

...Brazil lowers policy rate by 75 basis points to 12.5%...

Latin America –Brazil in another rate cut...

The Central Bank of Brazil lowered its benchmark policy rate by another 75 basis points “bp” to 12.5% in its February 2017 open market committee meeting following a similar cut in January 2017. Decelerating inflation and a slowing economy, were the major reasons advanced by the Central Bank of Brazil. In the short term, price stability reflected by the slowdown in annual inflation from 10.4% in February 2016 to 5.4% January 2017, is expected to support further monetary easing critical in reviving Latin America’s largest economy from recession.

...SSA sovereign borrowing to decline by 19% to US\$43 billion in 2017...

Africa – S&P expects lower bond issuances in 2017...

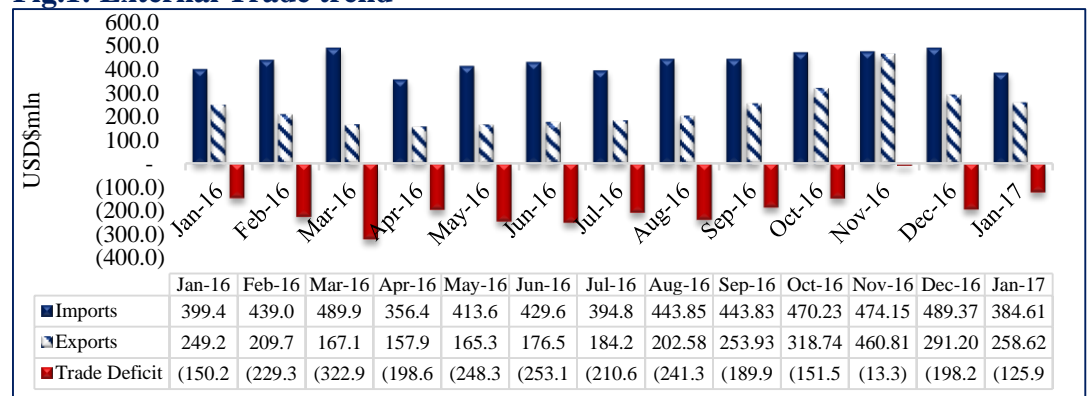
Global rating agency, Standard & Poor’s “S&P”, expects a 19% decline in Sub-Saharan Africa’s “SSA” sovereign borrowing to US\$43 billion in 2017. According to S&P, the decline is expected to stem from large depreciation in currencies and faltering economies. In 2017, 47% of the gross borrowing is expected to be used to refinance maturing long-term debt (38% in 2016), whilst the balance will be new borrowings (excluding refinancing). Going forward, SSA sovereigns are expected to utilise both domestic and international markets (including Eurobonds). Nonetheless, the anticipated interest rates hike in USA and weaker SSA exchange rates, increases the borrowing costs and ultimate repayment risk. Thus, SSA sovereigns may have to offer higher yields to stimulate global investors.

...Zim trade deficit fell by 36.4% to US\$126 million in January 2017...

Zimbabwe – External trade position improves...

According to the Zimbabwe National Statistics Agency “ZimStat”, the country’s trade deficit improved from US\$198.2 million in December 2016 to US\$126.0 million in January 2017. The improvement was driven by smaller decline in exports (11.2%), against a larger reduction in imports (21.4%). On the export front, major declines were recorded for tobacco (-16%), gold (-16%) and platinum (-20%), partly due to (1) the late opening of the Chinese markets on the back of the Chinese New Year celebrations and (2) incessant rain related production stoppages in the mining sector. On the other hand, most key imports recorded declines, led by diesel (-32%), unleaded petrol (-34%), electrical energy (-15%), maize (-12%) and broken rice (-15%). **Fig.1** below outlines the trend in external trade between January 2016 and January 2017.

Fig.1: External Trade trend



Source: ZimStat

Availability of foreign currency for critical imports that aid domestic production, promotion of local production at competitive prices and expenditure switching policies are some of the measures that could aid in further addressing the trade imbalances.

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, the industrial index fell by 1.6% to end the week at 134.83 dragged by losses in Econet, Old Mutual and Innscor. On the other hand, the mining index advanced by 0.3% to 60.89 lifted by gains in Rio Zim. Meanwhile, weekly turnover declined by 3.7% to US\$2.34 million as foreign investors remained net-sellers. Elsewhere, with the exception of markets in Botswana, South Africa and UK, all other regional and global markets recorded gains. Expectations of tax reforms, reduced regulations and increased infrastructure spending saw the US Dow extending its streak of record-setting gains to 11 days. **Table 1** below outlines the local and major regional and global equities markets' performance as at 24 February 2017.

Table 1: Local, Regional and Global Stock Market Performance

Domestic	17-Feb-17	24-Feb-17	Weekly change (%)	Previous week change(%)	YTD Change (%)
Industrial Index	136.97	134.83	-1.6%	-1.7%	-6.7%
Mining Index	60.73	60.89	0.3%	0.0%	4.1%
Mkt cap - US\$mln	3.82	3.76	-1.5%	-1.7%	-6.1%
Turnover - US\$mln	2.43	2.34	-3.7%	-2.2%	
African					
Botswana	9,018.50	9,012.38	-0.1%	-0.5%	-4.1%
Ghana	1,809.47	1,857.10	2.6%	0.1%	9.9%
Kenya	124.93	126.53	1.3%	-0.4%	-5.1%
Malawi	13,589.36	13,589.36	0.0%	0.1%	2.0%
South Africa	52,475.45	51,609.86	-1.6%	-0.3%	1.9%
Nigeria	25,164.91	25,250.37	0.3%	-0.7%	-6.0%
Zambia	4,098.76	4,194.26	2.3%	0.4%	0.0%
Mauritius	1,927.63	1,924.01	-0.2%	1.8%	6.4%
Global					
U.S. - Dow	20,624.05	20,821.76	1.0%	2.2%	5.4%
U.S. - S&P500	2,351.16	2,367.34	0.7%	1.9%	5.7%
U.K. - FTSE 100	7,299.96	7,243.70	-0.8%	0.6%	1.4%
Japan - NIKKEI 225	19,251.08	19,283.54	0.2%	-0.6%	0.9%
China - Shanghai Index	3,239.96	3,253.43	0.4%	1.4%	4.8%

Source: Various

2. Commodities

Commodities recorded mixed trades. On the upside, cotton prices advanced by 2.6% to US\$75.42/p on expectations of declining excess stocks in China. On the other hand, wheat prices fell by 2.6% to US\$158.4/t due to lack of demand for US shipments amidst abundant global supplies. (**Table 2**).

Table 2: Commodities Price Performance

Commodities	03-Feb-17	10-Feb-17	Weekly change (%)	Previous week change (%)	YTD Change (%)
Metals					
Gold - US\$/oz	1,241.95	1,235.65	-0.51%	1.1%	7.8%
Platinum - US\$/oz	1,016.00	1,018.00	0.20%	-0.8%	12.1%
Copper - US\$/t	5,939.00	5,991.00	0.88%	1.3%	8.9%
Nickel - US\$/t	10,900.00	10,635.00	-2.43%	5.0%	6.2%
Oil - US\$/b	55.81	55.99	0.32%	-1.6%	-1.5%
Agricultural					
Wheat - US\$/t	162.59	158.37	-2.60%	-1.1%	5.4%
Soybeans - US\$/t	390.03	382.31	-1.98%	-2.4%	-0.4%
Sugar - US\$/pound	20.30	19.80	-2.46%	-0.6%	1.5%
Cotton - US\$/pound	73.48	75.42	2.64%	-3.1%	6.8%

Source: Various

...Industrial index registered its sixth consecutive weekly loss...

... Gold eased on US dollar strength...

...US dollar strengthens on rate hike expectations...

3. Currencies

The US dollar extended gains thanks to expectations of an interest rate increase in the forthcoming US Federal Reserve meeting in March 2017. Therefore, the dollar index gained by 0.2% to end the week at 101.12. Elsewhere, the South African rand strengthened by 1.1% to ZAR12.91/US\$ following a decent fiscal policy budget and renewed appetite for emerging market currencies. **Table 3** below outlines currencies performance as at 24 February 2017.

Table 3: Currencies Performance

Currencies	17-Feb-17	24-Feb-17	Weekly change (%)	Previous week change(%)	YTD Change (%)
USD/ZAR	13.0457	12.9061	-1.1%	-2.5%	-5.4%
USD/BWP	10.2797	10.2637	-0.2%	-1.4%	-2.5%
USD/ZMK	9.6984	9.5026	-2.0%	-1.4%	-3.1%
USD/NGN	311.3040	311.7060	0.1%	-0.5%	2.9%
USD/GBP	0.8025	0.7980	-0.6%	0.2%	-1.8%
USD/EUR	0.9388	0.9448	0.6%	-0.1%	-0.4%
USD/JPY	113.094	112.506	-0.5%	-0.4%	-3.6%
USD/CNY	6.8643	6.8688	0.1%	-0.2%	-1.1%
Dollar Index - DXY	100.95	101.12	0.2%	0.2%	-1.1%

Source: Oanda

Week Ahead

Date	Event	Period	Forecast	Previous
Local				
02-Mar-17	Powerspeed AGM, 11am, Boardroom, Cnr Cripps Road & Kevin Rd, Graniteside			
03-Mar-17	Zeco 5 & 6th AGM, 10am, Conqueror House Boardroom, 256 Samora Machel Ave			
Regional and International				
28-Feb-17	South Africa Money Supply Growth	Jan-17	6.36%	4.76%
28-Feb-17	US President Trump Speech			
01-Mar-17	Euro Manufacturing PMI	Feb-17	55.50	55.50
01-Mar-17	US Manufacturing PMI	Feb-17	54.40	54.30
02-Mar-17	China Retail Sales - YoY	Jan-17	-2.00%	-3.50%
02-Mar-17	Euro Unemployment rate	Jan-17	9.60%	9.60%
03-Mar-17	South Africa Standard Bank PMI	Feb-17		51.30
03-Mar-17	Euro Markit Composite PMI	Feb-17	56.00	56.00

Source: Various

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