

## Global markets performance

Index	31-Jul-23	31-Aug-23	Change
DJIA	35,559.53	34,721.91	-2.36%
FTSE 100	7,699.41	7,439.13	-3.38%
Nikkei 225	33,172.22	32,619.34	-1.67%
S&P 500	4,584.82	4,517.01	-1.48%

## Commodities

Commodities	31-Jul-23	31-Aug-23	Change
Gold	1,964.07	1,940.09	-1.22%
Silver	24.74	24.43	-1.25%
Nickel	21,625.00	20,225.00	-6.47%
Platinum	949.00	980.00	3.27%
Oil	78.98	87.76	11.12%

## Currencies

Currency	31-Jul-23	31-Aug-23	Change
USD/EUR	0.91	0.92	-1.12%
USD/GBP	0.78	0.79	-1.36%
USD/JPY	141.13	146.15	-3.43%
USD/ZAR	17.59	18.58	-5.31%

## August effect recurs

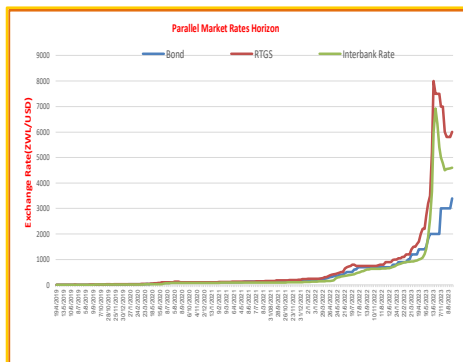
August was largely characterised by a correction in equity prices. Global markets players digested several factors, some seasonal, concerns about the state of the world economy and the Fed direction on interest rates. Global markets tend to see lacklustre performance in August due to lower trading volumes as well as booking of profits before September. This usually leads to more volatile swings in prices. The DJIA lost 2.36% and the FTSE 100 eased 3.38%. Nikkei 225 retreated 1.67% whilst the S&P 500 weakened by 1.48%.

China earlier in the month, reported much weaker than expected retail sales growth for July while industrial production also rose less than expected. This stirred trouble for markets around the world given a number of major corporations that rely on the country as a source of revenue. The official Purchasing Manager's Index stood at 49.7 in August up from July's 49.3. Investors, again, were concerned over real estate crisis in China. Evergrande filed for bankruptcy protection in the US whilst Country Garden missed two-dollar bond payments during the month.

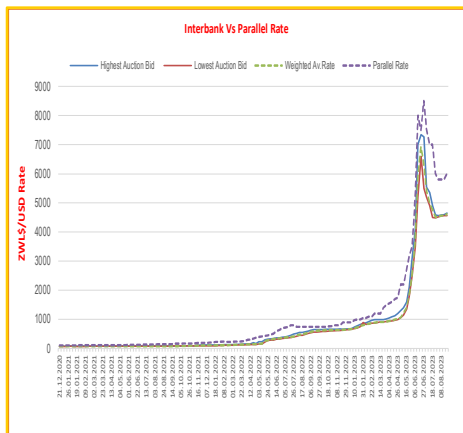
In the US, Fitch Ratings downgraded the Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'AA+' from 'AAA'. The downgrade reflects the expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance. Fitch also highlighted that it expects the US to slip into a recession later this year.

Oil surged by 11.12% as the market digested the move by Saudi Arabia and Russia of extending their production cuts. The former is widely expected to extend a voluntary 1 million barrel per day production cut into October. Platinum supply remains low; hampered by electricity shortages in SA and sanctions against Russia. And on base metals, underwhelming economic stimulus measures combined with a series of disappointing economic data releases from top industrial metals consumer China caused nickel prices to drop.

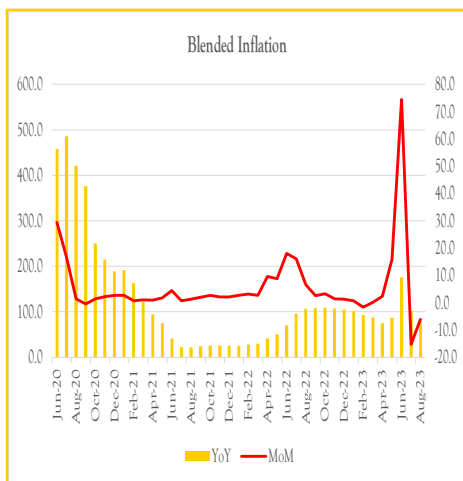
On the currencies front, the USD remained strong against major currencies. The widening gap in interest rates between Japan and US has pressured the Yen with the country's low yields making the currency an easy target for short sellers. The Rand remained weak as the country's power woes continue to cripple the economy.



Source: RBZ



Source: RBZ and Smartvest



## RBZ maintains the tight monetary policy

The local currency was relatively stable during the month of August. On the auction the Zimbabwe Dollar lost 2.15% from \$4,505.4232 to \$4,604.6233. On the parallel market, the ZWL dropped 7.94% from \$5,800 to \$6,300. In the mid-term monetary policy statement, the central bank highlighted that will continue to implement a tight monetary policy stance for the next six months of 2023 to anchor inflation and exchange rate expectations. This stance will be sustained by the following new measures:

- ✎ Bank policy rate currently at 150% will be reviewed in line with developments in the month-on-month inflation;
- ✎ The medium-term accommodation lending rate currently at 75% will also be reviewed in line with inflation developments and long-term productive sector funding needs;
- ✎ Deposit interest rates on savings and time deposits currently pegged at 30% and 50% .p.a respectively
- ✎ Current statutory reserve requirements levels on local and foreign currency demand and call deposits will remain at 15% and 10% respectively.
- ✎ The statutory reserve requirements on savings and time deposits would remain at 5% across all deposits to support domestic savings.
- ✎ The Bank shall strengthen the operation of the NNCDs which are being used to mop excess local currency liquidity through the introduction of NNCDs of 7,14,21 and 30 days.

## Our Thoughts

Tight fiscal and monetary policies are expected to increase macroeconomic stability in the remaining months of the year. Central bank expects inflation to continue on a downward trend and end the year between 60% and 70%. In August, year on year inflation stood at 77.18% whilst monthly inflation stood at -6.15%. If the current status quo is maintained the central bank is likely to achieve its inflation targets.

Interest rates have remained punitive and this might result in NPLs going up. According to the central bank, NPLs increased from 1.58% in December to 3.62% as of June 2023. If the current interest rates are maintained, non-performing loans are likely to increase which will adversely affect the banking sector's performance.

What is worrying is the fact that most business now have USD loans whose rates are seemingly high. A slowdown in economic activity as was experienced between July and September might result in the levels of NPLs going up

A tight monetary policy remains a very noble stance, its downside is the curtailing of credit creation, resultantly skewing banks' performance towards non-funded income as interest income falls. The currency stance is also negatively affecting volumes for many businesses.

## AUGUST 2023 EQUITIES MARKET PERFORMANCE

ZSE Indices	31-Jul-23	31-Aug-23	Monthly Change
ZSE All Share	114,746.13	125,134.79	9.05%
ZSE Top 10	51,844.10	58,625.14	13.08%
ZSE Top 15	72,293.87	81,140.54	12.24%
Medium Cap	438,948.51	449,716.78	2.45%
Small Cap	2,301,599.49	2,320,368.91	0.82%

Source: ZSE

## AUGUST MOVERS

Name	31-Jul-23	31-Aug-23	Monthly change
DZLH	336.09	675.00	100.84%
Delta	1,574.60	2,281.39	44.89%
RTG	124.00	160.00	29.03%
BAT	14,500.00	17,953.16	23.81%
RioZim	492.00	600.00	21.95%

Source: ZSE

## AUGUST SHAKERS

Name	31-Jul-23	31-Aug-23	Monthly change
Willdale	18.5	3.3544	-82%
Masimba	945.95	450.3517	-52%
SeedCo	1539.85	1133.2495	-26%
CBZ	906.2	718.9612	-21%
TSL	609	500.05	-18%

Source: ZSE

## VFEX COUNTERS PERFORMANCE

Name	31-Jul-23	31-Aug-23	Monthly change
African Sun	4	2.64	-34%
Axia	5.2	7.46	43%
Bindura	1.41	1.13	-20%
Caledonia	13.5	13.5	0%
FCB	2	2	0%
Innsco	37.05	45.98	24%
Natfoods	201	201	0%
Nedbank	1200	1200	0%
Padenga	17.5	17.64	1%
SeedCo Intl	24.9	25	0%
Simbisa	33.26	37.22	12%
West prop	1000	1000	0%
Zimplot	4.6	3.85	-16%

## ZSE recoups July losses

The market recovered from the previous month's losses. Market returns were mainly dominated by blue chips which experienced significant pressure in July. Investors remained cautious over the election period as elections can bring much volatility to the market.

The All Share Index surged 9.05% and the Top 10 Index advanced 13.08%. The Medium Cap Index added 2.45% whilst the penny stocks Index gained only 0.82%. During the month, 103.68 million shares worth \$39.25 billion exchanged hands on the bourse. Significant trades were recorded for Delta (\$19.19 billion), Econet (\$5.92 billion), Meikles (\$4 billion), BAT (\$2.95 billion) and OK Zimbabwe (\$1.70 billion). In real terms, market capitalisation stood at US\$2.16 billion when assessed using official rates.

The top five counters had gains between 22% and 101%. DZLH surged 101% to \$675 and Delta put on 45% to \$2,281.39. RTG advanced 29%, BAT gained 24% and RioZim added 22%.

On the downside, Willdale retreated 82% as the brick maker reported that its volumes for the 9 months to 30 June, were 4% lower compared to the prior year. Masimba lost 52% and Seedco dropped 26% as investors remained concerned on the impact of El Nino on the company's volumes.

The banking sector headlined the earnings reporting season. Sector performance remained satisfactory with adequate capitalization, strong asset quality and sustained profitability, among other key financial soundness metrics. ZB reported a 796% growth in income whilst NMB's growth stood at 2837%. The incomes were largely driven by fair value adjustments, non-funded income and foreign exchange gains.

ZBFH highlighted that it remains focused on enhancing sustainable revenue streams especially in foreign currency and preservation of value against currency depreciation. FBC echoed the same sentiment whilst NMB highlighted that cost discipline remains a core focus for the Group in the wake of increased inflation pressures. CBZ concluded a 31.22% purchase in FML from NSSA. ZBFH continues to trade under cautionary as CBZ is reported to be close to buying a controlling stake in the company. FBC is acquiring all of the issued ordinary shares of Standard Chartered Bank Zimbabwe Limited and the entire beneficial interest in the Africa Enterprise Network Trust

Cafca reported a decline in volumes sold from 680 tonnes in the prior year to 659 tonnes. The decline was attributed to the adverse impact of the tight monetary policy. On the positive, the company highlighted that US\$ sales contributed 85% of the total turnover. Income in hard currency enables a firm to easily import its resource requirements.

On the VFEX, liquidity remained a constraint. Market capitalisation stood at \$1.22bln. The market recorded a turnover of 9.64mln shares worth \$1.95mln. Innsco surged 24% to \$0.4598 and Axia added 43% to \$0.0746. Simbisa gained 12% to close at \$0.3722. African Sun dropped 34% to close at \$0.0264. Bindura eased 20% to settle at \$0.0113.

## Outlook

The country held harmonized elections on the 23<sup>rd</sup> and 24<sup>th</sup> of August 2023. As the norm, there was a lot of outcry from the opposition on the way the elections were conducted and the outcome. Nonetheless, this year, they did not approach the courts. If anything, the main opposition party has not communicated their next steps. Rumour mill has it that they are pursuing a diplomatic offence through SADC and the African Union. Back home, the president took his oath of office, appointed Vice presidents and this week Cabinet.

Three possible views continue to be thrown around in the aftermath of the elections as it is believed that there are developments brewing behind the scenes. Government of National Unity, Fresh elections overseen by SADC and AU; lastly that the ruling party goes continues in office for another five years. In our view, the latter option seems realistic.

In our view, the direction the exchange rate will take going forward is an indication of the level of confidence the populace has in the current administration. The central bank has continued to implement the tight monetary policy albeit its adverse impact on operations. If they manage to maintain discipline, the inflation target will be achieved.

On the equities front, selling pressure has started to subside. We are expecting ZWL payments to contractors by the government to continue trickling through. This will increase liquidity in the economy and the stock market. Demand for equities will likely firm due to investors capitalizing on oversold positions.

Volumes reported by companies are likely to be mixed as some business are reeling from the adverse impact of the tight monetary policy. Most companies are reporting an increase in US\$ sales however they have continued to report in ZWL, which may raise concerns over the actual financial position of the business. Already there has been a challenge on the exchange rate to use. Whilst authorities insist on using the official exchange rate, business has continued to use the parallel rate as it closely reflects conditions on the ground.

In money markets, an upward interest rate review is not expected as the central bank is confident that inflation will keep trending downwards. However, with fears of inflation and exchange rate depreciation we do not see many investors opting to play on the money market front.

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