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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights

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1.0 Levy reduction has sparked some life into Sechaba...

The most sought out shares this week belonged to that of brewery company, Sechaba. The stock spent the better part of two years on cautionary while its value diminished ever so slowly because of the negotiations between AB Inbev and The Coca Cola Company. This week however, investors breathed some life into the stock, ramping up their demand, following the announcement made last week by the Government of Botswana that the alcohol levy would be reduced to 35%, and thereby driving the stock 61 thebe higher to its 52 week rolling high of P20.00 per share. This price movement effectively allowed the stock to finally pocket some year gains, which now stand at 2.7%.

Minergy was another gainer for the week, closing 3 thebe up to a new 12 month high of P1.06 per share. This is actually a historic high for the mining company since its listing in April 2017. The company this week also joined the ranks of positive performers on the BSE's Domestic Main Board. Investors are buying in now, with the hopes of gaining quite significantly when the company's Masama Coal Mine becomes operational next year. The mine, apparently, already has a long line of buyers in eager anticipation of its first washed coal.

Choppies share price was at 170 thebe early September 2018, but fell to an all-time low of 40 thebe on the 28th of September 2018. That is a 76.5% drop in one month alone. The delay in the publication of its June FY 2018 financials was the major blow that triggered panic selling of Choppies shares in the market. The market price's drop could be seen as an overreaction to the news, which has somewhat stabilized in the week just ended with the share price gaining a thebe to end at 63 thebe

per share, with the price on the JSE closing at relatively the same levels at 84 cents.

| COUNTER | 12 October (t) | 05 October (t) | Change (%) | YTD (%) |
|-------------|----------------|----------------|------------|---------|
| SECHABA ↑ | 2000 | 1939 | +3.1 | +2.7 |
| MINERGY ↑ | 106 | 103 | +2.9 | +1.0 |
| BTCL ↑ | 114 | 112 | +1.8 | -38.0 |
| CHOPPIES ↑ | 63 | 62 | +1.6 | -74.0 |
| BBS ↑ | 117 | 116 | +0.9 | +17.0 |
| STANCHART ↓ | 390 | 400 | -2.5 | -24.1 |
| BARCLAYS | 535 | 540 | -0.9 | -12.3 |
| TURNSTAR | 302 | 304 | -0.7 | -8.2 |
| LETSHEGO | 182 | 183 | -0.5 | -3.2 |

Source: Motswedi Securities, BSE

The market bears added more woes to Standard Chartered's stock, pushing it down to its year low of P3.90 after giving back 10 thebe over a mere 1,000 shares. Barclays was also a victim to the market bears, getting knocked down 5 thebe to P5.35 per share. In this instance, however, investors were offloading after qualifying for the dividends last week Friday (05 October). Letshego was put down 1 thebe to reach its 12 month low of P1.82 per share. One could say, this week had it in for the financial services companies.

Market Summary – Week ending 12 October, 2018

| | |
|--------------------------|-------------------|
| No. of Shares Trading | 3,105,591 |
| Turnover (BWP) | 10,389,149 |
| Turnover (USD)* | 969,308 |
| No. of stocks trading# | 17 |
| No. of stocks advancing# | 4 |
| No. of stocks declining# | 4 |
| No. of stocks unchanged# | 16 |

Source: Motswedi Securities, BSE *US\$/BWP = 0.0933
= Domestic Main Board

The market's liquidity shrunk to about one fifth from the previous week (despite the extra two days) in the absence of market changing developments from the listed companies as well as the economy at large. The most liquid stocks this week was FNBB - claiming a little over fifty percent of the week's volume traded, followed by BTCL with twenty percent of the volumes.

BSE Indices – Week ending 12 October, 2018

| | |
|--------------------|-----------------|
| DCI Close | 7,914.05 |
| Weekly Change (%) | +0.05 |
| YTD Change (%) | -10.68 |
| FCI Close | 1,572.02 |
| Weekly Change (%) | 0.00 |
| YTD Change (%) | -0.18 |
| DCTRI Close | 1,723.39 |
| Weekly Change (%) | +0.07 |
| YTD Change (%) | -5.52 |

Source: Motswedi Securities, BSE

The DCI and DCTRI, were both backtracking their Q3 losses (albeit struggling to do so) to close the week 0.05% and 0.07% higher respectively. The FCI saw no movement for the week.

2.0 Company Announcements...

Tlou Energy have successfully managed to resubmit their tender for the development of up to 100MW of coal bed methane fuelled pilot power plants that was requested by the Government of Botswana. If the company is successful with their application, the project will be the beginning of an industry in the CBM region that is likely to reflect well on the country. Bear in mind that aside from providing the Government with a cleaner alternate source of power, Tlou intends to develop

compressed natural gas facilities with potential partners in Europe and China. Tlou Energy was also awarded Local Asset Status by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) on the 28th of September 2018.

Chobe Holdings released a trading update on Thursday notifying shareholders that they expect a significant increase in the Group's financial results for the six months ended 31 August 2018. This bodes well for the stock as it may spur their growth even further. Chobe Holdings is currently one among a handful of companies listed on the domestic main board of the Botswana Stock Exchange Limited to be recording positive growth.

3.0 South Africa gets a new Minister of Finance

The President of South Africa on Tuesday afternoon elected a new Minister of Finance, Tito Mboweni, to replace Nhlanhla Nene. The slight rise in the rand, indicated some confidence in the newly appointed minister but compared to the dollar's resilience, did not last too long. Traders are however, now looking towards the credit rating by Moody's on Friday, which is likely to set the tone for the upcoming week. The fear is that Moody's may cut the rate to below Baa3 (stable), which would ultimately bode negatively for the nation of South Africa.

The dollar slid towards the week's end, as a result of lower than expected domestic consumer prices in September. The US labour department announced that the CPI only rose by 0.1% as opposed to the 0.2% that was expected from analysts. Also putting pressure on the greenback were the US treasury yields, which were at a two week low on Thursday

Domestic Exchange rates

| Currency | 12 October | 05 October | Change (%) | YTD (%) |
|--|------------|------------|------------|---------|
| US\$/BWP ↑  | 0.0933 | 0.0921 | 1.30 | -7.90 |
| ZAR/BWP ↓  | 1.3534 | 1.3673 | -1.02 | 7.73 |
| EUR/BWP ↑  | 0.0805 | 0.08 | 0.63 | -5.07 |
| GBP/BWP ↓  | 0.0705 | 0.0707 | -0.28 | -5.41 |
| JPY/BW ↓  | 10.49 | 10.5 | -0.10 | -8.14 |
| CNH/BWP ↑  | 0.6441 | 0.6363 | 1.23 | -2.48 |

Source: Bank of Botswana

The local unit was relatively mixed against the currency denominations, making the most headway against the dollar by gaining 1.30% during the week, while losing the most to the rand by reversing 1.02% of its year gains.

4.0 Gold gets its shine back...

Precious gold managed to trade at a 2 month high of US\$1,224.09 per ounce this week. Coming off the back of the minor melt down in a number of global stock markets, which saw European and Asian stock markets plummet down to one of their worst weeks this year. By the week's end, the yellow metal still hovered around its week high, trading at US\$1,220.60/oz by mid-afternoon. Silver and platinum on the other hand, were at US\$14.65/oz and US\$840.0/oz, respectively.

Oil felt pressure this week as it sagged well over 2% to US\$80.56/bbl as an effect of a number of occurrences. On Wednesday, it was the IMF adjusting their economic growth forecasts to account for the possibility that demand for the commodity may also slow down. The fall was however capped by the hurricane that passed through the Gulf of Mexico, raising supply concerns, coupled by the Iran sanctions coming into effect in less than three weeks. While on Thursday, the fall in global stock markets, that was

triggered by Wall Street recording its worst losses in eight months spilled over into the commodities. This led investors to dive for the safe haven investments, which as a results saw the precious metals all trade up.

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