



# Weekly Financial Markets Highlights

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## 1.0 Furnmart has officially left the Botswana Stock Exchange...

The stock exchange lost P394.19mn in market capitalization this week, of which approximated 0.9% of the total domestic market capitalisation due to the stepping down of Furnmart after 20 years of listing. The company, officially left the Botswana Stock Exchange, on the 20th of February after postponing the delisting twice before, priced at 65 thebe.

The domestic company index (DCI) and domestic company total return index (DCTRI) alike, ended the week with a loss of 0.08% in value. The yearly gains for the DCI and DCTRI are holding on at 0.28% and 0.34% respectively. The foreign company index, on the other hand, declined by 0.23% during the week, extending the index's yearly losses to 0.24% from 0.01% from the prior week. The week's decline, came as a outcome of a number of stocks that down ticked. This is the second consecutive week of strictly losses recorded on the local exchange.

BTCL continued its decline, losing 2 thebe during week, to close at 91 thebe. The last time BTCL was at these levels was back in December 2016, on its way back up from its historic low of 85 thebe. The concern for BTCL, would be that if the stock falls below the 90 thebe barrier, investors may overreact and begin panic selling. The consequences of this would be further decline in the share price as the overhang of stock piles. Yearly losses continued to compound, as the stock leads the market with -4.2 ytd growth.

Turnstar, joined the general movement of the exchange and reversed 2 thebe in gains dropping

to P2.88 by Friday, in its first weekly movement for the year. The decline marked a 41 month low for the stock.

The fall in the foreign companies index, was a result of Lucara losing P2.17 on the movement of 2,400 shares during the week. The stock closed the week at P13.83 per share. Lucara Diamond's announced on Wednesday that they have discovered a 223 carat high white gem at their Karowe Diamond Mine. This diamond, alongside, the other two high quality diamonds the mine has unearthed this year are expected to be made for sale in the company's first tender of the year on 7 March 2019. The diamond company has also declared its first quarterly dividend of 2019 of CDN 2.5 cents, which is to be paid in April 2019.

The most liquid stock for the week was NAP – floating 9,054,189 shares through the market for a hefty turnover of P29.25mn. This constituted roughly 97% of both the week's volume and the week's turnover.

The reduced market activity could boil down to a number of indicators, two of which are noted next. The first of which could be that more than half of the domestic main board companies are on closed period. Ordinarily, this prompts investors to stay cautious in their investments while they await the publication of the listed companies' financial performance results, be it the full year results or the interim results. Another rationale to the inactivity could also be the announcement of the stock exchange's intention to review the transaction fees that are associated with trading, which are likely to bring down the overall cost of trading. This adjustment would be more geared towards the fund

managers, who deal mostly with larger volumes than the ordinary Motswana.

### Market Summary – Week ending 22 February, 2019

|                          |                   |
|--------------------------|-------------------|
| No. of Shares Trading    | <b>9,346,916</b>  |
| Turnover (BWP)           | <b>30,104,559</b> |
| Turnover (USD)*          | <b>2,847,891</b>  |
| No. of stocks trading#   | <b>10</b>         |
| No. of stocks advancing# | <b>0</b>          |
| No. of stocks declining# | <b>2</b>          |
| No. of stocks unchanged# | <b>22</b>         |

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0946  
# = Domestic Main Board

| COUNTER    | 22 February (t) | 15 February (t) | Change (%) | YTD (%) |
|------------|-----------------|-----------------|------------|---------|
| BTCL ↓     | 91              | 93              | -2.2       | -4.2    |
| TURNSTAR ↓ | 288             | 290             | -0.7       | -0.7    |
| LUCARA ↓   | 1383            | 1600            | -13.6      | -13.6   |

Source: Motswedi Securities, BSE

### BSE Indices – Week ending 22 February, 2019

|                    |                 |
|--------------------|-----------------|
| <b>DCI Close</b>   | <b>7,873.86</b> |
| Weekly Change (%)  | -0.08           |
| YTD Change (%)     | +0.28           |
| <b>FCI Close</b>   | <b>1,566.58</b> |
| Weekly Change (%)  | -0.23           |
| YTD Change (%)     | -0.24           |
| <b>DCTRI Close</b> | <b>1,718.38</b> |
| Weekly Change (%)  | -0.08           |
| YTD Change (%)     | +0.34           |

Source: Motswedi Securities, BSE

## 2.0 Company Announcements

**Choppies** announced that one of their directors, who was also the company's Chairman of its Audit and Risk Committee, has resigned with immediate effect. Another director lost, while the market waits for the publication of the company's full year 2018 financial performance; now the half year financial performance deadline is also looming.

## 3.0 South Africa's Budget Deficit Expected to Widen...

South Africa's Minister of Finance, Tito Mboweni, on Wednesday presented his maiden speech to Parliament. He declared that we should expect the nation's budget deficit to extend to 4.5% of the gross domestic product for the fiscal year 2019/20, an increase from the previous year's 4.2%. The escalation is expected to come from restrained economic growth as well as weak tax revenue. Revenue for the fiscal year 2019/20 is expected to come at R1.58 trillion with the expenditure amounting to R1.83 trillion and the difference standing at R243 billion. As part of the speech, the minister announced that the national power utility, Eskom, will be granted a R69bn bailout spread out across 3 years (that is, R23bn annually). Step one of the proposed bailout plan announced by the South African President to divide the power utility into three organisations, will be to move a number of the utility's assets to a transmission subsidiary that will attempt to raise capital for the utility. Speculators have it that the nation's budget speech may have saved the country from a downgrade its investment viability by Moody's, but the outlook may continue to be bleak.

The rand, by the weeks end had climbed 0.43% against the dollar to R13.98/\$, while gaining some ground on the pula as well.

#### Domestic Exchange rates

| Currency   | 22 February | 15 February | Change (%) | YTD (%) |
|--|-------------|-------------|------------|---------|
| US\$/BWP ↑  | 0.0946      | 0.0939      | 0.75       | 1.50    |
| ZAR/BWP ↓   | 1.3236      | 1.329       | -0.41      | -1.53   |
| EUR/BWP ↑   | 0.0834      | 0.0832      | 0.24       | 2.33    |
| GBP/BWP ↓   | 0.0726      | 0.0734      | -1.09      | -1.09   |
| JPY/BW ↑    | 10.48       | 10.37       | 1.06       | 1.95    |
| CNH/BWP ↓   | 0.6362      | 0.6373      | -0.17      | -0.76   |

Source: Bank of Botswana

The pula reversed gains of over 1% to the pound as positive sentiment from public finance data published on Thursday which revealed a record budget surplus.

#### 4.0 Brent hovers around 2019 high...

Brent crude oil, extended gains by 1.89% for the week, closing at US\$67.50 per barrel – still floating around the levels of the commodity's 2019 high. Attention is focused now on the outcome of the trade talks between the two superpowers, China and the US. Optimism returned to the market, in the hopes of the two nations reaching an understanding before the March 1 deadline. Any positive news would breathe some further life into the price.

Iran's oil supply rose higher than expected in January, despite the sanctions that the US slapped on the OPEC member effected back in November 2018. A number of Iran's trade partners were given waivers to continue trading and appear to be stockpiling ahead of the elapsing of the waivers in May 2019. Oil supply from Iran has fallen from

~3.75mn barrels per day to between 1.1mn to 1.3mn barrels per day since the announcement of the sanctions and subsequent effecting of aforementioned sanctions. The Organisation produces 31.9mn barrels per day and is expected to reduce, in light of the agreement the collective made to cut output by 1.2mn barrels per day.

US shale oil production, on the other hand, has continued to grow in the last few months, and concerns of its growth are weighing down on the commodity's price. The crude production stood at 12mn barrels per day last week, and is the only country to ever produce at these levels. This unfolding undermines the efforts OPEC is making on the supply of the commodity, and if it persists will likely have a disastrous effect on the price.

**Gold**, closed the week on a high, at US\$1,323.04/oz. Optimism from the trade talks between the US and China stoked the metal's price a cool 0.04% higher. Any further gains, were halted by the US Federal Reserve hawkish stance on their monetary policy, the results of which will lend support to the US dollar, while in turn become detrimental to the price of the yellow metal.

**Silver** closed the week off sporting gains of 0.44% at US\$15.86/oz, while **platinum** soared with gains of 3%, to end the week at US\$832/oz.

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