



Weekly Financial Markets Highlights

Research
Garry Juma
Salome Makgatlhe

Sales
Tshenolo Motlhagodi
Moemedi Mosele
Refilwe Lesolle

motswedisecurities



May 24, 2019

Plot 113, Unit 30,
Kgale Mews,
Gaborone

P/Bag 00223,
Gaborone
Botswana.

Tel: 267-3188627
Cell: (+267) 72108088
Fax: 267-3188629

Email: motswedi@motswedi.co.bw
Website: www.motswedi.co.bw

1.0 Choppies Makes Local Headlines Once More...

In what is panning out to be boardroom wars, listed entity – Choppies –suspended its Chief Executive Officer. In an announcement published on the BSE X-News platform on Tuesday, the Board of Directors at Choppies alerted the shareholders and stakeholders alike of their decision to suspend the company's CEO - Mr Ramachandran Ottapathu. The suspension was effected from the 22nd May until further notice from the Board – with the deputy chairman of the company taking charge as Acting-CEO during the course of the suspension. Choppies has been suspended from trading on the Botswana Stock Exchange for the over six months now, after failing to publish their full year financial results for the year 2018. The company is still unable to provide an indicative date of publishing their financial results.

In the very same announcement, the company named Redford Capital as the Chief Restructuring Officer. This means the company will use the aforementioned company's services to holistically assess and provide recommendations on how to improve Choppies' business plan. More often than not, when a company employs the services of a CRO, it should ring warnings bells in the ears of investors. This is because, a CRO is usually engaged when a company is in major distress, and sometimes when the company is headed towards bankruptcy. This was, for all intents and purposes, a smart move by the company, in its bid to salvage its reputation as well as kick-start a possible recovery of the company, in terms of investor sentiment

In response to the announcement, Mr Ottapathu, expressed his dismay to the Board, and stuck to the fact that he has not by any means committed any fault that warranted a suspension. In the response he assured the various stakeholders that he will surely be "vindicated of any wrongdoing." (NB: It is worth noting that the response was published through the media and no BSEL-related platforms). Speculators could argue that his suspension was long overdue, given that the state in which Choppies books could be in such that the auditors would refuse to sign off on them, happening all under his lead.

The suspension of Choppies in late 2018, coupled now with the leadership changes in Letshego have landed a blow to the perception of the local exchange as well as taken a jab at investor confidence in the local market – adding to the drag that is already encompassing it.

2.0 BSE Equity Performance

It was a very rare occasion, where the market recorded only gains in the week. FNBB pushed further into the lead, likely ending a run that has persisted for almost three months, by advancing its yearly growth to 12.2% and firming its price to close at a 52 week high of P2.75/share. The bank registered the exchange's largest one day percentage gain for the year, at 7.4%, as the stock traded up 19 thebe. This is a welcome reprieve for the exchange at large, which has been glittering with losses for a number of weeks now - more so after the heavy losses endured by the market in the prior week courtesy of the 45.5% loss in SeedCo International.

Sechaba traded 4 thebe up for the week. It appears the momentum gathered from the relatively pleasing financial results published a few months ago, has not quite run out for the brewery holdco's share price, as demand has seen it creep ever so slowly higher. At the closing price of P20.55/share, the stock is second only to FNBB in the top performers of the BSEL for the year so far, with a year to date growth of 2.8%.

New African Properties, with 65,500 shares making their way across the board, at P3.23/share for a turnover of P212,000. NAP, has one of the healthiest dividend yields in our market, well above the market yield, at 7.1%. Despite the negative year-to-date growth of the stock which currently stands at -0.6%, NAP is one of those most sought out property stocks.

FNBB as the largest by market capitalisation on the local bourse, normally makes a significant contribution to the local indices when a price movement is registered. As such, the DCI, reduced its percentage losses by almost half, with the index closing at 7,748.77 pts and year-to-date of -1.31%. The DCTRI, went back into the positive light, courtesy of FNBB's movements. The index up 1.19% for the week, carrying a year to date gain of 1.03% and a1,730.29 pts under its belt. The FCI, made no moves for the third consecutive week to end the week at 1,564.55pts.

COUNTER	24 May (t)	17 May (t)	Change (%)	YTD (%)
SECHABA ↑	2055	2051	+0.2	+2.8
FNBB ↑	275	256	+7.4	+12.2

Source: Motswedi Securities, BSE

Market Summary – Week ending 24 May, 2019

No. of Shares Trading	799,720
Turnover (BWP)	3,028,639
Turnover (USD)*	281,361
No. of stocks trading#	15
No. of stocks advancing#	2
No. of stocks declining#	1
No. of stocks unchanged#	21

Source: Motswedi Securities, BSE *US\$/BWP = 0.0929
= Domestic Main Board

BSE Indices – Week ending 24 May, 2019

DCI Close	7,748.77
Weekly Change (%)	+1.19
YTD Change (%)	-1.31
FCI Close	1,564.55
Weekly Change (%)	0.00
YTD Change (%)	-0.37
DCTRI Close	1,730.26
Weekly Change (%)	+1.19
YTD Change (%)	+1.03

Source: Motswedi Securities, BSE

3.0 Company Announcements

Wilderness announced on Thursday, informing shareholders that the offer to shareholders has become wholly unconditional after receiving all the necessary approvals from the Competition Authorities as well as seeking approval by the shareholders from the EGM. The closing date for the offer has also been pushed back a week, from the 7th June at noon, to the 14th June at noon.

Tlou Energy confirmed that they have won the Government tender they had responded to 7

months ago. This decision to select Tlou as the preferred bidder, for the development of a “Maximum of 100MW of Coal Bed Methane Fuelled Power Plants in Botswana,” is a huge step for the company in its journey to eventually supply power into the grid in Botswana. Although, the Company intends to start with a development that will produce up to 10MW initially, this would be an initial pilot power generation project that could lead to a rapid expansion.

4.0 Britains Prime Minister Resigns...

Following a number of calls for her resignation, Britain’s Prime Minister, has succumbed to the pressure and put forth her resignation. In a press conference on Friday, the PM (Theresa May) announced that the 7th of June will be her last day in the office as Britain’s second female prime minister after 3 years in the post. This, of course means, that the PM will not be the one to conclude the Brexit. It is now almost three years after the UK parliament voted to leave the European Union, now with an extended deadline of October 31 - a push back from the initial March 29 that was agreed on – and a Brexit deal does not seem to be materialising.

The British pound did rise marginally at the release of the news, however, concerns that Theresa May’s successor will be willing to accept a no-deal-Brexit, capped gains. More especially as the leading contenders for the post are all gunning for a tougher Brexit divorce agreement. Amid all these concerns, the British pound experienced one of its most bearish weeks since mid-February 2019.

Domestic Exchange rates

Currency	24 May	17 May	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0929	0.0932	-0.32	-0.32
ZAR/BWP ↑ 	1.3384	1.336	0.18	-0.42
EUR/BWP ↓ 	0.0833	0.0834	-0.12	2.21
GBP/BWP ↓ 	0.0735	0.0729	0.82	0.14
JPY/BW ↓ 	10.24	10.21	0.29	-0.39
CNH/BWP ↓ 	0.6442	0.6466	-0.37	0.48

Source: Bank of Botswana

The pula gained relatively well against the pound, reversing all losses incurred during the year. The local unit was 0.82% stronger, given the pressures being faced by the pound as earlier noted. Conversely, the unit lost some ground to the dollar, which had a great run this week amid global trade tensions.

5.0 Oil down over 5% for the week...

Oil prices were pressured for the week, as US crude inventories continued to increase, coupled with the trade tension between the two largest economies of the world - the US and China. The two nations have been failing to come to an agreement that will diffuse the tensions between them, which unfortunately grows concerns of a global economic slowdown. This goes against the initial run that the commodity started when the week began, influenced by comments made by Saudi Arabia that the Organisation of Petroleum Exporting Countries, together with their non-OPEC allies, would hold back for the moment on increasing their supply while they slowly reduce the existing inventories in the market. As it stands and amidst the concerns of global tensions involving Iran, the US, and Saudi Arabia, oil will likely continue to be supported - at least in the short term.

Gold recovered almost 0.5% this week, supported by weak US data that pulled the dollar off of its 2 year highs – which also gave rise to hopes of an interest rate cut by the US Federal Reserve during the year.

Silver gained well over 1% for the week to close at US\$14.57/oz while Platinum was the only loser of the precious metals, falling by almost 2% to end the week at US\$804.10/oz.

Disclaimer:

The views expressed in this research note reflect the views of Motswedi Securities (Proprietary) Limited based on the information available at its disposal at the time of writing and may change without notice, and is provided for information purposes only. While Motswedi Securities (Proprietary) Limited has taken all reasonable steps in carefully preparing the document, it does not take any responsibility for any action that may be taken on the basis of the information contained herein. Each recipient of it is advised to undertake its own analysis and evaluation of the terms and contents hereof, and obtain independent advice as appropriate, before acting in any way upon the information contained herein. Accordingly, this document is not intended, and no part of this document should be read, as constituting, in any way, an offer or other solicitation for the purpose of the purchase or sale of any of the securities referred to herein. This document may not be reproduced, distributed or published by any recipient for any purposes without the authorization of Motswedi Securities (Proprietary) Limited.

The term closing and last price are often used interchangeably, except where specified in the report, with Motswedi preferring to use Last Traded Price as the best indicator of where the market will open, on the next trading session.