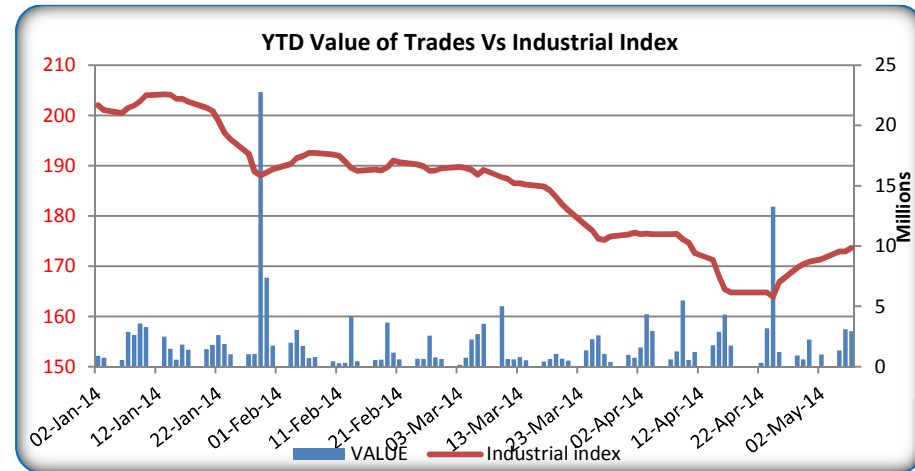
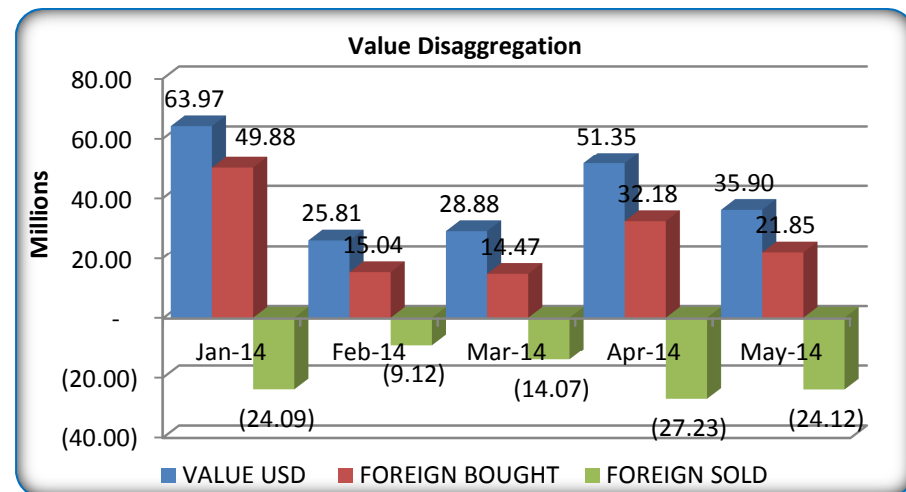


INDEX	31-Apr-14	30-May-14	May Mvt	YTD Mvt
Industrial index	172.91	174.89	1.15%	-13.47%
Mining index	29.64	35.44	19.57%	-22.60%

SOURCE: EFE SECURITIES/ZSE



SOURCE: EFE SECURITIES

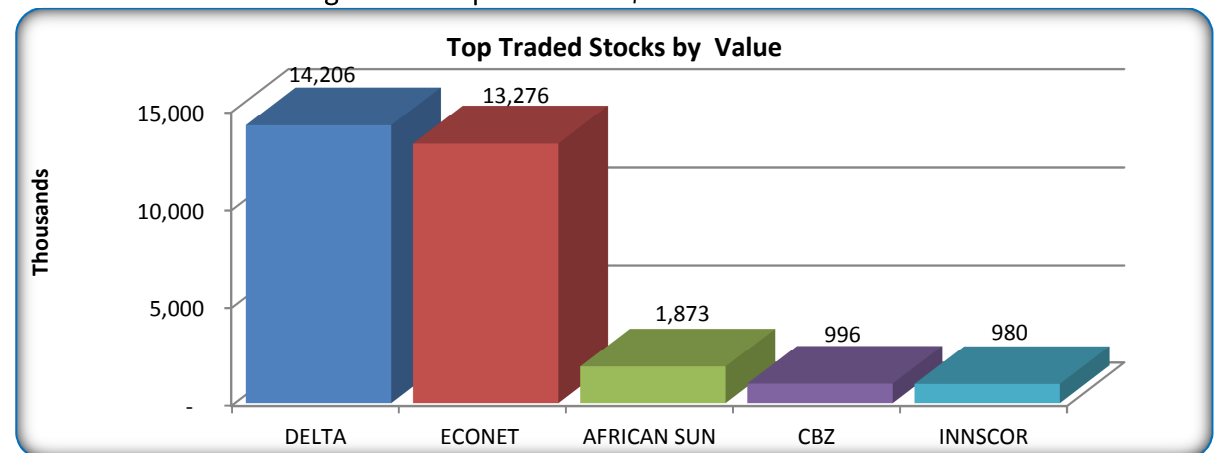


SOURCE: EFE SECURITIES

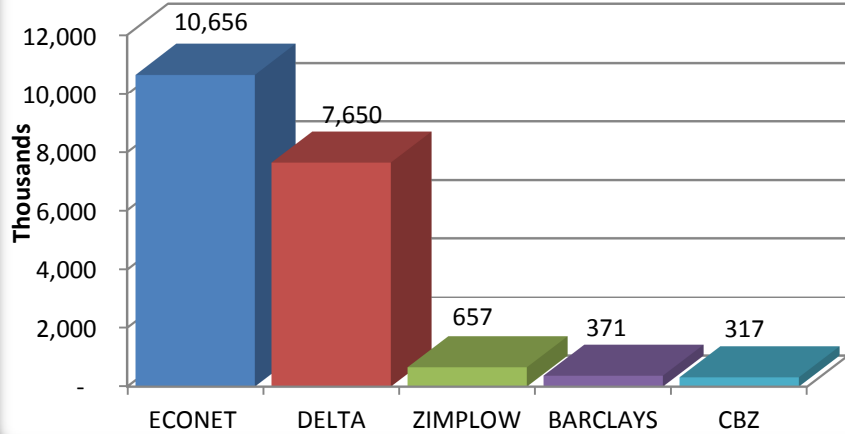
Equities close firm as investors warm up to a revamped indigenisation policy ...

The ZSE mainstream index firmed a marginal 1.15% month on month in May to close at 174.89pts while spontaneously narrowing its YTD loss to 13.47%. However year on year the index fared -18% worse off. The monthly rebound is against a first quarter dearth which was preceded by a further shrinkage in April as the outlook remained predominantly murky. The economic base has fast been dissipating amid tight liquidity, hence government's increased rhetoric overdrive in the month which in a bid to clarify the indigenisation policy. The policy in its current form is widely regarded as a dampener to foreign direct investment and the hinted reviews in turn received cheers from the market.

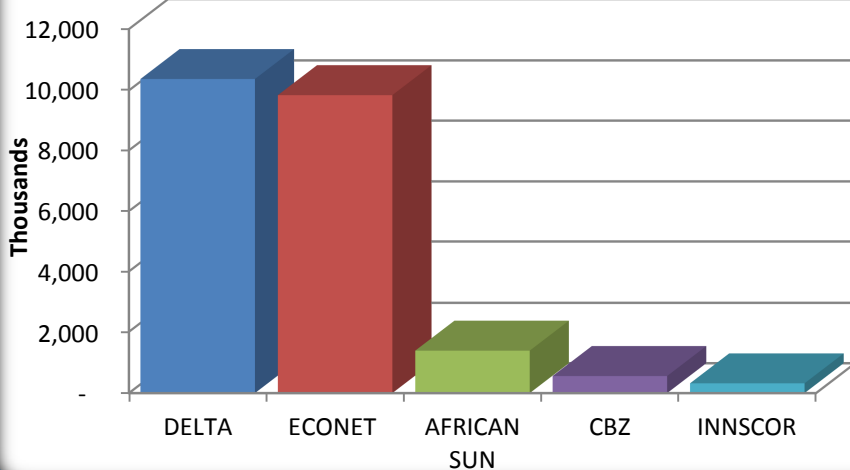
Despite the upsurge in the price level, trading patterns in the month were largely adverse which is an indicator of a weak market barring externalities. Overall value traded stood at 35.9m which is a -30% decline from that achieved in May. The outturn was driven by an almost similar decline in foreign spend which came off 32% to \$21.85m. Relative foreign contribution to turnover was marginally down at 61% compared to 63% last month indicating a general plunge overall spend. Foreign sells eased by 11% to \$24.1m which resulted into a net foreign outflow position of -\$2.2m.



Delta was the top traded stock by value and together with Econet the two accounted for 78% of the turnover. Foreigners accounted for 66% of the overall spend in Econet and Delta which in turn accrued 84% of the total foreign portfolio investments in the month. The prolonged excessive skew of trades in a few cherry picked blue chips exhibits risk aversion on the part of foreigners as economic fundamentals remain weak.

Foreign Bought


SOURCE EFE SECURITIES

Foreign Sold


SOURCE EFE SECURITIES

Zimflow was the top riser in the month on a technicality emanating from a share consolidation. Art however added 300% to 0.4c in the month after shareholders committed \$1.8m in capex to the group. The company however reported a decline in overall demand of its products in the 6 months to March. Battery and paper volumes were reported to be 10% and 13% down on the comparable period. Revenue for the period was 8% lower than last year a resulting in the group posting a loss of \$1.1m on the back of pressure from cheap imports. Pelhams went up 100% to 0.02c while Hunyani added 73.55% to 2.1c. Hunyani went on to report a depressed set of financials where Revenue softened by 9% to \$18.97m leading to an operating loss position which compared to a profit in the comparable period. Bindura soured 63% to 2.2c amid a projected 60% increase in production.

Top Gainers	31-Mar-14	30-Apr-14	Apr Mvt	YTD Mvt
ARTZDR	0.10	0.40	300.00%	100.00%
PELHAMS	0.01	0.02	100.00%	-80.00%
HUNYANI	1.21	2.10	73.55%	5.00%
BINDURA	1.35	2.20	62.96%	10.00%
NMBZ	3.00	4.00	33.33%	-38.46%
ZIMFLOW	2.40	3.13	30.21%	-10.71%
TA	6.50	8.00	23.08%	31.15%
MEDTECH	0.06	0.07	16.67%	0.00%
PADENGA	7.10	8.15	14.79%	1.88%
STAR AFRICA	0.70	0.80	14.29%	-20.00%

Top Losses	31-Mar-14	30-Apr-14	Apr Mvt	YTD Mvt
ZBFH	9.00	6.00	-33.33%	-45.95%
TRUWORTHS	2.50	1.80	-28.00%	-57.14%
ZIMPAPERS	1.10	0.80	-27.27%	0.00%
MASIMBA	1.50	1.10	-26.67%	-83.08%
RTG	1.30	1.00	-23.08%	-37.50%
HWANGE	6.00	4.80	-20.00%	-46.67%
PIONEER	6.00	5.00	-16.67%	66.67%
ZPI	1.00	0.85	-15.00%	-34.62%
ARISTON	1.00	0.85	-15.00%	-15.00%
COTTCO	0.90	0.80	-11.11%	-86.67%

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ZB was the worst performer coming off 33% to 6c after reports that the group is offloading non performing entities to include the stockbroking arm as well as the asset management arm. Truworths eased 28% in the month to 1.8c amid a dearth in financial numbers of peer group clothing retailer Edgars. ZPI shrunk 27.27% to 0.85c. Hwange which is still failing to turnaround amidst shareholder squabbles sunk 20% to close the month at 4.8c.

Comment

As a lot of energy is being reportedly expended to address macroeconomic anomalies to include primarily a review of the indigenisation policy, it is our view that in the short term participants on the ZSE will clamour to the little hope generated by such a motion thereby driving ZSE gains though caution will have to be exercised. The policy in its current form has done much to dampen foreign investments, we therefore believe it will take considerable time before the country can realise meaningful benefits from the policy shift that is after a revamp of the policy. However an immediate policy shift will save an economic collapse as well as a growing vicious cycle in the economy as foreign investors will view the gesture as a willingness to reengage and uphold international investment laws on the part of government thereby providing the much needed confidence to the markets. Going forward we believe the current month will post relatively higher returns though marginal in movement.

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