

## EFE Weekly Market Review 07 February 2014

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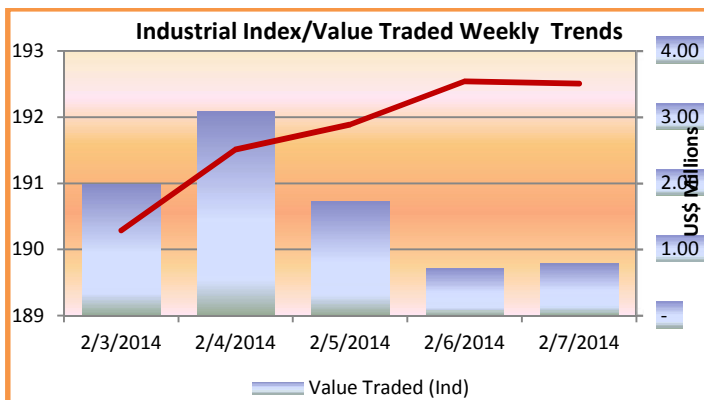
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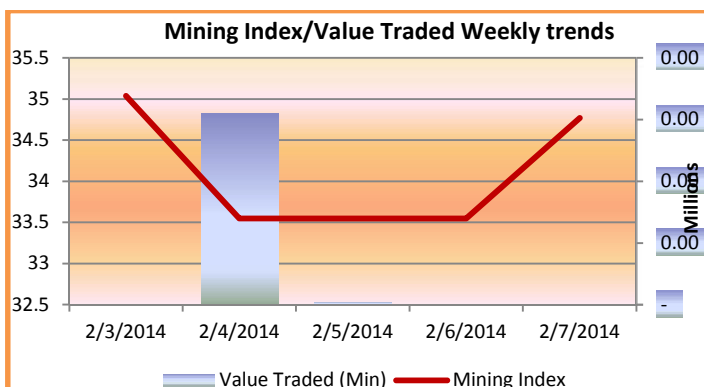
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Source ZSE/EFE Dbase



Source ZSE/EFE Dbase

### Market Highlights

#### *Steady rise on the industrials as heavy's bottom up ...*

A purple patch prevailed on the ZSE in the week with the mainstream index recording gains in each session with the exception of the week closing call to reverse prior week losses. The market has been slowly rerating downwards as it braces for a relatively subdued outturn for the listed companies for the period ended December 2013 despite recovering in the week under review. It remains prevalent though, that the gains currently realised on the bourse are without any fundamental support either organic or inorganic. Therefore the volatility is expected to remain dominant with the downside aggregately bargaining in the short run. The current mixed trend on the ZSE in our view is a sign that investors are yet to come to terms with the reality of a depressed economy. The market will therefore go back and forth in search of a clear direction. Gradually we expect the bourse to yield thus curving in after the reporting season where most companies are likely to report constrained growth in profitability. A rebound is likely in the second half where we believe government will ensure stimulus in the economy if able to fund critical sectors.

Index	Level	%Δ	YTD %Δ
Industrial Index	192.51	1.72	4.75
Mining Index	34.77	0.77	24.07

On a week on week basis the industrials added 1.72% to 192.51pts spurred by a rebounding Delta which cumulatively gained 7% to close at 127c among other stocks. Despite the index's retreat today, Delta kept surging to finish the week in the positive. The Mining Index on the other hand tumbled 0.77% to 34.77 pts in a week in which all mining counters were inactive in 3 sessions.

#### *Value of trades slows down as the Industrial Index recover*

The resurge in prices in the week saw a sharp decline in value traded in the week barring the Seedco's special bargains in the comparable period. Volume traded simultaneously eased 26% to 38.7m shares. The first two sessions of the week saw exchanges in special deals in TSL which however were too short to inspire both value and volume traded.

	Current	Previous	% Δ
Value Traded (\$mn)	8.41	34	75.27
Volume Traded (mn)	38.70	52.16	25.81
Foreign Purchases	4.40	31.44	86.02
Foreign Sales	4.14	6.65	37.75

Source ZSE/EFE Dbase

### Contacts:

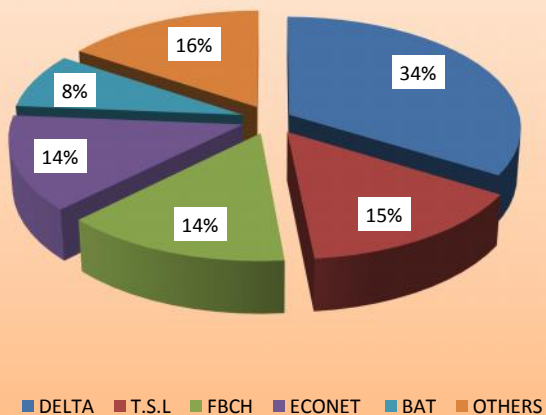
Edgeton Tsanga 0772277153

Chris Masendeke 0772135234

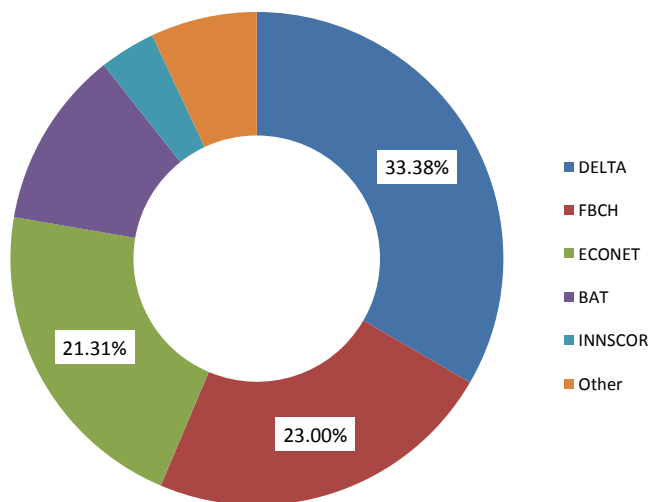
Phenias Mandaza 0772144334

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**Top Stock Contributors to Weekly Value of Trades**



**Top Stock Buys By Foreign Investors**

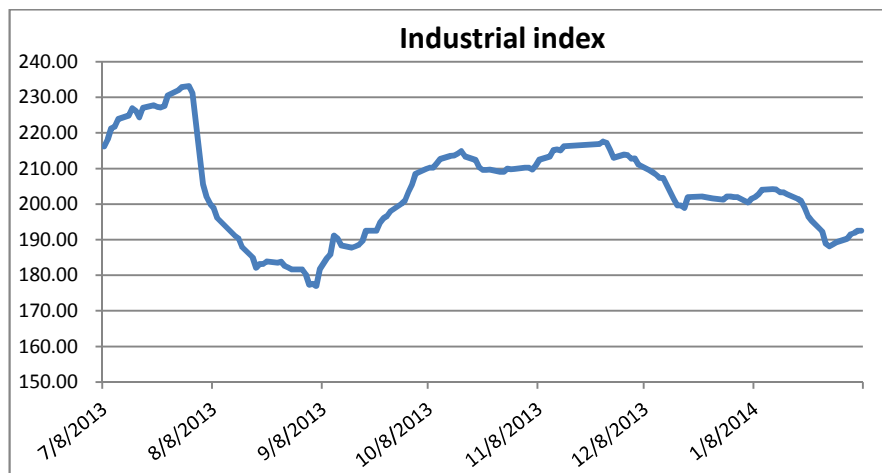
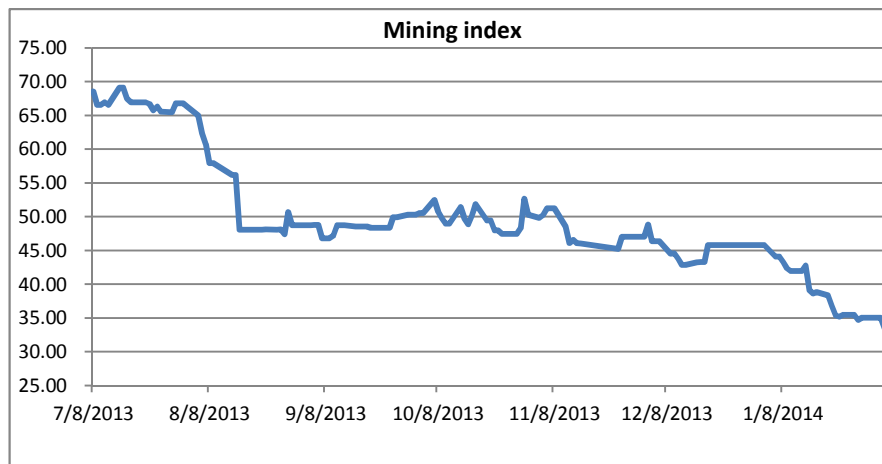
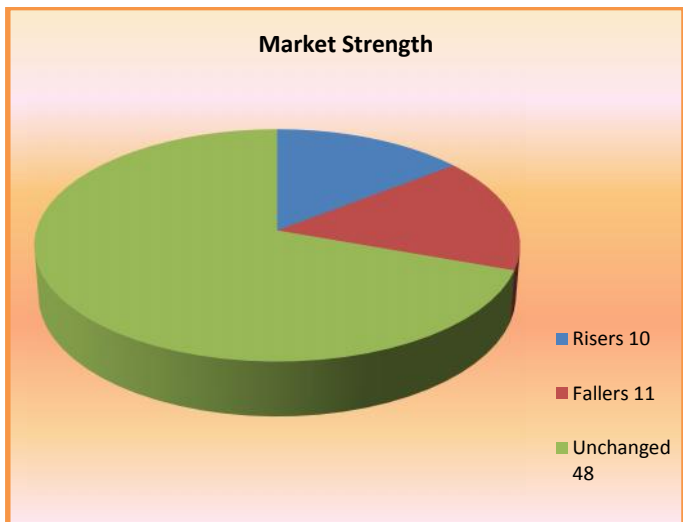


Top Five Risers				Worst Performers			
Counter	Price	%Δ	YTD %Δ	Counter	Price	%Δ	YTD %Δ
CAFCA	30	15.38	7.14	DZLH	12	25	20.
TA HLDS	7	7.69	14.8	ZBFH	9	18.2	18.9
DELTA	127	7.07	9.35	COLCOM	20	16.7	9.09
MEIKLES	22	4.76	15.8	CFI	3	11.8	16.7
AFDIS	32	4.92	6.7	DAWN	0.9	10.	10

Foreigners emerged as net buyers in the week despite marginal net inflows of \$0.3m where purchases of \$4.4 and sales worth \$4.1m were realised. The narrowing gap comes as global concerns on capital outflows from emerging and frontier remains a topical issue world over. On a week on week basis foreign purchase eased 86% while sales went down 38%. Delta was the most sought after stock by foreigners contribution 33% to the overall foreign purchases.

Overall 10 counters were up in the week compared to 11 fallers. CAFCA topped the rises adding 15% to 30c followed by TAH which went up 8% to 7c. Econet surged 1.67% to 61c after reports that the telecoms' mobile money transfer platform's subscribers surged 75% to 3.5m. Rival telecoms group Telecel also launched a similar product in the week and quickly connected all banks via Zimswitch. BAT was another heavy cap riser on strong demand firming 1.5% to 1370c. On the downside were DZHL which went down 25%, ZBFH softened 18% to 9c in the week the group reaffirmed of its intention to merge its banking and mortgage financing arms. Fellow bankers Barclays lost 6.8% to 4.1c while NMB was offers only at 7c after issuing a profit warning which is on the back of increased impairment losses on loans and advances. Overall the banking sector's average NPL to total loans ratio stood at 16% as at 31 December 2013. The figure is likely to surge given the prevailing high cost of capital and the liquidity squeeze in the economy.

## Market statistics



## Top Picks

African sun		The tourism group completed a restructuring exercise in 2011 which saw them post a first profitable full year outturn in 2012. With a well-focused structure going into 2013 African Sun is well placed to consolidate on the performance
BAT		Established itself as one of the consistent performers on the local bourse. It is operating at a mature stage of its business as seen in its high and attractive dividend pay-out. It is our opinion that BAT should be considered for attractive cash flows from their dividend pay-out
Dairibord		Driven by a portfolio of strong SBU's and an attractive brand portfolio that can hold its own against imports in the local market. With the concerted effort to re-establish the national herd the future can only be better for Dairibord.
Delta		The beverages Giant enjoys huge market dominance and has consistently maintained a steady growth in volumes and revenues. As the market's top stock, a solid performer, Delta is an undoubted consideration for any investor because of the limited downside
Econet		The dominant mobile phone operator in the country enjoys huge discounts to its regional comparatives while the fact that it is a consistent performer adds to its allure.
Hippo		Growing capacity utilization and production with complementary firming demand both locally and internationally and the fairly higher than the traditional averages commodity prices
Innscor		The group enjoyed steady growth in revenues over the years and looks well placed to continue enjoying steady growth going forwards. It is one group that has positioned itself well to benefit from any improvement in economic activity and disposable incomes in particular
Meikles		The conglomerate has had stunted performances since dollarization with its interims to September showing the first signs of a turnaround. With the second largest retail group in their portfolio as well as some of the top hotelier properties in their portfolio the group is clearly heavily discounted. Now that the results are coming we believe its only a matter of time before the group stakes its claim again as one of the top stocks on the local bourse
Properties Pearl &	: Mash; ZPI	Property companies on the local bourse have all been relatively discounted relative to the regional comparatives with the investment case largely being vested in the lower rental rates relative to regional comparatives. These have been steadily improving and are expected to continue improving with better changes in the economy
National Foods		As the leading food processing and packaging group in the country has been on a capacity increase drive and should continue to enjoy and consolidate on benefits of its rationalization exercise as well as improving efficiencies. The group can also benefit from synergies that could be drawn from their strategic partnership with top shareholders and leading South African food processing and packaging group Tiger Brands.
OKZM		As one of the leading retail groups in Zimbabwe OK led the way in refurbishment of outlets, As more outlets are refurbished and others added to their portfolio we believe the margins will continue to improve
Old Mutual		The dually listed giant trades at a huge discount to its price on either the JSE or London stock Exchange. We believe there is potential upside benefits should market be liberalized scrip become tradable across markets. For the short term however Old mutual's attraction is in its consistency is paying dividends
TSL		Attractive valuation and successfully completed a rationalization exercise with the results of impressive financial results coming up

## In the News

### **'Trust could have been capitalised'**

A South African company, Mining, Oil and Gas Services had plans to transform Trust Bank into an energy bank through an investment of US\$800 million, it has emerged

<http://www.herald.co.zw/trust-could-have-been-capitalised/>

### **11 investors show interest in Chemplex**

THE Industrial Development Corporation will finalise the execution of share subscription agreements relating to Chemplex Corporation within the first quarter of this year after 11 investors expressed interest in the company.

<http://www.herald.co.zw/11-investors-show-interest-in-chemplex/>

### **US\$27bn required to fund Zim-Asset**

ZIMBABWE requires at least US\$27 billion to fund the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset), with the bulk of the money earmarked for infrastructure projects, a senior Government official said yesterday

<http://www.herald.co.zw/us27bn-required-to-fund-zim-asset/>

### **Seed Co to offload 49pc of Quton**

SEED Co Ltd is close to selling part of its shareholding in Quton, a cotton seed developer, to an Indian company Mahyco for a yet to be disclosed amount, sources said

<http://www.herald.co.zw/seed-co-to-offload-49pc-of-quton/>

### **ZB to continue with merger plans**

ZB Financial Holdings says plans to merge its bank and building society will continue despite the recent extension by the Reserve Bank of Zimbabwe of the banking sector minimum capital requirements deadline from June 30 this year to December 31, a senior official has said.

<http://www.herald.co.zw/zb-to-continue-with-merger-plans/>

### **Econet wins case**

Econet Wireless Zimbabwe has won the arbitration case relating to its long running dispute with its former software technology partner, TrustCo Mobile.

<http://www.herald.co.zw/econet-wins-case/>

### **BAT to boost Zim Capex**

Cigarette manufacturer, British American Tobacco (BAT), says it has invested \$5,4 million in Zimbabwe over the past five years and plans to significantly boost capital expenditure (Capex) in the country this year.

<http://www.dailynews.co.zw/articles/2014/02/03/bat-to-boost-zim-capex>

### **Companies turn to Ecocash payroll**

THE number of companies using EcoCash to pay their workers has risen dramatically because of the liquidity problems facing some banks.

<https://www.newsday.co.zw/2014/02/05/companies-turn-ecocash-payroll/>

### **Beitbridge Hotel targets full occupancy**

THE Rainbow Tourism Group (RTG) targets full capacity by the second half of this year for its new Beitbridge Hotel, an official has said.

<https://www.newsday.co.zw/2014/02/05/beitbridge-hotel-targets-full-occupancy/>

### **3,5 million registered for EcoCash**

ZIMBABWE'S largest mobile phone operator by subscription Econet Wireless has registered over 3,5 million subscribers on its EcoCash mobile money platform, a company executive has said.

<https://www.newsday.co.zw/2014/02/04/35-million-registered-ecocash/>

### **RioZim engages international investors for power project**

LISTED mining concern Rio Zimbabwe Limited has engaged international investors for the Sengwa power project in Gokwe and expects to conclude talks soon.

<https://www.newsday.co.zw/2014/02/04/riozim-engages-international-investors-power-project/>

### **SECZ to clamp down on asset managers**

THE Securities and Exchange Commission of Zimbabwe (SECZ) will this week begin an inspection exercise of asset management companies with a view towards ensuring compliance in presenting audited results

<http://www.thestandard.co.zw/2014/02/02/secz-clamp-asset-managers/>

## Up Coming Events

Company	Event	Venue	Date & Time
ARISTON	AGM	Royal Harare Golf Club	14 02 2014 1400Hrs

CAUTIONARIES	ISSUE DATE	
AFRICAN SUN	6 <sup>TH</sup> April 2013	Discussions on Mandatory offer to minorities by Lengrah Investments
PGI	4 <sup>TH</sup> Dec 2013	Negotiations that may have material effect on the future of the company
WILLDALE	27 <sup>TH</sup> Nov 2013	Ongoing Negotiations with a potential Investor
AFDIS	7 <sup>TH</sup> Nov 2013	\$5m rights issue proposed and was approved by shareholder

## Notes

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