

motswedi securities
(pty) Ltd



A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights

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1.0 BSE Domestic Equities Review

The market traded a small 5,001,924 shares, with new entrants to the market SeedCo International making its first appearance as one of the top volume performers, amongst a relatively liquid week for the local equities. Momentum has been quite slow for the seed company, but has picked up slightly this week. SeedCo International is a holding company incorporated in Botswana, where it has its primary listing on the Botswana Stock Exchange Limited, and has under its name several “Seed Co” operations in various jurisdictions across continental Africa. The company provides mainly hybrid seeds (more geared towards cereal and vegetable seeds) that have been scientifically manufactured to be resistant to disease as well as produce a reliable high yield in each every farming operation. A few countries in which the company operates in are Botswana, Ghana, Kenya, Malawi and Nigeria.

Market Summary – Week ending 26 October, 2018

No. of Shares Trading	5,001,924
Turnover (BWP)	15,720,587
Turnover (USD)*	1,454,154
No. of stocks trading#	17
No. of stocks advancing#	2
No. of stocks declining#	1
No. of stocks unchanged#	21

Source: Motswedi Securities, BSE *US\$/BWP = 0.0925
= Domestic Main Board

Despite the uncertainty surrounding the company, Choppies appeared to be making a rebound, albeit at a very slow pace. The stock gained 3 thebe during the week under review, to close at 70 thebe per share. On the JSE, where it has a secondary listing, it closed at 72 cents, which makes it slightly cheaper that side than locally. This week, one of

the directors of the company made the decision to resign, for reasons known by him and the company. This cast a new shadow to the name of the company, piling further the uncertainty surrounding the future of the company.

Barclays on the other hand has been dropping in bouts of 5 thebe since the stock started trading ex-dividend at the beginning of October. From the opening price of P5.40 on October 3rd, to close this week at P5.25. There are two reasons that may be affecting the performance of the stock, the first of which may be the impending departure of the bank’s managing director – even though a specific date has not been mentioned, speculators have it that that she will be finishing up the banks financial year, i.e. December 2018. The second reason would be that investors have made their money and are now on a profit taking drive, thereby flooding the market with their offloading with very little buying in sight.

COUNTER	26 October (t)	19 October (t)	Change (%)	YTD (%)
CHOPPIES ↑	70	67	+4.5	-71.1
LETLOLE ↑	176	174	+1.1	-18.1
BARCLAYS ↓	525	530	-0.9	-13.9

Source: Motswedi Securities, BSE

The only other movement in the week was from Letlole La Rona gaining 2 thebe, reversing a small 1.1% of its yearly losses. BBS seems to have settled in its movements, after driving up to P1.17 in its first few weeks of listing.

BSE Indices – Week ending 26 October, 2018

DCI Close	7,951.28
Weekly Change (%)	+0.07
YTD Change (%)	-10.26
FCI Close	1,572.02
Weekly Change (%)	0.00
YTD Change (%)	-0.18
DCTRI Close	1,731.50
Weekly Change (%)	+0.07
YTD Change (%)	-5.08

Source: Motswedi Securities, BSE

The Domestic Company Index backtracked some of their losses for the year (the majority of which were garnered by the share value loss of Choppies at the end of September), closing 0.07% stronger this week at 7,951.28. The Domestic Company Total Return Index followed suit alongside the DCI, up 0.07% to end the week at 1,731.50. The Foreign Company Index remained stagnant, having recorded no price movements on its board.

2.0 Foreign Exchange

The rand steadied towards the end of the week to levels around R14.66/\$ as investors digested the medium-term budget policy statement. The rand had weakened following the upward revision in the projected government budget deficit and associated deterioration in the government debt-to-GDP ratio. This raised fresh concerns that SA could be stripped of its investment-grade status, a situation which would worsen the rand further. SA budget deficit is set to jump to 4% in the current fiscal year, up from a 3.6% projection in January according to the fiscal policy released by Tito Mboweni. This means overall debt as a percentage of GDP will

continue rising, reaching 59% at the end of 2022, from 50.7% in the 2016-2017 financial year.

Domestic Exchange rates

Currency	26 October	19 October	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0925	0.0934	-0.96	-8.69
ZAR/BWP ↓ 	1.3519	1.3426	0.69	7.61
EUR/BWP ↑ 	0.0813	0.0815	-0.25	-4.13
GBP/BWP ↓ 	0.0721	0.0717	0.56	-3.26
JPY/BW ↓ 	10.38	10.51	-1.24	-9.11
CNH/BWP ↑ 	0.6448	0.6477	-0.45	-2.38

Source: Bank of Botswana

The local unit, meanwhile, traded mixed among the major trading partners.

3.0 Commodities

Gold prices edged lower towards the end of the week to levels around \$1,231/oz as some investors took advantage of a recent surge in prices to lock in profits. Earlier during the week gold prices rose to levels close to \$1,240/oz. The decline in global equities markets forced investors to look for the yellow metal as a hedge against financial uncertainty. Gold prices have gained more than 3% so far this month, on track to break a six-month losing streak, the length of which was last seen in the August 1996 to January 1997 period according an article from Business live online.

Oil prices dropped to levels around \$76.38/barrel towards the end of the trading week on fears of an increase in supply after Saudi Arabia's OPEC governor hinted of an increase in supply during the week. There are also growing fears that a slowdown in global demand induced by the US-China trade wars could dampen global demand and hence demand for oil. Already there are signs of a slowdown in global trade, with container and bulk

freight rates dropping away after rising for most of 2018. However, oil prices are widely expected to remain on the high side in the short to mid-term largely because of the US sanctions against Iran's oil exports, which start on November Washington is putting pressure on governments around the world to stop importing oil from Iran.

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