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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights

30 November 2018

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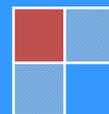
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1. BSE Equity

It has been a series of losing streaks in the market in the last few months, November was no different. If we focus on the week just ended, we had 13 counters trading, of which 4 traded down and only 2 traded up. As the festive creeps up on us, trading volumes have ramped up slightly to accommodate a different need for cash. The week closed with 1,718,590 shares changing hands, comparably up from the prior week's 304,371 shares.

Market Summary – Week ending 30 November, 2018

No. of Shares Trading	13
Turnover (BWP)	10,849,559
Turnover (USD)*	1,033,963
No. of stocks trading#	12
No. of stocks advancing#	2
No. of stocks declining#	3
No. of stocks unchanged#	19

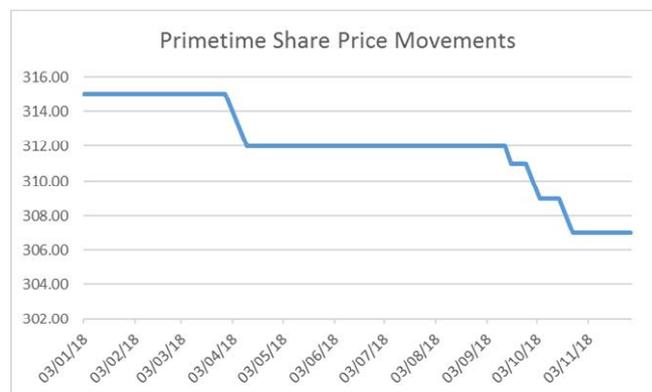
Source: Motswedi Securities, BSE *US\$/BWP = 0.0937
= Domestic Main Board

Primetime published their year-end results this week. The Group's bottom line has improved quite significantly, with a 352% increase in profit before tax, 36% of which comprises of only trading profits. Reasons behind the significant climb in the PBT include a reduction in vacancies on a like to like basis for preexisting properties, as well as a full 12 month top line contribution from the Group's largest asset by value, Centro Kabulonga in Lusaka, Zambia as opposed to the previous year's 8 month contribution to mention a few.

The properties companies whose main sector interests are retail and office, recently added 3 more developments to the portfolio – one in Botswana and two in Zambia. The new additions

more than offset the property they disposed of during the year, which in turn, brought up the total value of their portfolio (including the properties that are still a work in progress) to P1.43bn from P1.24bn in the prior year. The company's stock performance though, has been declining at a steady pace, from P3.15 at the start of the year, to P3.07 at the end of November, in line with the general decline in the market. The stock is fairly cheap at a P/E ratio of 5.5 times, the lowest amongst its BSE listed peers (albeit, slightly skewed by the company's high leveraging) and a strong retention rate of 72% that the company uses to assist in financing their growth.

With only 9% of their leases expiring within 1 year and 43% within the 2 to 3 year frame, we may see some further improvements in the company's bottom line, more so with an escalation rate of around 6 – 8%.



Source: Motswedi Securities

Turnstar was amongst the losing companies for the week, dropping 2 thebe – a fresh 52 week low for the stock. Fundamentally, the company is performing quite well as it registered a 178% increase in comprehensive income, according to the six month results they released a few weeks

ago. The most part of the comprehensive income was made up of unrealized profit stemming from exchange rate differences which was garnered from the Group's properties whose income is denominated in US dollars. However, when the unrealized gains are removed, the property company sported a 23% in profits for their first half of the year. As such, the decline in share value may be attributed to investors on a profit taking roll and packing in their gains for the festive seasons.

COUNTER	30 November (t)	23 November (t)	Change (%)	YTD (%)
CHOBE ↑	1060	1050	+1.0	+15.6
FNBB ↑	237	236	+0.4	+1.7
TURNSTAR ↓	294	296	-0.7	-10.6
BARCLAYS ↓	523	524	-0.2	-14.3
BTCL ↓	105	106	-0.9	-42.9
BBS ↓	115	116	-0.9	+0.2

Source: Motswedi Securities, BSE

Also trading down for the week was BTCL, which has been on the chopping block for almost 5 months. The stock has really felt the pinch this year. We expect the telecoms half year financials before December 31. Speculators, however, have it that the stock may touch its IPO levels before the numbers come out. This was based purely on sheer volumes weighing heavy on the price as well as a lack of assurance from the company of any significant increase in the company's bottom line.

The substantial gains made in Chobe on Friday, reversed all the other losses garnered during the week, to push up the DCI, together with the DCTRI, a small 0.01% to end the week at 7,923.63 points and 1,725.22 points respectively. The FCI, made

no movements during the week as no trades were recorded on the foreign equity board.

BSE Indices – Week ending 30 November, 2018

DCI Close	7,923.62
Weekly Change (%)	+0.01
YTD Change (%)	-10.57
FCI Close	1,570.0
Weekly Change (%)	0.00
YTD Change (%)	-0.29
DCTRI Close	1,728.22
Weekly Change (%)	+0.01
YTD Change (%)	-5.26

Source: Motswedi Securities, BSE

2. Foreign Exchange

The local unit fell short to the rand during the week under review, following a massive rally from the neighbours unit on Thursday. This was primarily due to the US dollar losing its appeal slightly to investors following comments made by the US Federal Reserve. At the beginning of the week, we saw the dollar climb, spurred on by positive speculation that a speech by the US Federal Reserve may offer positive insights into the future plans of its monetary policy. This, however was not the case, as the Fed's chairman Jerome Powell's comments on the matter turned out to be more dovish. However, minutes from the meeting did indicate an intent to increase the interest rate one more time this year, in December.

The dollar, which holds the title of the most liquid currency, has lately been under pressure – an instance that is reflective of the current global economic slowdown, as well as the ebbing concerns emanating from the trade tensions

between the US and China. With details of the G20 summit expected early next week, we are likely to see a clear direction that the greenback, and in turn the emerging market currencies, will take. If the meet between the two superpowers at the G20 blows up, we are likely to see some support for the dollar, while the emerging market currencies take the brunt of the explosion.

Domestic Exchange rates

Currency	30 November	23 November	Change (%)	YTD (%)
US\$/BWP 	0.0953	0.0951	0.21	-5.92
ZAR/BWP 	1.3024	1.3087	-0.48	3.67
EUR/BWP 	0.0837	0.0833	0.48	-1.30
GBP/BWP 	0.0745	0.0739	0.81	-0.04
JPY/BW 	10.81	10.73	0.75	-5.34
CNH/BWP 	0.6614	0.6592	0.33	0.14

Source: Bank of Botswana

3. Commodities

Oil prices were firmer on the last day of the trading week at levels around \$58.78/barrel on expectations that OPEC and Russia will agree some form of production cuts next week in a bid to support oil prices. Since early October this year crude oil has lost almost a third in value because of excess supply following a global surge in production, including from the US, Russia and by the Middle East-dominated OPEC. To reduce the excess supply, OPEC and its main partner Russia are moving closer to an agreement around further production cuts.

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