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Weekly Financial Markets Highlights 06 July 2018

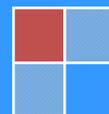
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1. Sechaba owned brewery, KBL, to sell Non-Alcoholic Division to Coca Cola Company...

The acquisition of KBL's non-alcoholic division by Coca Cola beverages Africa was announced on the 4th of July in a cautionary sent out by the board of Sechaba, after months of uncertainty in the matter. The parties involved, including AB Inbev Africa, AB Inbev Botswana, Strategic Alliance J.V., The Coca Cola Company, and AB Inbev, signed a Master Purchase Agreement in which the Sellers (AB Inbev Africa and AB Inbev Botswana) have agreed to sell off their interests in KBL's business of preparing, packaging, distributing, promoting and selling of non-alcoholic ready to drink beverages in Botswana, except the business of Maheu. The division constituted more than a quarter of Sechaba's revenue and so the loss of the division will definitely be felt by the listed entity.

A buffer to the pessimistic views on the selloff of the division is the possibility of the Government of Botswana compensating the brewery nearly P1 billion, categorized as losses incurred as a result of the heavily regulated market the company has been operating for the last 10 years. The Ministry of Trade, Investment and Industry are still in talks with the brewery to come to a decision of how much they will be compensated. This comes as a reaction to a threat issued by AB Inbev to close down the Botswana operations if the Government would not relax the strict restrictions, which would ultimately result in a bigger loss for the country, i.e. significantly increasing unemployment levels and losing a source of income, than it would AB Inbev.

Kgalagadi Breweries Ltd is owned 40% by AB Inbev and 60% by Sechaba Breweries; Sechaba in turn is owned 16.84% by AB Inbev, 25.59% by z

BDC (the Botswana Government's investment arm), and 57.57% by other consolidated investors. It is apparent, in the ownership breakdown, that the Government indeed does have a lot more to lose if KBL pulls out of the country.

The Government of Botswana, together with other stakeholders operating in the liquor trading environment are currently in discussions on a way forward.

2. BSE Performance during the week...

It was slow week on the exchange, with only 8.2mn shares trading across 12 counters. The largest trade as from Choppies, with 5,000,500 shares exchanging hands at the unchanged price 250 thebe. Choppies, is one of only four companies listed on the Domestic Main Board that has grown since the year began, registering gains of 3.3%.

Market Summary – Week ending 06 July, 2018

No. of Shares Trading	8,213,104
Turnover (BWP)	18,445,777
Turnover (USD)*	35,332
No. of stocks trading#	12
No. of stocks advancing#	1
No. of stocks declining#	3
No. of stocks unchanged#	20

Source: Motswedi Securities, BSE *US\$/BWP = 0.0967
= Domestic Main Board

In true testament to the slow week just ended, the market recorded four price movers – one in the green and three in the red. Gaining 2 thebe was Cresta, moving to 125 thebe after a handful of shares crossed the board.

On the other side was Lucara diamonds, losing 82 thebe in a single day after 10,000 share crossed the board. The diamond company, in the last few weeks, sold two large diamonds (larger than 300 carats each) for a net amount of \$32mn in an auction held in late June. The counter closed at 1565 thebe for the week.

Letlole, still tumbling downhill, lost 2 thebe to close for the week at 182 thebe. Investors seemingly disinvesting in the stock at the best price they can get, as is evidenced by the price moving after a mere 100 shares exchanging hands. The properties firm has been on cautionary since June 2017, but have however released a new cautionary this week that preludes to a “distinct and separate” potential transaction that may occur in the future.

Barclays also joins the bandwagon, losing 5 thebe after 2,450 shares traded. Investors have been profit taking on the counter since the AGM announcement of the departure of the bank’s MD, unfortunately putting pressure on the share price.

Major Movers– Week ending 06 July, 2018

COUNTER	29 June (t)	29 June (t)	Change (%)	YTD (%)
CRESTA ↑	125	123	+1.6	+10.6
LUCARA ↓	1565	1647	-5.0	-17.6
BARCLAYS ↓	554	559	-0.9	-9.2
LETLOLE ↓	182	184	-1.1	-15.3

Source: Motswedi Securities, BSE

The DCI retreated by 0.05% as losers for the week outweighed the gainers; the same goes for the DCTRI losing a slightly lower 0.04%. Moving for the first time in months, was the FCI, after Lucara took a 5% knock in its share price, bringing down the index by 0.09% to 1,569.75 points.

BSE Indices – Week ending 06 July, 2018

DCI Close	8,398.86
Weekly Change (%)	-0.05
YTD Change (%)	-5.21
FCI Close	1,569.75
Weekly Change (%)	-0.09
YTD Change (%)	-0.33
DCTRI Close	1,782.56
Weekly Change (%)	-0.04
YTD Change (%)	-2.28

Source: Motswedi Securities, BSE

3. Foreign Exchange: Dollar slumps as US-China trade war kicks off...

The dollar, against a basket of its peers, fell to 94.317 points on Friday, in reaction to the US tariffs on Chinese goods. The two largest economies, are currently in a tit for tat attitude with the tariffs, as the US slapped China with a 25% levy on their goods, equalling nearly \$34bn, and China countering with a tariff of still 25% on US goods also worth \$34bn. Whether this sentiment will continue is dependent on the US’s reaction to China’s reciprocation. Focal point to determine the dollar’s pricing for the coming days, however, will be on the US jobs data, also set to be released on Friday. If the jobs report is fruitful, the dollar is expected to add fuel to its rally which seemed to be losing strength by the end of the week.

The Chinese Yuan extended its weekly losses, also falling victim to the trade war between China and the US, dropping a significant 1.13 percent against the pula.

The local unit traded mixed for the week against the major currencies, weakening the most against the rand however still retaining its year to date gains on the currency.

Domestic Exchange rates

Currency	06 July	29 June	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0967	0.0962	0.52	-4.54
ZAR/BWP ↓ 	1.3112	1.3171	-0.45	4.37
EUR/BWP ↑ 	0.0826	0.0826	0.00	-2.59
GBP/BWP ↓ 	0.0731	0.0734	-0.41	-1.92
JPY/BW ↑ 	10.7	10.64	0.56	-6.30
CNH/BWP ↑ 	0.6439	0.6367	1.13	-2.51

Source: Bank of Botswana

4. Commodity Market: Saudi Arabia increases oil output...

Oil was feeling the pressure of the output after Saudi Arabia increased its supply by around 500,000 barrels per day last month. This comes after the OPEC meeting that took place on the 22 June 2018, where members of the cartel together non-OPEC allies led by Russia, concluded to increase supply. The pressure on the price of oil is however limited as the imminent US sanctions on Iran has raised possible supply disruption concerns coupled with the US-China trade war kicking off at midnight Washington time. More than \$34bn worth of Chinese goods have been tariffed by the US, resulting in China retaliating with a similar tariff on US products also worth \$34bn. China's retaliation is set in two tranches, with the first focused on agricultural commodities, and the second tranche most likely on oil products and crude oil. The commodity closed for the week at \$77.38/bbl, 2.59% weaker than the previous week.

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The term closing and last price are often used interchangeably, except where specified, in the report, with Motswedi preferring to use Last Traded Price as the best indicator of where the market will open, on the next trading session.

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.