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(pty) Ltd



A Member Of The Botswana Stock Exchange

# Weekly Financial Markets Highlights 20 July 2018

## Research

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## 1. BSE Equity Performance...

Activity on the Botswana Stock Exchange was slow during the three day trading week as institutional investors stayed on the side lines after the long weekend break. The bulk of the trades were from retail investors with BTCL being the most traded stock during the week. A paltry 98,337 shares worth P266, 483 exchanged hands during the short week. The previous week was more liquid with 6.6mn shares worth P16.7mn trading.

### Market Summary – Week ending 20 July, 2018

No. of Shares Trading	<b>98,337</b>
Turnover (BWP)	<b>266,484</b>
Turnover (USD)*	<b>25,716</b>
No. of stocks trading#	<b>12</b>
No. of stocks advancing#	<b>2</b>
No. of stocks declining#	<b>4</b>
No. of stocks unchanged#	<b>17</b>

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0965  
# = Domestic Main Board

The Domestic Companies Index (DCI) also had a not so good week after losing 0.08% to extend its ytd losses by 5.47%. The losses were on the back of declines in Letlole, BTCL, PrimeTime and Turnstar. The FCI was static with CA Sales the only stock which traded unchanged during the week. On the brighter side, the Domestic Company Index Total Returns (DCI-TR) gained 0.16% reflecting the cushioning effect of dividends.

### BSE Indices – Week ending 20 July, 2018

<b>DCI Close</b>	<b>8,375.10</b>
Weekly Change (%)	-0.08
YTD Change (%)	-5.47
<b>FCI Close</b>	<b>1,569.50</b>
Weekly Change (%)	0.00
YTD Change (%)	-0.34
<b>DCTRI Close</b>	<b>1,782.67</b>
Weekly Change (%)	-0.16
YTD Change (%)	-2.27

Source: Motswedi Securities, BSE

Leisure and tourism operator Chobe continue to be the hottest stock on the BSE extending its ytd growth to 9.3% after gaining a further 0.1% during the week. Chobe is in demand from both retail and institutional investors due to its strong and sustainable business model. Chobe owns and operates, through its wholly owned subsidiaries, twelve eco-tourism lodges and camps on leased land in Northern Botswana and the Caprivi Strip in Namibia with a combined capacity of 317 beds under the brands of Desert & Delta Safaris and Ker & Downey Botswana. Safari Air, a wholly owned air charter operator provides air transport services to the group's camps and lodges. North West Air (Pty) Ltd, a wholly owned air maintenance operation provides maintenance services to the group's aircraft as well as third parties. Desert & Delta Safaris (SA) (Pty) Ltd, another wholly owned subsidiary operating in South Africa, provides reservation services to the group.

Recently the group excited investors after acquiring through its wholly owned subsidiary Ker and Downey Botswana (Pty) Ltd, a private game reserve called Dinaka Safaris. This entity and its

associated lease holding companies hold 18,000 hectares of adjoining land in the hainaveld area on the northern boundary of the Central Kalahari Game Reserve.

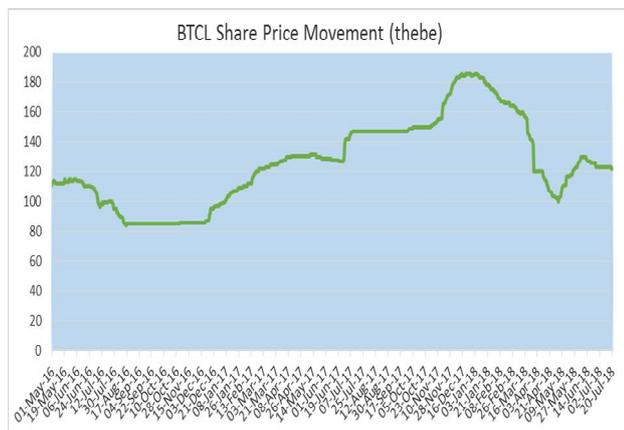
Petroleum giant Engen was the other gainer during the week, up 0.1% to 1048 thebe. Engen is majority owned by Petronas, the Malaysian national oil and Gas Company one of the world's oil company and has extensive storage and distribution infrastructure in Botswana.

#### Major Movers– Week ending 20 July, 2018

COUNTER	20 July (t)	13 July (t)	Change (%)	YTD (%)
CHOBE ↑	1002	1001	+0.1	+9.3
ENGEN ↑	1048	1047	+0.1	-1.1
LETLOLE ↓	180	182	-1.1	-16.3
BTCL ↓	122	123	-0.8	-33.7
PRIMETIME ↓	312	314	-0.6	-1.0
TURNSTAR ↓	309	310	-0.3	-6.1

Source: Motswedi Securities, BSE

Meanwhile, Letlole, BTCL, Primetime and Turnstar were the losers during the week. BTCL's upward momentum seems to be losing traction now as the stock is now trading ex dividend with most investors now staying on the sidelines.



Source: Motswedi Securities, BSE

#### Outlook for the local stock market?

Going forward, we expect the tight liquidity conditions to persist on the local bourse in the absence of institutional investors in the market. Most financial stocks that are mostly liquid are on closed period pending the release of their financial results and this will continue to contribute more to the tight liquidity conditions.

#### 2. Foreign Exchange...

The dollar has been on a rally for the last few weeks on the expectation that interest rates will continue to be raised by the US central bank for the remainder of the year. Meanwhile, the rand has been strained by the on-goings of the trade war between the US and China, reaching a low of R13.53/\$ against the dollar. The currency, however managed to claw back after the South African Reserve Bank announced that it was keeping interest rates unchanged at 6.5%.

On the other hand, the pula which had a very short trading week after the long weekend break was trading mixed for the week, gaining over 1% against the rand and 0.55% against the Yuan, while losing over 1% for the dollar, rand, and the yen.

#### Domestic Exchange rates

Currency	20 July	13 July	Change (%)	YTD (%)
US\$/BWP ↓	0.0965	0.0976	-1.13	-4.74
ZAR/BWP ↑	1.3049	1.2914	1.05	3.87
EUR/BWP ↓	0.0828	0.0837	-1.08	-2.36
GBP/BWP ↑	0.0741	0.0741	0.00	-0.58
JPY/BWP ↓	10.84	10.98	-1.28	-5.08
CNH/BWP ↑	0.6556	0.652	0.55	-0.74

Source: Bank of Botswana

### 3. Commodities Markets: Painted all in red...

The beginning of the second half of the year isn't looking appetizing, as the majority of the commodities are drowning in red and the end nowhere in sight. The international benchmark, Brent crude was set to record its third consecutive weekly loss due to concerns surrounding weakened demand and oversupply. The return of a previously closed production outlet, that is, three of the main oil terminals that were closed in Lybia, and the increase in supply from the Organisation of Petroleum Exporting Countries and their allies, have ultimately flooded the market. Whereas, the trade clash between the world's two largest oil consumers, the US and China, are the leading drivers in the fall of demand, raising fears of an economic slowdown if the clash is strung out for too long. In an attempt to allay, oversupply, OPEC leader – Saudi Arabia – is expected to reduce its supply by a 100,000 barrels. The comments managed to offset some of Brent's losses, buoying the price to US\$73.19/bbl. by midafternoon trading.

#### Gold prices weakens further

Under pressure from a firm dollar, the precious metals have all eased with gold managing to reach a new 12 month low of US\$1,211.08/oz before bouncing back to levels around US\$1,225.00/oz in the afternoon. Silver and Platinum have both eased by more than 2%, trading at US\$15.38/oz and US\$817/oz respectively.

The demand for base metals was feeling the pinch of the China/US trade dispute, as copper hit levels around US\$5,982/ton, last seen in July 2017, during the week, however recovering to above US\$6,000 during Friday. Nickel, on the other hand, lost almost 6% of its value by Thursday, before

managing to recoup all its losses to hover around US\$14,410/ton on Friday morning.

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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.