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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights

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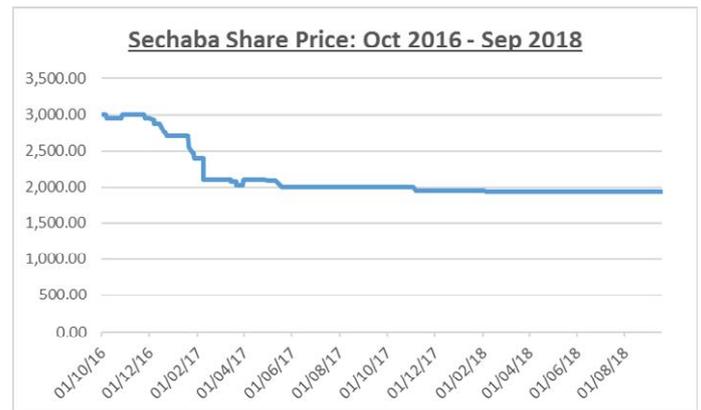
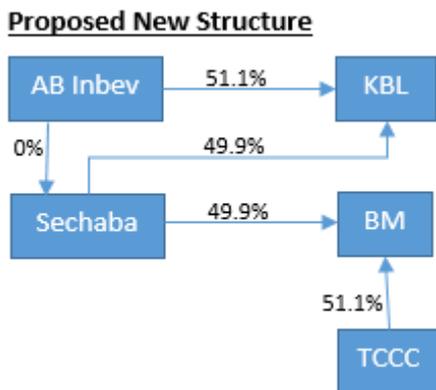


1.0 The Sechaba transaction unraveled...

The brewery company used to be one of the most sought out stocks, but since they went on cautionary, back in October 2016, and in combination with the alcohol levy that was effected back in 2008 by the Former President of Botswana, the demand for the stock has all but dwindled with the share price having taken a considerable beating. Before the cautionary, the stock was trading at P29.50, but has now effectively shrunk down to P19.39, representing a value percentage loss of approximately 34%. A few weeks ago, the company unraveled their cautioned transaction to the investors, alerting us to the intent of AB Inbev, who hold 16.84% of the stock, to disinvest in the stock in exchange for an increased stake of 10.1% in KBL (Sechaba's only subsidiary) as well as 10.1% in KBL's dormant subsidiary, Brewery Manufacturers (BM) – of which Sechaba indirectly owns. With their controlling stake in Beverages Manufacturers, AB Inbev then intends to sell it off to The Coca Cola Company (TCCC).

Beverages Manufacturers, as has been the case when you consider that the shares that AB Inbev had in KBL had double voting rights. One might ask how this transaction will benefit the shareholders. A question of which will be broached at the EGM in a week's time.

The Government of Botswana is apparently still in discussions with the makers of the alcohol industry with regards to adjustments in the alcohol levy. Speculators, however seem to be hopeful that the government will discard the whole levy notion, which in our opinion is unlikely. The alcohol levy is a cash cow for the government, even with some of the detrimental effects to the economy it came with, the top of which is the increase in the levels of unemployment, which at the inception of the levy in 2008 reached an all-time high of 26.2%. All hope is not lost for the brewery company though, as any downwards adjustments to the levy will be a win in their books.



Source: Motswedi Securities

The gist of the transaction is that Sechaba will do a share swap with AB Inbev at a discount to the current share price on the BSE (i.e. P4.46 vis-à-vis P19.39), thereby remaining with a non-controlling stake in KBL as well as a non-controlling stake in z

At the top of the trades for the week under review was Letshego making a late appearance on Friday to take cake by trading 1.2mn shares. In terms of value, however, that leading position goes to

Sechaba, with a little over 4mn shares changing hands.

Market Summary – Week ending 21 September, 2018

No. of Shares Trading	3,085,772
Turnover (BWP)	9,658,731
Turnover (USD)*	908,887
No. of stocks trading#	16
No. of stocks advancing#	5
No. of stocks declining#	4
No. of stocks unchanged#	14

Source: Motswedi Securities, BSE *US\$/BWP = 0.0941
= Domestic Main Board

BTCL seemed to have rebounded during the week, gaining 3 thebe to close at 96 thebe per share after it reached its 52 week low of 94 thebe. Minergy pocketed 5 thebe, BIHL 2 thebe, Wilderness 1 thebe and FNBB 1 thebe.

COUNTER	21 September (t)	14 September (t)	Change (%)	YTD (%)
MINERGY ↑	100	95	+5.3	-4.8
BTCL	96	94	+2.1	-47.8
BIHL	1750	1748	+0.1	-5.6
FNBB	229	228	+0.4	-1.7
WILD	611	610	+0.2	11.1
CHOPPIES ↓	169	170	-0.6	-30.2
PRIMETIME	311	312	-0.3	-1.3
SEFALANA	891	892	-0.1	-8.6
TURNSTAR	305	306	-0.3	-7.3

Source: Motswedi Securities, BSE

On the losing front, was scandal embroiled Choppies, which has surprising withstood the last few weeks and only dropping a thebe this week, to breach a new 12 month low of P1.69 per share. Also losing was Primetime, Sefalana and Turnstar

who each lost 1 thebe to end the week at P3.11, P8.91 and P3.05 respectively.

BSE Indices – Week ending 21 September, 2018

DCI Close	8,135.58
Weekly Change (%)	+0.13
YTD Change (%)	-8.18
FCI Close	1,570.97
Weekly Change (%)	0.00
YTD Change (%)	-0.25
DCTRI Close	1,750.29
Weekly Change (%)	+0.59
YTD Change (%)	-4.05

Source: Motswedi Securities, BSE

The week under review, saw the DCI moving up 0.13%, as the gainers outweighed the losers. Meanwhile the DCTRI leaped 0.59% further, moving on and up with the hope of ending the year in the green. The FCI remained flat as there were no price movements on the foreign board of the stock exchange.

2.0 Listings to look out for on the BSEL...

SeedCo International is looking to float their shareholding on the Botswana Stock Exchange in order to raise approximately between \$170mn and \$200mn to help fund some of their regional operations. The group's Zimbabwe operation are already listed on the Zimbabwe Stock Exchange as SeedCo Limited and once the listing on the Botswana Stock Exchange has been completed, each shareholder on the Zimbabwe register will also have some shareholding in the group because of the dividend in specie that SeedCo Limited (in Zimbabwe) distributed a few months back. SeedCo International Limited will have its primary listing on

the BSE Limited and a secondary listing on the ZSE.

3.0 Rand claws back gains...

The Rand was on a mission to salvage its losses to the dollar. The currency was trading at around R14.21/\$ by midafternoon on Friday, making a recovery of over 2% of the initial ~4% that it lost when news of the technical recession broke. Investors believe that the recovery of the rand came at the hand of weakened dollar coupled with good August CPI data (having reduced to 4.9% as opposed to the expected increase to 5.2% from 5.1% in July). All eyes are now on the stimulus package that South Africa's President, Cyril Ramaphosa, announced a few months ago and briefed the nation on Friday (21 September 2018). The President mentioned in his speech that the nation currently doesn't have the capacity to increase its borrowing in a big way, the country will have to reprioritize the spending the current fiscal framework, and there will no borrowing from the IMF. The plan is expected to support the rand and further its rally.

The US Dollar, meanwhile was on the back foot, having weakened around 1.5% to the local unit, and variously to the other major currencies. This was a reaction to the continued ebbing concerns of the trade war. The latest tariffs between the two nations were lower than was expected, signaling the possibility that negotiations could be on the table soon. Also pushing the dollar down was improved sentiment for the emerging markets, with some central banks working to stabilize their currencies by hiking interest rates.

Along with the dollar, the pula gained against the major trading currencies, with the exception of the rand where the pula gave back most its gains.

Domestic Exchange rates

Currency	21 September	14 September	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0941	0.0927	1.51	-7.11
ZAR/BWP ↑ 	1.3496	1.3697	-1.47	7.43
EUR/BWP ↓ 	0.0799	0.0793	0.76	-5.78
GBP/BWP ↑ 	0.071	0.0707	0.42	-4.74
JPY/BW ↓ 	10.62	10.38	2.31	-7.01
CNH/BWP ↓ 	0.6432	0.6355	1.21	-2.62

Source: Bank of Botswana

4.0 Oil hovering around year high...

With Iranian oil supply falling faster than expected, with the importing countries trying to comply with the wishes of super power, the United States, the price of crude was hovering around its year high of \$80.13 per barrel. The members of the Organisation of Petroleum Exporting Countries, together with its allies led by Russia, are set to meet at the weekend in Algeria to discuss the possibility of increasing output as a way of compensating for the loss from Iran. The cartel was being pressured by the United States whose oil supply has been steadily declining in the last few weeks (according to the API weekly rig count), by making what can only be called a subliminal threat on Twitter, "We protect the countries of the Middle East, they would not be safe for very long without us, and yet they continue to push for higher and higher oil prices! We will remember. The OPEC monopoly must get prices down now" on Thursday. The change in production policy however is not the agenda for the weekend, so it highly likely that

nothing will change on that front. The price of crude by midafternoon was at US\$79.58 per barrel.

The precious metals were doing marginally better than the previous week, boosted by the weak dollar with gold, silver and platinum trading at US\$1,202/oz., US\$14.23/oz., and US\$822/oz. by the afternoon.

Base metal copper, touched its 6 week high, as demand was revived by the easing tensions left investor sentiment slightly improved on its impact on global growth. Nickel on the other hand, was relatively muted in the week just ended, after it recovered from a significant dip in the beginning of the week caused by the fresh round of trade tariffs between the US and China.

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