



# Weekly Financial Markets Highlights

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## 1.0 BTCL Gains 16.1% in September...

September was a great month for BTCL. The stock went from the third worst performer on the domestic board to the third best performer as at the first week of October. The telecoms company's share price has been trailing in the red for the last 11 months, inclusive of 2019 as a whole, however, with the start of September, demand for the stock picked up – moving from a year to date loss of -8.4% to stand strong with a year to date **gain** of 10.5%. The stock began the month trading at P0.87/share, and within the month gaining 14 thebe to close at P1.01/share. The 16.1% movement in September, makes it the biggest month on month movement in either direction for BTCL since May 2018, when the stock gained 22.5%.

Quarterly movements on the stock went red, back in Q3 of 2018 when the share price moved -13%. Since then, with each movement, the losses have been steadily shrinking, with the quarter after that, i.e. Q4 2018, with a negative movement of -11.2%; then Q1 2019 with -5.3% and Q2 2019 with -1.1%. This last quarter is the first positive quarter on quarter movement for the stock, in five, with a positive change 13.5%.



Source: Motswedi Securities,

Liquidity for the month was improved as well for the stock, with the number of shares traded up to

1.67mn worth P1.5mn from the previous month's 1.33mn shares that traded worth P1.16mn. BTCL's contribution to liquidity increased to 4.8% from 0.5% - this posts as the largest contribution to liquidity in 12 months. Granted, the month on month total market turnover has shrunk to P31.5mn as compared to the previous months P255.1mn. At P31.5mn, this is the lowest market turnover for the local exchange since August 2018, when the turnover went as low as P23.7mn, month-on-month.

On a q/q basis, the stock has registered some improved liquidity for the third quarter of 2019 with a turnover of P4.12mn vis-à-vis the prior quarter's P3.8mn. The first quarter, however, remains unbeaten with a turnover of P4.36mn. Liquidity contribution is however at its best in this quarter, with an 8% contribution, as compared to the 2.9% and 4.3% in the second and first quarter respectively.

### What are the reasons behind BTCL's increased share price?

The stock has found new running legs in the month just ended and below are a few surmised reasons why:

- The share price reached a low of P0.87, for which attracted investors at the bargain price. As can be seen from history, at these levels, BTCL has gained some interest of which has seen the share price rise. The last time, back in December 2016, the stock touched the 80 thebe area, demand for the stock refreshed and went on to reach its all-time high.
- The company's interim financial results for 2019 are expected to be improved given the

ongoing implementation of the company's strategy.

- The company's dividend yield continues to be one of the best in the market at 8.2% - third to Letlole and Letshego. However, at the beginning of the September, the stock's dividend yield was at the top of the list with 9.8% and closed September with the second best dividend yield, of 8.5% (second only to Letlole). The reason behind the continued decline in the dividend yield relates to an increase in the share price. The more the price increases, the lower the dividend yield.

All in all, the combined effects of the above mentioned reasons, resulted in increased demand for the stock, of which ultimately managed to push the price up.

BTCL is now in a "closed period" and the staff and management of the company are not allowed to trade in the company's shares during the time. This is in line with Section 4.3 of the BSE Listings Requirements. As a result, we expect activity on the stock to slow down as investors awaits the release of BTCL financial results for the six months ended 30 September 2019. We expect the price to remain unchanged, at least until the release of the interim results.

## 2.0 The week in Local Equities...

Sechaba crept in at the last trading day of the week, leaving its mark as the highlight trade of the week on the local exchange. The company, though trading the second highest volume in the week, was the most liquid – registering a total turnover of P93.58mn. With this move, investors were booking

profits, given that the shares were sold at a 7% premium to market price, and that the stock only last week turned ex-dividend. The price gain pushed Sechaba up the ranks of the gainers – the stock is now tied for third with Cresta with a year to date of 10%. It is interesting to note, that Sechaba shares are not traded often, but when they do trade, the volumes are usually significant.

FNBB gained a 9 thebe in the week to climb to a year high of P2.85/share. It seems that demand for the bank's stock is strong, as can be reflected by the strides the share price is taking to extend its year to date. The stock successfully broke away from around the 10% gainers and now stands at 16.3%.

Letshego retreated a few steps back in the week, closing off 5 thebe lighter at P0.80/share. This knock in share value, came as a consequence of 5.71mn shares crossing through the market. With this loss, Letshego has now lost over half of its value in the year, as the year to date loss stands at -50.6%. The loss in Letshego is the second loss registered in the local equity market in the month of October so far, given that, in the last number of trading days, the market has registered only gains, or share value growth.

COUNTER	18 Oct (t)	11 Oct (t)	Change (%)	YTD (%)
SECHABA ↑	2200	2056	+7.0	+10.0
FNBB ↑	285	276	+3.3	+16.3
LETSHEGO ↓	80	85	-5.9	-50.6

Source: Motswedi Securities, BSE

Given that FNBB and Sechaba are generally heavy weights by way of market capitalisation, with FNBB as the largest and Sechaba fourth largest, the domestic indices could do nothing else but jump for

the green. The Domestic Company Index (DCI), closed off the week +0.73 higher, slowly but surely working to diminish its year to date loss which stood at -4.14% at the weeks end. The Domestic Company Total Return Index (DCTRI), made slightly more headway than the DCI buoyed by Engen going ex-dividend in the week to close off 0.83% up with a positive year to date of 1.11%.

#### Market Summary – Week ending 18 October, 2019

No. of Shares Trading	<b>10,261,199</b>
Turnover (BWP)	<b>99,450,946</b>
Turnover (USD)*	<b>9,139,542</b>
No. of stocks trading#	<b>14</b>
No. of stocks advancing#	<b>2</b>
No. of stocks declining#	<b>1</b>
No. of stocks unchanged#	<b>20</b>

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

#### BSE Indices – Week ending 18 October, 2019

<b>DCI Close</b>	<b>7,526.85</b>
Weekly Change (%)	<b>+0.73</b>
YTD Change (%)	<b>-4.14</b>
<b>FCI Close</b>	<b>1,564.54</b>
Weekly Change (%)	<b>0.00</b>
YTD Change (%)	<b>-0.37</b>
<b>DCTRI Close</b>	<b>1,731.62</b>
Weekly Change (%)	<b>+0.84</b>
YTD Change (%)	<b>+1.11</b>

Source: Motswedi Securities, BSE

#### 3.0 Company Announcements...

**Choppies** published an announcement in the week, noting to shareholders, and stakeholders alike, that the financial statements for the Group's full financial year 2018, are expected to be published by the 6<sup>th</sup> of December – which is a pushed back date of the previously estimated beginning of November. In the same announcement, the Group also noted that they come to a substantial agreement with its lenders, as well as expressing that the last day to receive bids, in relation to the purchase of Choppies' South African operation is expected to be the 28<sup>th</sup> of October 2019. In the remainder of announcement was the Board noting the appointment of independent Counsel to conduct a holistic review of all reports, rebuttals, facts and available evidence.

**FNBB** published a notice for the Annual General Meeting of Shareholders of the Company, which is expected to be held at the Hilton Hotel, Gaborone, at 13h00 on Wednesday 6 November 2019.

#### 4.0 Foreign Currencies...

After voting for Brexit in 2016, it appears that the UK have finally managed to negotiate a deal, which is deemed agreeable by the European Union. The onus now lies with the UK's Prime Minister to secure an agreement from the members of his parliament. The PM will have his chance at persuading the members this weekend, at an emergency parliamentary sitting to be held this coming Saturday. Brexit is scheduled for the 31st of October, and if this agreement is accepted by the MPs, this will be the momentous day that Britain leaves the EU trade bloc. However, if the MPs reject this new revised deal, as they have done before with the last three (3) deals under the former PM, Brexit will have no choice but to request for an extension.

The key detail that caused a stir, and ultimately several rejections of previous tentative deals, was the issue of the Irish backstop. All along, the two Irelands, i.e., Northern Ireland and the Republic of

Ireland, have been seamlessly trading as both were under the 'same customs union. But now, with the separation of Great Britain for the EU, it means that technically, Northern Ireland leaves the EU when Britain does, however, the two countries are not separated by a physical border. Several attempts at handling how trade was meant to occur between the two countries, of which would be in two separate customs regulations, have failed to pass through the UK's parliament. With this new deal, there is some level of optimism. The gist of the changes in the new deal, is that Northern Ireland will be operate under the UK's customs union indefinitely, but will also have certain agreement with the European Union regarding the movement of goods AND there will certainly be no physical border separating Northern Ireland from the Republic of Ireland. Given this, the pound had a bit of rally in the week, however investors remain cautious of the unit, as the solidity of the deal can only be determined after the parliamentary vote this Saturday.

The dollar weakened against most of the emerging market currencies in the week ended, given that the US/China trade deal appeared to be in sight. With this optimism in mind, investors drifted away from the safe-haven investments into riskier assets. The two nations, as noted by the US President Trump, have reached an agreement for "Phase 1" of a possibly more comprehensive trade agreement. Also giving the dollar a run for its money, was the climb in the pound.

#### Domestic Exchange rates

Currency	18 Oct	11 Oct	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0919	0.091	0.99	-1.39
ZAR/BWP ↓ 	1.3588	1.3659	-0.52	1.09
EUR/BWP 	0.0826	0.0826	0.00	1.35
GBP/BWP ↓ 	0.0714	0.0731	-2.33	-2.72
JPY/BW ↑ 	9.98	9.82	1.63	-2.92
CNH/BWP ↑ 	0.6508	0.6466	0.65	1.51

Source: Bank of Botswana

The local unit, as can be seen above, gained against the dollar, almost 1% in the week, while losing spectacularly, around 2.33%, against the pound. With the remainder of the currency trading mixed against the local unit.

#### 5.0 Commodities...

**Brent Crude Oil** was in line to close the week at a loss following reports by both the American Petroleum Institute (API) and the Energy Information Administration (EIA) reported an increased level inventories for US oil. The API posted a report on Wednesday that US oil inventories rose by 10.5 million barrels vis-a-vis the expected 2.8 million barrels in the previous week. While the EIA backed up the report on Thursday, noting an increase of 9.3 million barrels – slightly less than the API, but still way above expectations. The weekly loss was capped by news earlier on in the week that the US and China have agreed to the first phase of a trade agreement. The trade war between the two nations is still a touch and go, as respective presidents of the two nations are yet to sign the agreement. Oil was trading at around US\$58.91 per barrel at the time of writing.

**Gold** was trading US\$1,488.57/oz by Friday afternoon, relatively flat as compared to the prior

week's closing. The yellow bar dipped slightly toward the end of the week on the announcement that a Brexit deal had been reached between the UK and the European Union, with investors booking profits as hopes rose with respect to an orderly Brexit.

**Silver and Platinum** were headed for a weekly loss of 0.34% and 1.04% respectively. At the time of writing, silver was trading at US\$17.48/oz, while platinum was trading at US\$885.71/oz.

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