

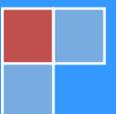
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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights 2nd September 2016

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1. Equity Trading: Bullish Run, Low Volumes.

The local hotel and hospitality giant Cresta Marakanelo was the week's top winner having gained a massive 8 thebe to close at P1.30 a share. The 6.6% gain followed a Trading Statement issued by the company, informing shareholders that their interim results will be significantly better than the previous period. At the end of the week though the company had only traded a small 517 000 shares in total.

Letshego Holdings released their half year results on Thursday, although the results were fairly flat, they more than met expectation for a company growing its foot print across Africa. The company gained 6 thebe during the week to close at P2.02 and declared a 9 thebe interim dividend.

Lucara Diamonds continues to stack up the gains as it closed the week strong, having appreciated by 89.7% since the year began. The company is riding a beautiful wave of improved demand and growing diamond prices, falling production costs and a bit of luck. This is the same company that unearthed two large diamonds from the same Karowe mine this very year. They also reported in their Q2 results an average price of \$1,842 per carat compared to \$412 in 2015, well reflected in their earnings per share which rose 4.25 times. The company subsequently gained 1.8% over the week to close at a new 12 month high of P34.78 a share. Sechaba holdings finally recovered from the losses experienced in the first quarter of the year, ending the week at P29.50, and flat since the start of the year.

Primetime, Barclays and BIHL moved up a thebe to close the week all trading at new 52 week highs.

Primetime will cost you P3.05 a share, Barclays is at P4.76, while BIHL ended the week at P17.04.

Stanchart was the only loser for the week as it extended its year to date losses to 30.4% having lost only a thebe in the week's trades to close at P7.79 a share. With the interim results not offering much guidance we expect that the market could be at equilibrium around this new level.

Major Movers– Week ending 2nd September 2016

COUNTER	02 Sep (t)	26 Aug (t)	Change (%)	YTD (%)
Cresta ↑	130	122	+6.6	+21.5
Letshego ↑	202	196	+3.1	-30.3
Lucara ↑	3478	3417	+1.8	+89.7
Sechaba ↑	2950	2900	+1.7	0.0
Primetime ↑	305	304	+0.3	+5.2
Barclays ↑	476	475	+0.2	+5.8
Stanchart ↓	779	780	-0.1	-30.4

Source: Motswedi Securities, BSE

Market Summary – Week ending 2nd September 2016

No. of Shares Trading	1,927,034
Turnover (BWP)	6,552,656
Turnover (USD)*	604,810
No. of stocks trading	18
No. of stocks advancing	7
No. of stocks declining	1
No. of stocks unchanged	24

Source: Motswedi Securities, BSE *US\$/BWP = 0.0923

BSE Indices – Week ending 02nd September 2016

DCI Close	9,584.11
Weekly Change (%) ↑	+0.43
YTD Change (%) ↓	-9.60
FCI Close	1,601.43
Weekly Change (%) ↑	+0.06
YTD Change (%) ↑	+1.84

Source: BSE; Motswedi Securities

The Domestic Company Index, is staging a recovery, trading bullish for a second consecutive week after some negative momentum saw it cross the 10% loss region. The Index has since reduced the deficit to 9.6%. We expect gains for the next few weeks, as Letshego has reversed its trend, while FNBB and Stanchart seem to have consolidated, supported far in large by their reported results. The index closed the week at 9,584.11.

The Foreign Company Index also continued to edge up on the back of Lucara diamonds as it ended the week at 1,601.43, ending the week higher by 1.84% on a year to date basis.

2. Foreign Exchange:

Manufacturing PMI figures were the most dominant price movers for the week. The British pound rose to four week highs following the release of their PMI data which showed some resilience in the economy post Brexit. China also produced some good PMI figures while Japan was stable with room for improvement.

South Africa PMI figures reflected the looming economic stagnation that could easily turn to a technical recession. The rand economy is still clocked in uncertainty as the love-hate triangle between the finance minister, the special investigation unit the Hawks and the president ensues. The market may have priced in the possibility of Gordhan leaving but everyone must be nervous of who is most likely to replace him.

The dollar opened the week on a strong footing following the Fed Chair Yellen's speech which was fairly accommodative of a possible hike at least by December, however trading was cautious ahead of Friday's Payroll figures. The numbers came in late on Friday, at 151 000 new additions to Non-farm

jobs, a strong push in a sluggish economy, but a miss as market sentiment was near 180 000.

This might not be enough for the markets to raise hopes for a September fed hike, and we expect the dollar to recede overnight into the new week.

The pula piggy backed the dollar appreciating against the rand, and gained some traction against Abe's Yen as Japan continues to struggle with deflation.

Domestic Exchange rates

Currency	02 Sep	26 Aug	Change (%)	YTD (%)
US\$/BWP ↓	0.0923	0.0941	(1.91)	3.71
ZAR/BWP ↑	1.3507	1.3314	1.45	(2.34)
EURO/BWP ↓	0.0825	0.0833	(0.96)	1.35
GBP/BWP ↓	0.0695	0.0712	(2.39)	15.83
JPY/BWP ↑	9.55	9.45	1.06	(10.91)

Source: Bank of Botswana, RMB

3. Commodity Markets:

Brent Crude Oil is in price discovery mode ahead of one of its toughest month, this is according to an article in Bloomberg which stated that "For the last decade, prices have fallen by \$4.43 on average in September, the start of what oil watchers call the "shoulder period" characterized by refinery maintenance, mild weather and the end of the driving season.

Brent Crude Oil started the week strong at \$49.04 a barrel, supported by talks the ongoing comments by some OPEC members, calling for intervention to ease price volatility, amidst the current glut. However the market was rattled by the estimates and forecasts on the levels of China's Strategic Petroleum Reserves, and how quickly they could

be filled. The figures were hard to swallow and the price drop was drastic, falling to below \$46, aided by growing US reserves. By Friday the commodity was up at 46.83, pushed by Putin joining the stability bandwagon. Expect volatility ahead of the Algiers informal meeting, marred by speculation and more talks of a production caps.

Precious Metals, were trading weakly following the slightly more hawkish speech by Yellen the previous Friday. Gold opened the week at \$1321.8/oz and was as low as \$1311 before the payroll figures in the US. Expectation would be for deferment of a hike favoring commodities and growing risk appetite.

Base metals moved in line with their more sort after counterparts as the dollar extended gains for most of the week. Copper started the week suppressed at \$4600/t while Nickel was trading at \$9700/t, with little positive movement by the end of the week.

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