



# Weekly Financial Markets Highlights

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## 1.0 The Week in Local Equities...

It was a good week for the domestic indices, of which all extended gains for the week. The Domestic Company Index (DCI), which tracks the market capitalisation of the companies listed on the BSE's Domestic Board extended by 0.06%. The index was largely supported by gains in heavy hitter Letshego and to an extent from the gains in Chobe. The gains also rolled over into the Domestic Company Total Returns Index (DC-TRI), which reflected the same gains in the DCI, at 0.06%. The DCI and the DC-TRI closed the week at 7,525.64 and 1,734.76 points respectively.

By the way of movers for the week, the market noted four – two up and two down. Chobe was the largest gainer for the week, pocketing 6 thebe in the week to close the week trading at P11.26/share. Support for the only defensive tourism stock remains just as strong in the new year, just like the years before, with the year to date growth steadily climbing -- now currently standing at 1.4%. Chobe, in these first few weeks of the year, has gained 15 thebe and now posts a year to date gain of 1.4% -- this is second only to Letshego which has a 7% year to date gain.

The second gainer for the week was Letshego – seemingly on its way to recovery. The microlender gained 4 thebe in the week, of which extended the stock's year to date gain by 5.3% to 12.7%. This, as already noted, bodes well for the domestic indexes - support for Letshego's market capitalisation, this week grew quite significantly to P1.69bn.

In the pool of downers was BTCL, dropping 2 thebe in the week to close at P0.93/share. It would appear as though investors in the name do not mind losing

out on the stock's dividend, of which they will only qualify for on and after the 7<sup>th</sup> of February 2020. In its first weekly move of the year, BTCL, retracted 2.1% - which is now also its year to date loss.

The other stock to lose in the week was FPC, giving back 6 thebe in the week. Sentiment for the property company remains on the low end, as the losing streak from last year continued into 2020. FPC is the current leader of the losers with a loss thus far of 2.4%. It is interesting to note that the two losers in the week, are the first and only losers on the domestic board of the local exchange.

### BSE Indices – Week ending 24 January, 2020

<b>DCI Close</b>	<b>7,525.64</b>
Weekly Change (%)	+0.06
YTD Change (%)	+0.41
<b>FCI Close</b>	<b>1,551.35</b>
Weekly Change (%)	0.00
YTD Change (%)	-0.71
<b>DCTRI Close</b>	<b>1,734.76</b>
Weekly Change (%)	+0.06
YTD Change (%)	+0.42

Source: Motswedi Securities, BSE

COUNTER	24 Jan (t)	17 Jan (t)	Change (%)	YTD (%)
LETSHEGO ↑	80	76	+5.3	+12.7
CHOBE ↑	1126	1120	+0.5	+1.4
BTCL ↓	93	95	-2.1	-2.1
FPC ↓	240	246	-2.4	-2.4

Source: Motswedi Securities, BSE

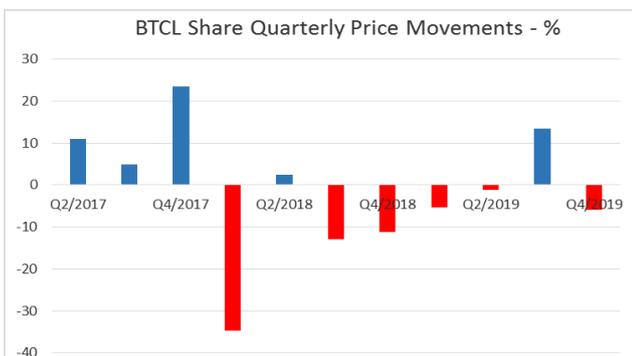
**Market Summary – Week ending 24 January, 2020**

No. of Shares Trading	<b>1,514,245</b>
Turnover (BWP)	<b>5,235,294</b>
Turnover (USD)*	<b>487,406</b>
No. of stocks trading#	<b>15</b>
No. of stocks advancing#	<b>2</b>
No. of stocks declining#	<b>2</b>
No. of stocks unchanged#	<b>19</b>

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0939  
# = Domestic Main Board

**2.0 BTCL ends the year 2019 flat...**

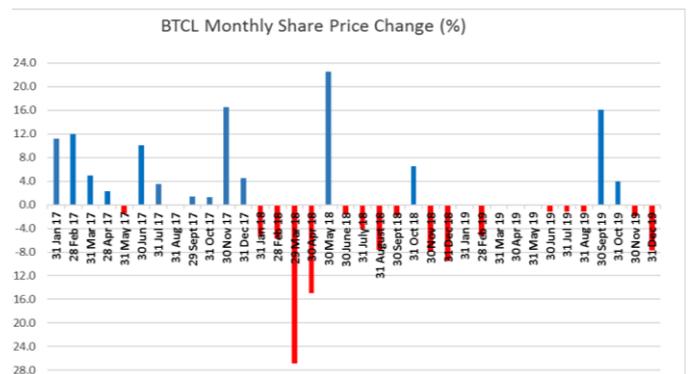
BTCL share price was under pressure in 2019 in line with our expectations given the tough and unpredictable economic environment that prevailed during the year. Against this background BTCL share price lost 7.8% in December 2019 alone, the largest loss in a single month in 2019. This was largely in line with our predictions as the festive season is usually characterised by more selling from investors. As a result, BTCL finished the year 2019 flat at P0.95/ share, the same opening price in January 2019. This is however a better performance than 2018 when BTCL shed -41.8% of its value.



Source: Motswedi Securities calculations

On a quarterly basis BTCL lost -5.9% during Q4/2019 as depicted in the graph above. During Q3/2019 BTCL had a fantastic performance gaining 13.5%. This is the only quarterly gain for BTCL in

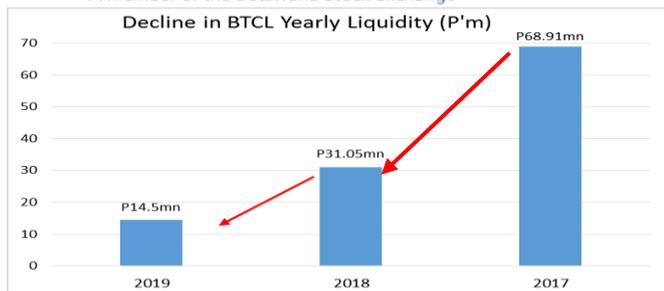
2019. For Q2/2019 and Q1/2019 BTCL lost -1.1% and -5.3% respectively. The worst performance for BTCL stock on a quarterly basis was in Q1/2018 when the stock retracted 34.8% in the 3-month period. This volatility of the share price is largely attributable to small individual investor's unpredictable decisions to sell their BTCL shares even if there are no changes in the business fundamentals. This can only be addressed by increasing the investors' base through opening up the market by removing any restrictions on the trading of BTCL shares. The graph below illustrates BTCL performance on a monthly basis since January 2017.



Source: Motswedi Securities calculations

**Decline in BTCL's liquidity on a yearly basis...**

What is worrying is that BTCL's liquidity seems to be declining on a yearly basis. For example in 2017 a total of P68.9mn worth of BTCL shares exchanged hands during the year. This fell to P31.05mn in 2018 and fell further to P14.5mn in 2019. This translates to an average turnover decline of around 50% every year as illustrated in the graph below. Removing the restrictions on the trading of BTCL shares will help improve liquidity.



Source: Motswedi Securities calculations

### BTCL's Outlook

The market for BTCL remains largely dominated by sellers with the market currently showing very few bids for the stock. Although we note some buyers coming through, they are few and are nowhere near enough to clear out the sellers who increase on a daily basis especially at this time of the year when most shareholders tend to look up for some cash for their obligations by selling their shares. Against this background, 2020 will be another challenging year for the market at large and BTCL. In the absence of any significant increase in profitability of the company we expect the current selling pressure to persist and put the share price under pressure.

### 3.0 Currency Exchange...

The pound was recovery bound for the week, gaining against both the dollar and the euro, from the prior week's losses. The unit's rise was supported by speculators thrumming down the worries that the Bank of England would cut the current interest rates in their meeting next week. This was the second burst of support given to the pound in the week, the first of which was the release of economic data, which showed that Britain's jobs growth had risen strongly in the three months ending November.

The rand was on the backfoot for the week following the unexpected repo rate cut by the South African Reserve Bank. The SARB repo rate was cut down by 25 basis points to 6.25%, meanwhile the

International Monetary Fund amended the nation's growth forecast for the year also revised down to 0.8% as well 1.0% for the next year (2021), which came as a follow through of the SARB's revised forecasts as well, which are more optimistic than those of the IMF, with 2020 pegged at 1.2%. Also affecting the rand in the week, together with global concerns of the coronavirus spreading, which increased buying for safe haven currencies.

### Domestic Exchange rates

Currency	24 Jan	17 Jan	Change (%)	YTD (%)
US\$/BWP ↓	0.0931	0.0932	-0.11	-1.06
ZAR/BWP ↓	1.338	1.34	-0.15	0.64
EUR/BWP ↑	0.0843	0.0837	0.72	0.36
GBP/BWP ↓	0.0709	0.0713	-0.56	-1.25
JPY/BW ↓	10.2	10.28	-0.78	-0.29
CNH/BWP ↑	0.6445	0.6407	0.59	-1.86

Source: Bank of Botswana

### 4.0 Oil prices spooked by respiratory virus breakout...

Oil prices were set to close the week in the negative, but were recovery bound as the week came to an end, although nowhere near the week opening prices. Concerns of the China virus breakout overshadowed demand, even amidst the continued supply cuts by the Organisation Petroleum Exporting Countries. The respiratory virus that broke out in China has caused global concern that if the outbreak grows beyond the boundaries of China, the spread to rest of the globe could stunt global growth and subsequently cause a decline in the demand for the commodity. More especially since, China happens to be the second biggest oil consumer in the world. Oil prices were trading around US\$61.85 per barrel, with a year to date decline of -6% since the start of the year. For the week, oil dropped around 4.63%.

**Gold** was up for the week, a small 0.26%, supported primarily by concerns of continued global easing monetary policy. The precious metal closed the week trading around US\$1,561.26/oz.

**Silver and platinum**, on the other hand declined for the week, with silver down 1.1% and 1.48% respectively.

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