

The Daily Economic and Business News Update, Tuesday, 14 May 2019

Foreign Currency, Money, Equities & Commodities Markets Overview

| Foreign Currency Markets | | | International Stock Markets | | | | Year-On-Year Inflation Rates | |
|-----------------------------------|-----------------|-----------------|--------------------------------|-----------------------|-------------------|----------------------------|------------------------------|-----------------------|
| Currency | 14-05-19 | 13-05-19 | Index | 13-05-19 | 10-05-19 | Change | Country | Rate |
| USD/RTGS | 3.6500 | 3.6500 | Dow Jones | 25,324.99 | 25,828.36 | -1.95% | Zimbabwe | 66.80% ^{Mar} |
| USD/ ZAR | 14.2500 | 14.2783 | NASDAQ | 7,647.02 | 7,910.59 | -3.33% | South Africa | 4.5% ^{Mar} |
| EUR/ USD | 1.1230 | 1.1230 | FTSE All Share | 3,929.52 | 3,955.81 | -0.66% | Malawi | 9.3% ^{Mar} |
| GBP/USD | 1.2926 | 1.3010 | Nikkei 225 | 21,021.30 | 21,344.92 | -1.52% | Zambia | 7.7% ^{Apr} |
| USD /BWP | 10.7411 | 10.6952 | DAX | 11,876.65 | 12,103.79 | -1.88% | Botswana | 3.3% ^{Mar} |
| Old Mutual Implied Exchange Rates | | | | | | | Mozambique | 3.27% ^{Apr} |
| Currency | 13-05-19 | 10-05-19 | Dec 2018 | Dec 2017 | Dec 2016 | Dec 2015 | Namibia | 4.5% ^{Mar} |
| GBP/USD | 8.5807 | 8.3334 | 6.7717 | 2.3828 | 1.684563 | 1.137004 | Kenya | 6.58% ^{Apr} |
| USD/ZAR | 46.1617 | 44.7193 | 35.4063 | 14.5289 | 10.13966 | 4.907358 | Ghana | 9.3% ^{Mar} |
| Regional Stock Markets | | | Interest rates | | | 13-05-19 | | |
| Index | 13-05-19 | 10-05-19 | Change | SARB Prime Rate | | 10.25% | | |
| ZSE Industrial Index | 476.11 | 473.2 | +0.62% | BOB Prime Rate | | 5.00% | | |
| ZSE Mining Index | 187.06 | 189.4 | -1.23% | LIBOR One Month | | 2.449% | | |
| ZSE All Share | 142.46 | 141.6 | +0.59% | LIBOR Three Month | | 2.527% | | |
| JSE All Share | 56,373.68 | 56,780.75 | -0.72% | LIBOR One Year | | 2.693% | | |
| Ghana SE-CI | 2,328.95 | 2,340.78 | -0.51% | Federal Discount Rate | | 1.000% | | |
| Nairobi All Share | 150.27 | 153.29 | -1.97% | Federal Prime Rate | | 3.500% | | |
| Nigeria All Share | 28,484.44 | 28,847.81 | -1.26% | | | U.S.A. 2.0% ^{Apr} | | |
| ZSE Counter | 13-05-19 (US\$) | 10-05-19 (US\$) | Last Traded (US\$) | Daily Change (US\$) | YTD Change (US\$) | YTD Change (%) | Issued Zimbabwe Shares | Market Cap. (US\$) |
| ZB Financial Holdings | 0.4105 | 0.4105 | 0.4105 | 0.000 | +0.0505 | +14.03% | 175,190,642 | 71,915,758.54 |
| First Capital Bank Limited | 0.05 | 0.05 | 0.05 | 0.000 | -0.01 | -16.67% | 2,156,260,176 | 107,813,008.80 |
| CBZ Holdings Limited | 0.3 | 0.28 | 0.28 | +0.02 | +0.15 | +100.0% | 687,231,691 | 206,169,507.30 |
| Econet Wireless Zimbabwe | 1.0958 | 1.0998 | 1.0998 | -0.004 | +0.1958 | +21.76% | 2,590,577,000 | 2,838,754,276.60 |
| FBC Holdings Limited | 0.3911 | 0.3911 | 0.3911 | 0.000 | +0.1911 | +95.55% | 671,949,927 | 262,799,616.45 |
| Fidelity Life Assurance | 0.11 | 0.11 | 0.11 | 0.000 | 0.000 | 0.00% | 108,923,291 | 11,981,562.01 |
| Get Bucks | 0.08 | 0.08 | 0.08 | 0.000 | +0.043 | +116.2% | 1,093,567,251 | 87,485,380.08 |
| NMBZ Holdings Limited | 0.27 | 0.27 | 0.27 | 0.000 | +0.18 | +200.0% | 392,954,830 | 106,097,804.10 |
| Old Mutual Plc | 10.4087 | 10.4017 | 10.4017 | +0.007 | +5.7087 | +121.5% | 69,081,664 | 719,050,316.08 |
| First Mutual Holdings | 0.136 | 0.136 | 0.136 | 0.000 | -0.059 | -30.26% | 690,143,060 | 93,859,456.16 |
| Mashonaland Holdings | 0.03 | 0.03 | 0.03 | 0.000 | -0.0046 | -13.29% | 1,859,073,947 | 55,772,218.41 |
| ZSE Gainers | | | ZSE Losers | | | | | |
| Counter | 13-05-19 (US\$) | Previous (US\$) | Change (%) | Counter | 13-05-19 (US\$) | Previous (US\$) | Change (%) | |
| MedTech | 0.0024 | 0.0021 | +26.32% | PowerSpeed | 0.1600 | 0.1798 | -11.01% | |
| African Sun | 0.3499 | 0.3000 | +16.63% | StarAfrica | 0.0115 | 0.0110 | -4.17% | |
| Turnall | 0.0920 | 0.0800 | +15.00% | RioZim | 1.7200 | 1.7500 | -1.71% | |
| RTG | 0.0550 | 0.0480 | +14.58% | Econet | 1.0958 | 1.0998 | -0.36% | |
| ZSE Market Data | | | International Commodity Prices | | | | | |
| Index | 13-05-19 | 10-05-19 | Commodity | 13-05-19 | 10-05-19 | Jan 19 | Jan 18 | |
| Turnover Value (\$m) | 3.9219 | 6.5115 | Gold (US\$/oz) | 1,299.60 | 1,285.00 | 1,283.50 | 1,317.10 | |
| Foreign Buys (\$m) | 0.3743 | 3.0357 | Platinum (US\$/oz) | 853.00 | 863.00 | 792.00 | 942.00 | |
| Foreign Sales (\$m) | 0.4842 | 1.2583 | Silver (US\$/oz) | 14.745 | 14.735 | 15.470 | 17.150 | |
| Market Cap (\$m) | 18,635.83 | 18,385.91 | Palladium (US\$/oz) | 1,305.00 | 1,333.00 | 1,252.00 | 1,086.00 | |
| YTD Change (Market Cap) | -2.89% | -4.19% | Brent Crude Oil (US\$/barrel) | 70.23 | 70.62 | 53.80 | 66.55 | |

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Local Business News

1. Government has recorded considerable progress in reforming State-Owned Enterprises (SOEs) in recent months, with the de-merger of the Grain Marketing Board (GMB) now complete, while Cabinet approvals have been obtained for the implementation of modalities of rebundling ZESA Holdings and other entities. Secretary for State Enterprises Reform and Corporate Governance Unit in the Office of the President and Cabinet Willard Manungo last Friday said the reforms are being done on a “case-by-case basis and are currently at various stages across the designated entities”. (Herald)

2. Crippling power cuts being experienced across the country might worsen the plight of local industries that are already battling to remain afloat given the challenging macro-economic environment, the country’s biggest industrial lobby group, Confederation of Zimbabwe Industries (CZI) has said. Zimbabwe is facing renewed challenges around power supply after the Zambezi River Authority cut water allocations to Zimbabwe Power Company for the second time this year due to fast receding water levels in Kariba Dam. As such, due to the power cuts, capacity utilisation in the manufacturing sector is expected to decline this year to about 48%, as rising costs of production and foreign currency shortages continue to take a toll on industrial operations. (Herald)

3. State power utility Zesa Holdings is working on processes to increase power imports as part of concerted efforts to ameliorate the shortage of electricity due to reduced generation at Kariba South. Zesa is also reportedly weighing the possibility of using the 200 megawatt Dema diesel power plant, but there are concerns about the option given the prevailing shortage of fuel in the country. The plans come after the State power utility this week resorted to rolling out power cuts across the country to manage the gap between demand and supply after Zimbabwe River Authority (ZRA) cut water ration for power generation at Kariba, one of Zimbabwe’s two power

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stations. (Herald)

4. Prices of some local products appear to have entered a self-correction mode as consumer demand is said to have declined by at least 40%. Just last week, listed beverages giant Delta Corporation, announced it was reducing retail prices for its soft drinks, which have been in short supply in the market in the past months. Delta Corporation indicated that 300ml RGB of coke and other flavours was now selling at RTGS\$1.25, 330ml can at RTGS\$1.80, 350ml PET (RTGS\$1.80), 500ml PET (RTGS\$2), while RGB one litre at RTGS\$3.60 and a two litre PET at RTGS\$6.40. The prices of these Delta products that were marked imported in most retail shops, were selling at figures beyond the reach of many average families in Zimbabwe. (Herald)

5. Zimbabwe will tomorrow host the inaugural Investor Day Conference in Harare to foster interactions on unlocking economic value through capital markets. Over 300 delegates comprising market intermediaries, regulatory bodies, high net worth investors, retail investors, potential investors and government officials are expected to participate at the conference. Finance and Economic Development Minister Professor Mthuli Ncube is expected to present at the event as well as officials from the central bank, the Zimbabwe Stock Exchange, World Bank, capital markets regulator- Securities and Exchange Commission of Zimbabwe (SECZIM) and the Central Depository and Settlement Corporation Kenya (CDSC). CDSC Kenya chief executive officer Rose Mambo will be the guest speaker at the conference sharing her wealth of knowledge in capital markets. (Herald)

6. Fidelity Printers and Refiners Limited (FPR) says it will pay an incentive for gold deliveries as government tries to ramp up output of the yellow metal. In a statement, FPR, a subsidiary of the Reserve Bank of Zimbabwe (RBZ) mandated to buy gold on behalf of the State, said: "The incentive will be in the form of a gold support price of US\$1 368.28 per ounce (US444 000.00

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per kg). The gold support price and the duration of the facility will be reviewed from time to time.” Gold production in the southern African nation has been on a steady increase in recent years, but output was severely dented in the second half of 2018 when FPR started making part payments in the local bond note currency. The payment arrangement saw a lot of the gold being sold on the informal market, while some of it was smuggled out of the country. According to official data, deliveries to FPR during the first quarter of the year declined by 10% to 6.5 tonnes from 7.3 tonnes compared to the same period last year. FPR said gold producers would continue to retain 55% of the price of gold delivered in US\$. (NewsDay)

7. Workers in the hospitality industry are demanding that their salaries be paid in foreign currency, saying their employers have the capacity to do so as most of their transactions are in foreign currency. The call by workers in the sector comes at a time many businesses are demanding payment in foreign currency for some of their commodities and services. Farai Chitsinde, the National Union of Tourism, Wildlife, Leisure, and Allied Workers general secretary told NewsDay they would soon embark on an offensive aimed at pushing their employers to make foreign currency-based salary payments. “It is undoubted and an open secret that our sector is one of the top foreign currency earners in the country. (NewsDay)

8. Fidelity Printers and Refiners (FPR) has introduced an incentive for gold producers in the form of an inflated price to enhance deliveries, which have been subdued of late. This comes as government has set a gold production target of 40 tonnes for 2019 after FPR last year collected 33 tonnes. And even though monthly deliveries have been ticking up following a dramatic slump in the final quarter of 2018, they remain subdued relative to last year’s numbers. “FPR would like to advise the public that as a way to further enhance gold production in Zimbabwe it will pay an incentive over and above the purchase price of gold delivered to FPR,” the central bank subsidiary said in a statement. “The incentive will be in the form of a gold support price of US\$1 368.28 per ounce (US\$44 000 per kilogramme),” said the country’s sole buyer, refiner and exporter of the yellow metal. This price represents an US\$80 premium on the London bullion

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market's Friday closing price of US\$1 286. And with the precious metal's price ranging between US\$1 160 and US\$1 347 over the past 52 weeks, the inflated price would seem to promise a significant incentive for miners. (DailyNews)

9. Reserve Bank of Zimbabwe governor John Mangudya and Indian ambassador Rungtung Masakui are expected at a smartech symposium to be held next month in Harare aimed at driving economic growth through various new technologies. Global Renaissance Investment (GRI), which is organising the event, said the conference will come up with ways to harness technology for economic growth. "Digitisation is the new game in town and it is imperative that the country adeptly smart technology to grow the economy," GRI chief executive Ngoni Dzirutwe said. "Most banks have reported profitability in the past year riding on smart technology. This is a testament that the smart technology reduces costs and boost profits for companies. China and India, currently hubs of technology, are exporting more goods because technology has reduced the costs of production for their companies". (DailyNews)
10. Zimbabwe's platinum output slipped from 10 000 ounces in the fourth quarter of 2018 to 5 000 ounces in the first quarter this year due to economic challenges, latest global data show. According to the World Platinum Investment Council (WPIC) latest report, platinum production from Zimbabwe should remain stable at 470 000 ounces. "Production from Zimbabwe should remain stable at 470 000 ounces (+5 000 ounces year-on year), and a small pipeline release in Russia will mostly be offset by continued alluvial mine depletion to give 670 000 ounces for the year (+5 000 ounces)," WPIC said. (DailyNews)

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Regional News

1. South Africa's rand weakened in early trade yesterday, giving up some of the election inspired gains, with risk aversion driving currency markets after the latest escalation in the trade war between the United States and China. The world's two biggest economies appeared at a deadlock over trade negotiations on Sunday as Washington demanded promises of concrete changes to Chinese law and Beijing said it would not swallow any "bitter fruit" that harmed its interests. (Reuters)

2. South Africa's mobile phone operator Vodacom reported a 6.6% drop in full-year earnings due to one-off costs related to a share scheme offered to black investors. Headline earnings per share (EPS) for the full-year ended March fell to 862 cents from 923 cents a year earlier. Headline EPS is the main profit measure in South Africa and strips out certain one-off items. Vodacom, which is majority owned by Vodafone, concluded a broad-based black economic empowerment (BEE) ownership deal in September, which saw Vodacom issue additional shares. (Reuters)

3. The Competition Authority of Kenya approved yesterday a proposed merger between Kenya's Commercial Bank of Africa and NIC Group, the regulator said in a statement. It said the approval was on the condition that no employees would be made redundant in the merged unit within 12 months of the deal's completion. (Reuters)

4. Namibia will continue with tariff-free beef export quotas to the United Kingdom after Brexit occurs. The Meat Board of Namibia said in their May 2019 newsletter that Namibia currently exports roughly 26% of its beef to the UK. "Negotiations regarding the continuation of beef exports to the United Kingdom are handled at the highest level, despite difficulties between the

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European Union and Britain regarding Brexit negotiations,” the Meat Board said. The UK had expected to conclude Brexit by 29 March 2019. Moreover, the board said the Southern African Customs Union, to which Namibia belongs, is in the final stages of negotiations to establish a free trade agreement with the UK. (Namibian)

5. The African Development Bank Group has approved an \$11.1m loan to support Zambia’s efforts to restore fiscal stability. The funding was approved by the Abidjan-based African Development Fund in a bid to help Zambia improve its management of public resources. The four-year project, spanning 2019–2022, will aim to strengthen the capacity of staff in institutions responsible for public finance, economic management, development planning and statistics. Zambia is pursuing reforms to stabilise its economy by reining in a widening public debt fueled by depreciation of its currency, drought, and commodity price shocks – it is a major producer of copper, the price of which fell by more than 18% in 2018. (LusakaTimes)

6. Zambia’s Ambassador to Ethiopia Emmanuel Mwamba has announced that a standing Business Forum between Zambia and Ethiopia will be formed. Mr. Mwamba has since called for a meeting with chambers of commerce to action the formation of the Business Forum. He said Ethiopia with a population of 105 million was the fastest growing economy in Africa in the last five years and it was imperative that private sector links between Zambia and Ethiopia were formalized. Mr. Mwamba said he was impressed that the economy was booming but driven by local people and local investors. He said he would collaborate with Chambers of Commerce in Zambia and Ethiopia to appoint a board that should drive the private sector trade and business between the two countries. (LusakaTimes)

7. Economist Oliver Saasa has called on government to intervene and help sustain the operations of the mines. Professor Saasa says the mining sector is a major source of Zambia’s foreign

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exchange earnings. He says any disruption in productivity in mining sector will result in a decline in foreign exchange inflow which accounts for 70% of the country's export earnings. Professor Saasa also called for an expansion of industries that can broaden the base for collecting taxes. He said in an interview with ZNBC News that government should also invest in sectors that are able to raise revenue which is enough to service both domestic and external debt. (LusakaTimes)

8. The Director, Corporate Communications, Central Bank of Nigeria (CBN) Mr Isaac Okoroafor said that no money is missing or stolen from the bank's coffers as reported in some section of the media. Okoroafor said this in a statement on Sunday while reacting to a recent article and audio clips in which the CBN Governor and other senior officials were heard discussing discrepancies in the bank's accounts. (AllAfrica)

9. SA, An investigation has been launched into the National Lotteries Commission (NLC) following allegations of fraud and corruption involving grant allocations to "good causes". The investigation by the Department of Trade and Industry (DTI) follows numerous reports over the past 18 months by investigative journalists describing alleged fraud and corruption involving Lottery grants running into hundreds of millions of rands. The NLC is an agency of the Department of Trade and Industry.

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International News

1. China's offshore yuan and the Australian dollar found their footing again today as broader sentiment stabilized after U.S. President Donald Trump said he expected Sino-U.S. trade negotiations to be successful. Trump said earlier he would meet with Chinese President Xi Jinping at a G20 summit next month. China had announced yesterday it would impose higher tariffs on \$60 billion of U.S. goods following Washington's decision last week to hike its own levies on \$200 billion in Chinese imports. (Reuters)
2. China and the United States both have the "ability and wisdom" to reach a trade deal that is good for both, the Chinese government's top diplomat said, as U.S. President Donald Trump said he thought recent talks in Beijing would be successful. The slightly more optimistic comments came after both sides ramped up their trade war, with China announcing details of new tariffs against U.S. imports yesterday, following the United States' move last week to target Chinese imports. (Reuters)
3. Japanese Finance Minister Taro Aso said today the Sino-U.S. trade war would not immediately trigger an economic shock on the scale of the "Lehman shock", though the friction between the world's two largest economies is unlikely to be resolved easily. Aso said the Japanese government will lay the groundwork for a planned sales tax hike to be implemented barring a big economic shock like the collapse of Lehman Brothers about a decade ago. (Reuters)
4. An increase in transactions in the non-cash and cash currency markets is being observed during the first quarter of 2019 in Azerbaijan, Trend reports referring to the monetary policy report of the Central Bank of Azerbaijan (CBA). As noted in the review, the volume of transactions carried out on the non-cash foreign exchange market for the current period amounted to \$6.1 billion.

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During the reporting period, 81.2% of transactions in the non-cash foreign exchange market were conducted in US dollars, and 18.8% in other currencies. (NewsNow)

5. Turkey's finance minister says economic problems in the country are being addressed and things will begin to look better by the end of the year. Berat Albayrak told the CNN Turk that the plan his ministry has been implementing has started to pay off. He pledged to overcome economic woes in the coming years. Press TV's Rahshan Saglam brings us a report. (NewsNow)

6. Thailand's central bank has not intervened in the trading of the baht to gain a trade advantage with the United States, an assistant governor said yesterday, amid speculation that Washington may soon add the country to a currency watch list. "Thailand has some trade surplus with the United States, so it could be on the watch list," Chantavarn Sucharitakul said in a text message to reporters. But, "Thailand has always communicated that it has not intervened in the currency for an advantage in trade with the United States," she said, adding that it was open for further discussions. (BusinessTimes)

7. China's central bank today lent 200 billion yuan (S\$39.8 billion) to financial institutions via its one-year medium-term lending facility (MLF), with the interest rate unchanged from before, it said in a statement. The interest rate for the one-year MLF was 3.30%, the People's Bank of China (PBOC) said, the same as the previous such operation. The fresh fund injection effectively offsets the maturing of such loans with a total value of 156 billion yuan on the same day. In the same statement, the PBOC said it skipped reverse repo operations today. With 20 billion yuan worth of reverse repos maturing today, the central bank injected a net 24 billion yuan via open market operations on the day. The central bank has been using the facility to channel funds more directly to sectors of the economy needing them most. (BusinessTimes)

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8. Four UBS Group private bankers overseeing US\$530 million in client assets are the latest to strike out on their own, creating a Portland, Maine-based firm called Great Diamond Partners, according to a statement yesterday. Last week, five Bank of America advisers in Atlanta overseeing US\$450 million in client assets departed, while a US\$6 billion Texas team split from Morgan Stanley in April. Breakaways are occurring more frequently as advisers hoping to exert greater control and keep a larger share of the revenue bolt big banks to create boutique firms. (BusinessTimes)

9. Bitcoin surged to more than US\$8,000 late yesterday, its highest level since July last year, as the cryptocurrency's rally gained further momentum. There is no real fundamental explanation as to why bitcoin, the original cryptocurrency, hit a 10-month high yesterday. But there is an ongoing blockchain and cryptocurrency conference in New York called Consensus, with big investors and influential market players gathered to network and discuss the current state of the industry. Bitcoin had also rallied during previous Consensus conferences. Bitcoin was last up nearly 17% at US\$8,131 on the Bitstamp exchange, the largest daily percentage jump since early April. It hit a high of US\$8,167.50, a roughly 10-month peak. (BusinessTimes)

10. The cost of default protection on Deutsche Bank nearly halved yesterday following the introduction of new derivatives contracts used to insure against German bank debt defaults. Credit default swaps on Deutsche Bank's most senior debt securities traded at 99bp, according to IHS Markit - equivalent to an investor paying US\$99,000 per year to insure against a default on US\$10m of Deutsche debt for five years. That compares with Deutsche's most senior CDS trading at 180bp on Friday before the introduction of the new contracts. Analysts said prices could be somewhat volatile as traders attempted to find a level on the new CDS. (BusinessTimes)

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- 11.**The Executive Board of the International Monetary Fund completed the Fifth Review of Sri Lanka's economic performance under the program supported by an extended arrangement under the Extended Fund Facility (EFF). Completion of this review, upon the granting of waivers of nonobservance for the end December 2018 performance criteria on the primary balance and net official international reserves, makes available SDR 118.5 million (about US\$ 164.1 million), bringing total disbursements under the arrangement to SDR 833.73 million (about US\$ 1.155 billion). The Executive Board also approved an extension of the arrangement by one additional year, until June 2, 2020, with rephasing of remaining disbursements. (DailyNews)

- 12.**The Bank of Thailand insists it has not manipulated the baht to gain an advantage in exports amid speculation Thailand could be added to the US's expanded watch list for currency manipulation. (BangkokPost)

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