



# Weekly Financial Markets Highlights

**Research**  
Garry Juma  
Salome Makgatlhe

**Sales**  
Tshenolo Motlhagodi  
Moemedi Mosele  
Refilwe Lesolle

**motswedi**securities



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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](mailto:motswedi@motswedi.co.bw)  
Website: [www.motswedi.co.bw](http://www.motswedi.co.bw)

## 1.0 Equity Market Liquidity Ramped up by Letshego...

The week in the local equities was a flurry of activity, driven primarily by activity in Letshego. The stock led the trading sessions throughout the week, with the total number of shares that traded summing up to 31.37mn, valued at P28.24mn. The share price remained unchanged at P0.90/share. Investors are buying into the stock following the publishing of the microlender's financial results on Monday -- which showed some improvement in the company's performance in the year 2019. The company also declared a final dividend of 7.7 thebe per share for the period, of which investors are possibly aiming to qualify for.

The market noted two price movers in the week, one for the gainers and one for the losers. Chobe was the gainer in the week, winning further support from the market, to climb up 9 thebe in the session, to a new historic high of P11.40/share. The stock's year to date as at the end of the week was 2.7%. In the loser's corner was G4S. The stock was docked 10 thebe in the week to end trading at P3.40/share in its first movement of the year. The stock now has a year to date loss of -2.9%.

The gainer and the loser offset each other's effects on the domestic indices, as the DCI and the DCTRI tracked a negligible positive movement for the week. Both indices maintained their positive year to date gains of 1.39% and 1.60% respectively. The FCI, having noted no movements in the respective board, remained unchanged in the week.

## Market Summary – Week ending 06 March, 2020

No. of Shares Trading	<b>31,720,684</b>
Turnover (BWP)	<b>29,473,623</b>
Turnover (USD)*	<b>2,640,837</b>
No. of stocks trading#	<b>13</b>
No. of stocks advancing#	<b>1</b>
No. of stocks declining#	<b>1</b>
No. of stocks unchanged#	<b>21</b>

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0896  
# = Domestic Main Board

COUNTER	06 Mar (t)	28 Feb (t)	Change (%)	YTD (%)
CHOBE ↑	1140	1131	+0.8	+2.7
G4S ↓	340	350	-2.9	-2.9

Source: Motswedi Securities, BSE

## BSE Indices – Week ending 06 March, 2020

<b>DCI Close</b>	<b>7,598.73</b>
Weekly Change (%)	+0.00
YTD Change (%)	+1.39
<b>FCI Close</b>	<b>1,551.35</b>
Weekly Change (%)	0.00
YTD Change (%)	-0.71
<b>DCTRI Close</b>	<b>1,755.30</b>
Weekly Change (%)	+0.00
YTD Change (%)	+1.60

Source: Motswedi Securities, BSE

## 2.0 Company Announcements and Financial Results

**Letshego** published their FY 2019 financial results on Monday. There was some marked improvement from the prior year's numbers, with PAT up 35% at P691mn from P510mn, driven by a 93% spike in non-interest income and a 53% cut in the expected credit losses. As would be expected, EPS climbed to 29.2 thebe, meanwhile RoE went up 16% and RoA went up 6%. Net interest margin stepped slightly down to 21%, continuing with its declining trend, however relatively flat given the starting point of 24% in 2015; while the cost to income ratio climbed up marginally to 45%, remaining well above the Group's target of between 35 and 40%. Gross advances were relatively flat with a small increase of 3% and the credit loss rate down to 1.7% from 4.1%. The NPL coverage ratio was down 10% at 105%. On a different note, the payout ratio is back at 50% of profit after tax, vis-à-vis the 25% it had been reduced to, for the first half of 2019.

Going forward, the group maintains its stance on expansion, noting that they have no intention of increasing their footprint at the moment, while continuing to review the various geographies it operates. Focus will shift to the deposit mix, with the intention of prioritizing the retail sector, with the intended split to be greater than the 50/50 it currently sits at. Key deliverables noted by the incoming Group Chief Executive Officer, Mr Andrew Okai, include a 10% growth in the top line while maintaining the cost to income; cost of credit to sit at around 2.5%, push RoE to 20%; and reduce the effective tax rate to a target rate of 35% (2019: 39%, 2018: 50%). We are expecting the second leg of the Botswana civil servants salary increments to be effected on the 1st of April – this will likely play well into growing the retail loan book as is in line with the

Group strategy. Otherwise, the group will maintain its core business of deduction at source while also looking to diversify its product offering.

**Choppies** published an announcement on Thursday, highlighting to shareholders that the Company's Annual Report, Auditors Report and Annual Financial Statements in respect of the financial year ended 30 June 2019 shall be completed and released by 30 June 2020. Until the results are published, the Company will remain suspended on both the BSE and JSE.

**StanChart** announced the appointment of Mr Thari Gilbert Pheko as an Independent Non-Executive Director of the bank. Mr Pheko has over 10 years' experience in executive management positions of various organizations, including serving as the Chief Executive Director for Botswana Telecommunications Authority, now known as the Botswana Communications Regulatory Authority.

**RDGP** announced its intention to issue further bonds, up to an aggregate value of BWP75 000 000 under its BWP500 000 000 Medium Term Note Programme. The issuance methodology will be by book build with all successful bids to clear at a single clearing price. The issue amount will be at the discretion of the Company. The allocation process will be a pro rata approach in the event of oversubscription with the Company reserving the right to issue Bonds at its sole discretion. The following are salient dates in respect of the issue:

- >Offer Opens Tuesday, 17 March 2020
- >Offer Closes Thursday, 19 March 2020
- >Settlement and Issue Date Tuesday, 24 March 2020

It is anticipated, subject to the fulfilment of certain conditions precedent and BSEL being satisfied

these are met, that the new bonds will be listed on 26 March 2020.

**Primetime** held its EGM and AGM this week. The EGM's purpose was to resolve whether the Company enters into the acquisition agreement in terms of which it will acquire the leasehold interest in Lot 14076, Lobatse as defined in the Circular dated 4th February 2020 on the terms and conditions disclosed in the Circular and that any Director of the Company to do all such things and sign all such documents that are necessary to give effect to the resolutions passed at this meeting. Both resolutions were passed by 82.41% of the unitholders.

### 3.0 South Africa announces technical recession in the week...

South Africa's economic data was published on Tuesday. The largest economy is Southern Africa contracted for the second quarter row, with the economy in Q4 of 2019 reported to have shrank by 1.4%. The quarter before this one (Q3 2019) had contracted by 0.8%. This contraction was larger than what was expected by economists in the country, with 7 out of 10 of the industries monitored in the economy showing a decline q/q. This, being the second consecutive GDP decline q/q, the nation seems to have slid into a technical recession in the second half of the last year. A technical recession is defined as two consecutive quarters of economic decline. This is the second recession that the country is experiencing in two years, the first one having occurred in 2018. This may turn out to be a serious concern for the nation, given that credit rating agency, Moody's may step in and downgrade its current investment grade rating of Baa3 (Negative) on the country. If the credit rating agency does downgrade South Africa, the nation would have no investment-grade ranking for the first time in 25

years, which may prove quite detrimental to the rand.

The US Federal Reserve effected an emergency interest rate cut on Wednesday this week, in a bid by the Central Bank to try and combat the impact the coronavirus may have in the US economy. The Fed decided to cut interest rates by 50 basis points, to a new target range of between 1% and 1.25% -- this happens just a few weeks before the normal monetary policy meeting scheduled for later on in the month. The reaction to the move made by the Fed was however not taken as expected, with the US Treasury yields now quite low. Speculators believe that the Fed will cut the interest rate again during their next two meetings, the first being a 25 bps cut in March and the second being a 50 bps cut in the April meet. These thinkings, unfortunately, had the dollar trading around its 2-month low against some of its trading partners, including the euro.

#### Domestic Exchange rates

Currency	06 Mar	28 Feb	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0896	0.0893	0.34	-4.78
ZAR/BWP ↑ 	1.4063	1.3962	0.72	5.78
EUR/BWP ↓ 	0.0799	0.0812	-1.60	-4.88
GBP/BWP ↓ 	0.0692	0.0693	-0.14	-3.62
JPY/BWP ↓ 	9.49	9.73	-2.47	-7.23
CNH/BWP ↓ 	0.6234	0.6265	-0.49	-5.07

Source: Bank of Botswana

Given the pressures felt by both the dollar and the rand, the pula gained against the units by 0.34% and 0.72% respectively. Against the other units tracked by the Bank of Botswana, the pula lost some of its value, the most against the yen and the euro.

#### 4.0 Precious metals interest spurred by Novel Covid-19 Outbreak...

**Gold** prices gained some traction in the week, climbing around from its closing price at the time of writing. The support was primarily coming from investors seeking safe haven investments in a time of an increased spread of the coronavirus. The virus outbreak has spread to more than 80 countries around the globe, and the number of infections seems to be growing by the day. Gold prices currently stands with a year to date gain of 11%, fuelled mainly by the virus outbreak.

**Silver** gained 4.51% in the week, but however remained in the negative year to date space. Platinum gained even less, moving 0.59%. Silver and platinum ended the week trading at around US\$17.42/oz and US\$871.40/oz respectively.

**Brent Crude Oil** lost quite a bit of steam this week, retracting 4.87% to end trading at around US\$48.06 per barrel at the time of writing. The decline was driven by demand concerns and a general global economic growth slump stemming from the outbreak of the coronavirus. Also putting pressure on the price of oil was the indecisiveness of the Organisation of the Petroleum Exporting Countries on whether to effect deeper cuts in supply that could work to reduce the surplus in the market. The commodity is priced at its lowest in 2 and a half years.

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