Change (%)	-5.16
<b>FCI Close</b>	<b>1,571.12</b>
Weekly Change (%)	0.00
YTD Change (%)	-0.24
<b>DCTRI Close</b>	<b>1,783.36</b>
Weekly Change (%)	-1.21
YTD Change (%)	-2.24

Source: Motswedi Securities, BSE

Around 1.4mn shares worth P2.5mn traded during the week with Letshego and BTCL contributing most of the trades.

### Market Summary – Week ending 29 June, 2018

No. of Shares Trading	<b>1,403,621</b>
Turnover (BWP)	<b>2,516,817</b>
Turnover (USD)*	<b>251,681</b>
No. of stocks trading#	<b>14</b>
No. of stocks advancing#	<b>1</b>
No. of stocks declining#	<b>7</b>
No. of stocks unchanged#	<b>16</b>

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0962  
# = Domestic Main Board

Wilderness was the only gainer, up 0.7% to 585 thebe while Barclays, Stanchart, BTCL, Letlole and Letshego were the major losers.

### Major Movers– Week ending 29 June, 2018

COUNTER	29 June (t)	22 June (t)	Change (%)	YTD (%)
WIL ↑	585	581	+0.7	+6.4
BARCLAYS ↓	559	601	-7.0	-8.4
STANCHART ↓	425	446	-4.7	-17.3
BTCL ↓	123	126	-2.4	-33.2
LETLOLE ↓	184	186	-1.1	-14.4
LETSHEGO ↓	184	185	-0.5	-2.1

Source: Motswedi Securities, BSE

### 3. Foreign Exchange: Rand on the back foot...

The rand was under pressure the greater part of the week, weakening to within a hair's breadth of the symbolic R14 to the dollar at one point before pulling back in line with the broad recovery in emerging markets. The weaker dollar also helped take pressure off the rand, though not enough to shake off steeper losses for the quarter. The rand has lost about 16% against the dollar since March raising concerns about the outlook on inflation. The rand has been a casualty in the trade war between the US and China, which has brought uncertainty to the global market place thus undermining appetite for emerging markets that are perceived to be risky.

Meanwhile, the local unit which uses the crawl peg exchange rate mechanism was weaker against the rand and the euro, while firmer against other major currencies during the week under review as shown in the table below.

#### Domestic Exchange rates

Currency	29 June	22 June	Change (%)	YTD (%)
US\$/BWP 	0.0962	0.096	0.21	-5.03
ZAR/BWP 	1.3171	1.319	-0.14	4.84
EUR/BWP 	0.0826	0.0831	-0.60	-2.59
GBP/BWP 	0.0734	0.0731	0.41	-1.52
JPY/BW 	10.64	10.62	0.19	-6.83
CNH/BWP 	0.6367	0.6254	1.81	-3.60

Source: Bank of Botswana

### 4. Commodity Market: Oil prices picks up on supply concerns

US oil prices rose further to levels around \$78/barrel on supply concerns after the US imposed sanctions on Iran compelling all countries to stop oil imports from Iran with effect from the 1<sup>st</sup> of November. The US hopes that these sanctions on Iran will cut off funding to Tehran. China the biggest importer of Iran's oil is still to commit to the US position. It is possible that US sanctions on Iran may not disrupt crude oil supplies given that the global oil market has abundant supplies and numerous sellers.

The US demands follow a decision by oil cartel Opec, last week, to increase production to try to moderate oil prices that have risen more than 40% over the last year. Oil prices have risen for much of 2018 on tightening market conditions due to record demand and voluntary supply cuts led by Opec and other producers, including Russia. Unplanned supply disruptions from Canada to Libya and Venezuela also have supported prices.

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The part that follows has nothing to do with legal indemnity or avoiding any suits. The market is seeing more red than you would expect in a

slaughter house, I have seen a cat fall into a bucket of red paint and it still wouldn't compare. Its value town out there, valuations are scraping the floor harder than the knee caps of your favorite adult performer on all fours. Buy the dip, they say, and this doesn't only apply when you are prepping to watch your favorite team with the boys, but the market as well.