



# Weekly Financial Markets Highlights

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## 1.0 The Week in the Local Equities...

The number of shares traded declined quite significantly from 11.95mn in the prior week to 3.90mn in the week just ended. Naturally, liquidity for the week retreated as well, from P50.1mn in the previous week to P21.5mn this week.

### Market Summary – Week ending 14 June, 2019

No. of Shares Trading	<b>3,903,473</b>
Turnover (BWP)	<b>21,536,085</b>
Turnover (USD)*	<b>1,979,166</b>
No. of stocks trading#	<b>13</b>
No. of stocks advancing#	<b>1</b>
No. of stocks declining#	<b>2</b>
No. of stocks unchanged#	<b>21</b>

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0919  
# = Domestic Main Board

Liquidity was supported for the week by the ongoing Wilderness buy out by African Wildlife Holdings. The soon-to-be delisted company's stock led the trades with 2.32mn shares crossing at P6.25/share, raking in a turnover of P14.52mn. The Wilderness/AWH buyout, through its offer to its shareholders, has been driving the market liquidity since last week (the prior week's turnover was P32.6mn out of a total of P50.1mn). However, even with the exclusion of Wilderness, the local equity market had quite a bit of activity. Second to Wilderness by liquidity was BIHL, trading deals worth P2.45mn; followed closely by FNBB trading 651,000 shares with a turnover of P1.79mn; then Barclays with trades worth P1.1mn.

Standard Chartered lost a hefty 83 thebe to close the day at P2.50 - plunging 24.2% further in the negative to extend its year to date loss to -34.2%. The stock leapfrogged closer to the leader of the losers, SeedCo, which has a year to date loss of -45.5%. Letshego was also on the chopping block, dropping below the bank by a significant margin, as it weakened by 4 thebe to P1.45, of which translated to a decline of 2.7% thereby extending year to date losses to -10.5% - third to Standard Chartered. Chobe was the only gainer, as high demand supported the stock, causing it to climb 1 thebe up to P10.51/share.

This week was one for the bears. The domestic indices (the DCI and DCTRI) both retreated by 0.80% on a week on week basis. The DCI extended yearly losses to -2.46% whilst the DCTRI, wiped away all gains made in the year to close the week with a year to date loss of -0.01%. The FCI remained unchanged, after closing the week with no trades recorded.

### BSE Indices – Week ending 14 June, 2019

<b>DCI Close</b>	<b>7,658.48</b>
Weekly Change (%)	<b>-0.80</b>
YTD Change (%)	<b>-2.46</b>
<b>FCI Close</b>	<b>1,564.55</b>
Weekly Change (%)	<b>0.00</b>
YTD Change (%)	<b>-0.37</b>
<b>DCTRI Close</b>	<b>1,712.35</b>
Weekly Change (%)	<b>-0.80</b>
YTD Change (%)	<b>-0.01</b>

Source: Motswedi Securities, BSE

COUNTER	14 June (t)	07 June (t)	Change (%)	YTD (%)
CHOBE ↑	1051	1050	+0.1	+0.1
LETSHEGO ↓	145	149	-2.7	-10.5
STANCHART ↓	333	250	-24.9	-34.2

Source: Motswedi Securities, BSE

## 2.0 Company News

**Chobe** has switched up its executive management as per the announcement released earlier in the week. The company's Chief Executive Officer and Deputy Chairman, Jonathan Moore Gibson will be stepping back in and focusing solely on strategy for the Group. The Managing Director, Rodney David Gerrard (formerly the Finance Director) will be focusing on the day to day operation of the group and ensuring their alignment with the Group's strategy and growth objectives. The Group also appointed a Chief Financial Officer and company secretary, Shalin Fernando. The Group Senior Executive is John Knox Gibson.

**SeedCo** published the full year 2019 financials during the week under review. The company reported a PBT that was fairly flat at US\$5.14mn – a slight reduction from the prior year's US\$5.27mn. GP margins were at the lower end of the company's expected range of 50-55% at 50% as a direct result of declined revenue. The revenue performance declined by US\$4.24mn, of which translated to a 6.6% decline. The company has accrued the subdued figures in the period to muted demand in East Africa. Operations in Kenya and Tanzania were suppressed due to the severe drought that hit the region. Overheads were affected by the implementation of IFRS9, which hiked impairment charges to US\$1.7mn. This is expected to normalize going forward as the reporting standards have been fully absorbed.

The company has exposure to two governments, namely Zimbabwe and Zambia. This exposure was the main reason for the 11% increase in trade and other receivables. The Group has noted that the exposure is worth around US\$11mn with the

greatest exposure inclined to Zambia at US\$7mn. With continued engagements with the governments, the company has expressed that the delayed settlements will be sorted.

The drought experienced by the various nations of which the country operates resulted in a 35% increase in inventory for the group. The CEO, was adamant that the increase will have a positive play in the Group's operations as all the major markets are now well supplied into the new season. SeedCo faced a number of challenges in the period which include the already mentioned drought conditions that dampened demand for the company's product. Rain in its various markets came well after the reported season. There were several political disruptions experienced in a number of Seed Co's markets including Nigeria, DRC and Malawi where presidential elections were at the forefront. Other challenges include the temporary ban of grain exports that was imposed by the Zambian Government, the difficult competitive environment more especially geared towards OPV (Open-Pollinated Variety) seeds in Malawi which are generally cheaper alternative to hybrid seeds.

Despite the various challenges, there is a positive outlook for the company. Nigeria is expected to start contributing positively to the revenue, following the small profit earned for the year. The new acquisition, Alliance Seeds (which develops hybrid vegetable seeds) is expected to also contribute positively for the company. The drought sentiments have improved significantly following the unexpected East Africa drought. To combat the drought issue, the company is also in the process of producing early maturing variety seeds.

**Sechaba** had its AGM during the week. A take home point from the meeting was the point of contact for the company with respect to the new structure of the holding company. The chairman expressed that the company is in the process of finding a management services company that will take over from AB Inbev (through Kalahari Breweries Limited), to consolidate the financials of its subsidiaries going forth. Sechaba's subsidiaries are Kalahari Breweries Limited (with a 49.9% interest) and Coca-Cola Beverages Botswana (with a 49.9% interest).

**Wilderness's** delisting is now eminent. The deadline for submitting the acceptance forms for the buyout was the 14<sup>th</sup> and has therefore elapsed. Now, it's just to wait for the company to trade its final buyout tranches and finally delist.

### 3.0 Foreign Currency...

The rand kicked off the week with a rally that saw the unit climb around 3% from the prior week's losses which came as a result of a contraction in Q1 growth for South Africa. The run was supported by the thawing trade war between the US and China which overall increased the appeal for emerging market currencies. Also supporting the rand was the pleasing local manufacturing data for April which grew by 4.6% year on year as was published by Statistics South Africa. Towards the week's end however, the rand gave back gains as data showed that retail inflation had weakened, despite retail sales data picking up. Ultimately, the rand contracted a little over 1% week on week, against the US dollar closing for the week at R14.83/\$.

### Domestic Exchange rates

Currency	14 June	07 June	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0919	0.0913	0.66	-1.39
ZAR/BWP ↑ 	1.3645	1.3755	-0.80	1.52
EUR/BWP ↓ 	0.0815	0.081	0.62	0.00
GBP/BWP ↓ 	0.0725	0.0719	0.83	-1.23
JPY/BW ↓ 	9.96	9.9	0.61	-3.11
CNH/BWP ↓ 	0.6374	0.6335	0.62	-0.58

Source: Bank of Botswana

The local unit traded mixed for the week. The pula weakened by 0.8% against the rand but continued to hold on to its year to date gains, which closed the week at 1.52%. Against the other trading partners, the pula strengthened within the range of 0.61% and 0.83%, however will all year to dates firmly in the negative space.

### 4.0 Oil suppressed by demand concerns...

A suspected attack of two oil tankers in the Gulf of Oman - concern herein lies in that a third of the world's oil exports flows through this channel and its disruption could hinder supply. This was the second attack on tankers passing through the zone. The US immediately pointed the finger at Iran for the attack (of which Iran has rejected soundly) amidst rising tensions between the two nations. US sanctions imposed on Iran earlier in the year have more or less crippled Iran's oil exports and of recent, the Trump administration have targeted sanctions for Iran's financial body – specifically the Special Trade and Finance Institute. This would sever the little support that Iran has been receiving from European countries through Instex.

Putting further pressure on the commodity's price, were the level of inventories of US crude increasing by 4.9mn barrels in the previous week. This was the complete opposite of the expected decrease of 481,000 barrels. Oil prices sank just under 3% for

the week as a result of the above. The commodity closed at US\$61.47 per barrel.

The precious metals, on the other hand, rose as interest rate cut expectations by the US Federal Reserve increased after US inflation came out flat. **Gold** closed the week trading over 1% stronger at US\$1,354.78 per ounce.

**Silver and platinum** closed at US\$15.10/oz and US\$814.68/oz respectively.

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