

EFE Weekly Market Review 28 March 2014

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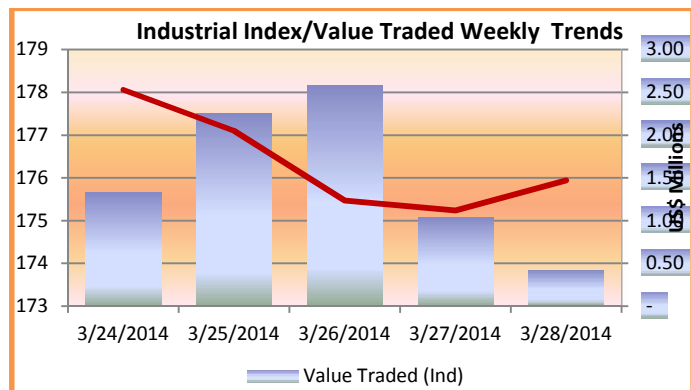
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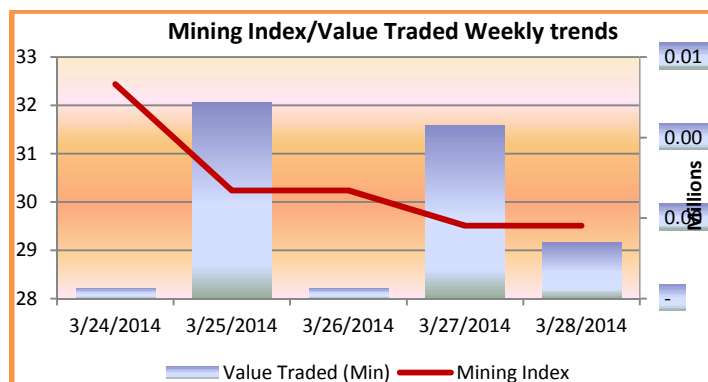
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Weekly Stats



Source ZSE/EFE Dbase



Source ZSE/EFE Dbase

	Current	Previous	% Δ
Value Traded (\$mn)	7.71	3.29	134.69
Volume Traded (mn)	53.94	41.26	30.72
Foreign Purchases	4.18	1.15	262.04
Foreign Sales	2.97	1.52	95.37

Source

ZSE/EFE

Dbase

Market Highlights

ZSE remains on a skid as curtain comes down on the reporting season...

The equities market took a cue from the lower returns that have dominated the reporting season thus far driving the market lower. The down ward spiral has been exacerbated by weaknesses in the broader economy typified by depressed demand and tight liquidity, as well as the flight of foreign funds from the bourse.

While financials form the basis of fundamental analysis, it is the prevalent broad macroeconomic weaknesses that have overshadowed the impact of the reported financials much of which have equally been depressed. A general analysis of the recent reported results shows turnover improvements supported by margin reduction resulting in positive operating profits. However beyond this point, companies have been saddled with expensive short term debt which in turn wiped out bottom lines and at best reduced profitability while in some cases operations were thrown into losses. This mirrors tight liquidity in the economy and as warned by the IMF the government risks economic collapse if fiscal and external buffers are not build in pursuit of sound macroeconomic policies.

Index	Level	%Δ	YTD %Δ
Industrial Index	188.99	1.83	6.50
Mining Index	33.61	3.34	26.60

The industrial index extended losses shedding 2.75% to close the week at 175.95pts which a 1 year low weighed by prolonged heavy cap losses most of which trended upwards in the last sessions of the week. The mining index on the other hand set a new low post dollarization after touching 29.51pts paring 9% in the week. Rio Zim a mining heavy cap lost 20% in the week to 20c while Bindura was down 7% to drag the index lower.

Demand subdued on tight liquidity...

Pockets of demand remerged in the week in selected heavies whose valuations had turned attractive on weak pricing levels. Traditional value drivers inspired a \$7.7m turnover level which is 135% up on the prior week. This was mainly on

Contacts:

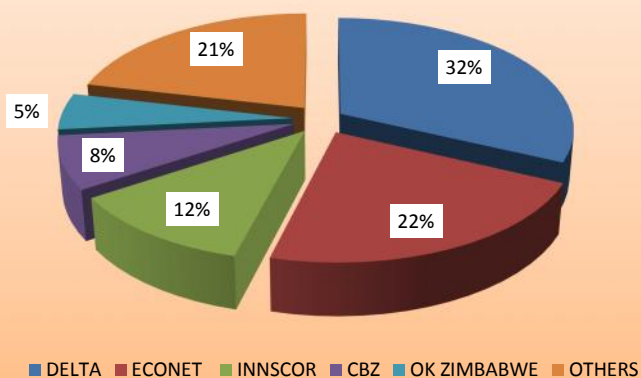
Edgeton Tsanga 0772277153

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Top Stock Contributors to Weekly Value of Trades



the back of improved foreign demand which recovered from a record low in the previous week. Foreign demand soared 262% to \$4.18m, at this level foreign spend represented 54% of the overall purchases which is an improvement from prior week. On net outflows of \$2.97m positive net foreign portfolio investments of \$1.2m were recorded. In the week Delta was the most sought after stock contributing 32% of overall value trailed by a 22% contribution by Econet. Demand in the 2 stocks was foreign inspired as both topped foreign preference in the week.

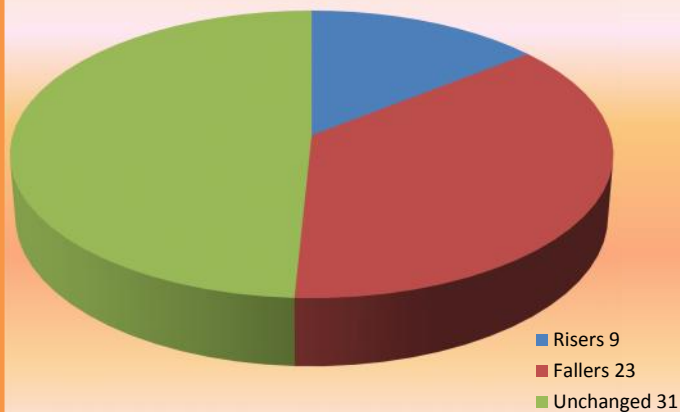
Top Five Risers

Counter	Price	%Δ	YTD %Δ
HWANGE	6.00	17.65	33.33
WILLDALE	0.07	16.67	30.00
Z.P.I	1.00	11.11	23.08
OK ZIM	18.50	8.82	7.50
ZIMFLOW	2.50	8.70	28.57

Worst Performers

Counter	Price	%Δ	YTD %Δ
FALGOLD	3.40	51.43	32.00
RIOZIM	20.00	20.00	39.39
STARAFRICA	0.82	18.00	18.00
PPC	230.00	13.86	4.17
BARCLAYS	3.40	12.82	22.73

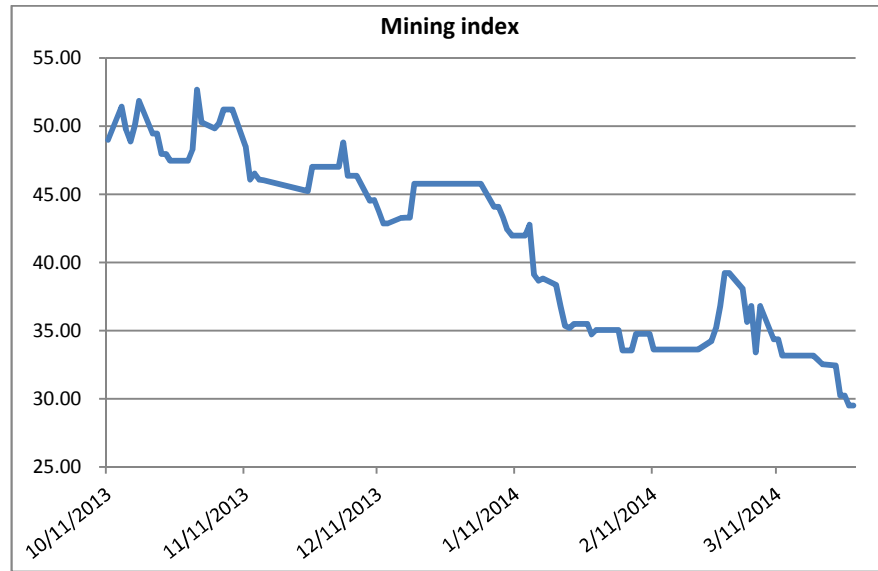
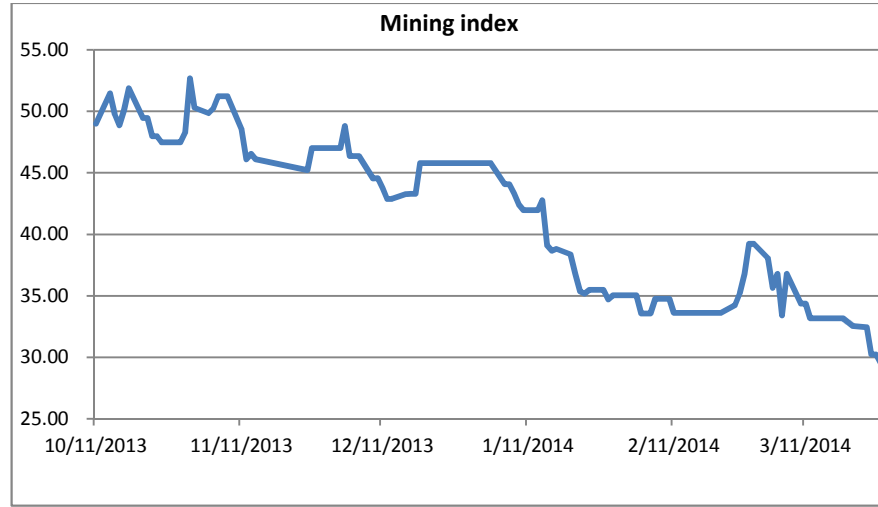
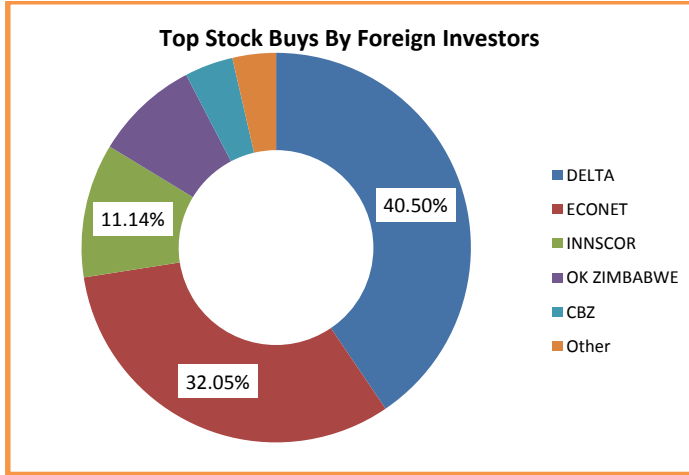
Market Strength



Overall the market breadth widened in adverse variance as 23 stocks slipped compared to only 9 risers. 6 of the 23 fallers were heavy cap counters notable among them being Innscor, Delta and Econet which came off 9%, 2.53% and 1.6% to 82c, 61c and 115c respectively. Mining stocks Rio Zim and Falgold anchored the weeks fallers on declines of 20% and 51% to 20c and 3.4c in that order. This is against a myriad of challenges being faced by the general mining sector in recapitalisation of operations. Rio Zim reported a -\$4.7m loss in its bottom line and had a current ratio is 0.7x as at the reporting date.

Among the risers were coal miners Hwange that closed the week 17.6% to the good at 6c as the company was reported to have rejected the a shareholder loan of \$50m for retooling. Construction allied company Willdale added +16.67% to 0.07c while ZPI put on +11.1% to 1c. Retailers OKZIM enjoy a new lease of demand with reasonable supporting volume of activity adding +8.82% to 18.5c as farming and earth moving equipment sellers Zimplow added +8.7% to 2.5c to complete the torch bearers in the market's gloom of falling prices.

Market statistics



Top Picks

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.
Innscor Properties	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
Mash; Pearl & 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

BNC can process platinum metals

Bindura Nickel Corporation could turn its smelter and refinery into precious metals refinery with a few modifications and refurbishment, managing director Mr Batirai Manhandu said.

<http://www.herald.co.zw/bnc-can-process-platinum-metals/>

Non-performing personal loans balloon

on-performing personal loans have ballooned to constitute a greater part of banks' bad debts, a listed bank's executive said.

<http://www.dailynews.co.zw/articles/2014/03/27/non-performing-personal-loans-balloon>

ABCH seeks \$360m

ABC Holdings (ABCH) seeks \$360 million to capacitate it to be lender-of-last-resort to its banking subsidiaries.

<http://www.dailynews.co.zw/articles/2014/03/26/abch-seeks-360m>

Astra records profit rise

Astra Industries, the country's leading paint manufacturer recorded a marginal 11 percent increase in profit for the year ended December 31, 2013 due to the company's cost containment strategies.

<http://www.herald.co.zw/astra-records-profit-rise/>

Dairibord in plant closure

Listed Dairibord Holdings Limited (Dairibord) plans to shut down its Gweru plant as part of strategies to contain costs and rationalise operations

<http://www.dailynews.co.zw/articles/2014/03/25/dairibord-in-plant-closure>

NMBZ eyes return to profitability

NMBZ Holdings says it has put in place measures to manage non-performing loans which affected its bank's performance, resulting in a record a loss of \$3,3 million for the year to December 31, 2013.

<http://www.herald.co.zw/nmbz-eyes-return-to-profitability/>

Mwana regains BNC assets

Mwana Africa Plc (Mwana) is set to regain \$47,3 million it had written off on Bindura Nickel Corporation (BNC)'s non-current assets over viability concerns of the Zimbabwe-based unit, an investment intelligence firm said

<http://www.dailynews.co.zw/articles/2014/03/24/mwana-regains-bnc-assets>

ASL approves Dawn stake disposal

African Sun Limited (ASL)'s shareholders have approved the disposal of the hotelier's 16,54 percent stake in listed property firm, Dawn Properties (Dawn).

<http://www.dailynews.co.zw/articles/2014/03/24/asl-approves-dawn-stake-disposal>

RBZ floats \$103m Treasury Bills

THE Reserve Bank of Zimbabwe has floated Treasury Bills worth \$103 million meant to clear part of Government's \$1,35 billion debt assumed from the central bank.

<http://www.herald.co.zw/rbz-floats-103m-treasury-bills/>

Pearl Properties to spend \$100m on project

PEARL Properties intends to spend as much as \$100 million on the development of land it recently bought in Mt Pleasant in the medium term, a company official said yesterday.

<http://www.herald.co.zw/pearl-properties-to-spend-100m-on-project/>

Up Coming Events

Company	Event	Venue	Date & Time
Pioneer	Analysts Briefing & tour	Head Office, Corner Hood/Hermes Road, Southerton	31.03.14 11:30am

CAUTIONARIES

ISSUE DATE

NMB	7 th Feb 2014	Profit warning, impairment on loans to result in a net loss position
AFRICAN SUN	6 th Dec 2013	Discussions on mandatory offer to minorities by Lengrah Investments
TSL	29 th Jan 2014	Discussions with Chemco on a conversion of debt to equity on amount owed
PGI	4th Dec 2013	Negotiations that may have material effect on the future of the company

Notes

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