

*...US Fed in second interest rate increase in 2017...*

*...Huge demand for SSA Eurobond issuances...*

*...Annual inflation increased by 0.27pp to 0.75% in May 2017...*

### America - Another rate hike by the Fed...

The US Federal Reserve “Fed” raised its benchmark policy target rate by another 25 basis points from the 0.75%-1.0% range to 1.0%-1.25% range. According to the Fed, strengthening labor market conditions and improvement in economic activity led to the decision to increase the policy rate. Going forward, the Fed expects to effect one more hike in 2017 and to kick-start the implementation of the balance sheet normalisation program.

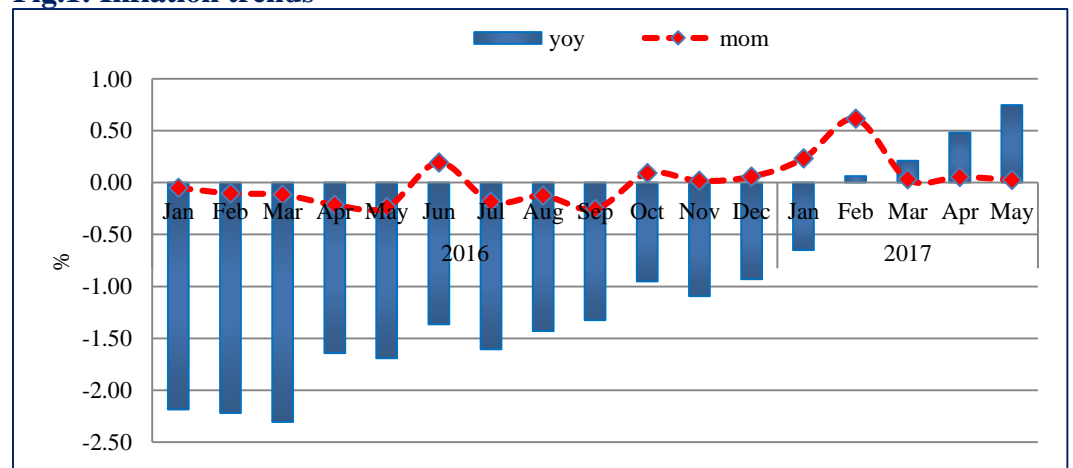
### Africa – Ivory coast Eurobond oversubscribed...

Ivory Coast raised US\$1.25 billion and €625 million in Eurobonds with 16-year and 8-year tenor, respectively. The bond was oversubscribed as Ivory Coast had initially planned to raise US\$1 billion to finance infrastructure projects. Prior to this issuance, the West African nation had successfully raised US\$750 million and US\$1 billion in 2014 and 2015, respectively. Given the relatively low yields in most developed economies, short to medium term capital inflows in search of higher returns are expected in selected Sub-Saharan Africa “SSA” issuers.

### Zimbabwe - Inflationary pressures remain elevated...

According to ZimStat, the year-on-year “y/y” inflation increased by a further 0.27 percentage points “pp.” from 0.48% in April 2017 to 0.75% in May 2017. Increases emanated from both food and non-food categories. Meanwhile, the underlying month-on-month “m/m” inflation fell by a marginal 0.02 pp. to 0.03% in May 2017, compared to 0.05% in April 2017. The decline was attributed to the non-food components of communication, furniture and equipment and electricity (i.e. gas and liquid fuels). Nonetheless, increases were still recorded in food items, clothing materials, pharmaceutical products and vehicle spare parts. Fig.1 below illustrates the trends in the inflation rates between January 2016 and May 2017.

**Fig.1: Inflation trends**



**Source: ZimStat**

In the short to medium term, the 2016/7 bumper agricultural season is expected to reduce cost push inflationary pressures that could have emanated from food imports. However, the combination of other macroeconomic challenges, among them the shortages of cash and foreign currency – which the authorities are visibly addressing – are expected to continue exerting pricing challenges especially in the retail sector. Subsequently, these pricing disparities may also affect the accuracy of inflation statistics.

### Tobacco Sales Update

Cumulative sales for the period to 14 June 2017 show that total volume and value traded increased by 4.4% and 3.9% to 158.5 million kgs and US\$461.6 million, respectively, when compared to the 2016 marketing season. Meanwhile, the average price was almost flat at US\$2.91/kg between the two marketing seasons. **Table 1** below outlines the cumulative tobacco sales statistics as at 15 June 2017 (*latest available data*).

**Table 1: Tobacco Marketing Statistics as at 15 June 2017 (Day 61)**

Seasonal	Total Auction	Total Contract	Total 2017	Total 2016	Change (%)
Mass sold (million kg)	29.16	129.38	158.54	151.87	4.4%
Value (US\$ million)	83.77	377.85	461.62	444.14	3.9%
Average Price (US\$/kg)	2.87	2.92	2.91	2.92	-0.3%
Rejected %	11.03%	4.30%	5.74%	7.20%	1.5
Highest Price (US\$/kg)	4.99	6.00	6.00	6.25	-4.0%
Lowest Price (US\$/kg)	0.10	0.10	0.10	0.10	-
Average bale weight (kg)	71.0	80.0	78.0	79.0	-1.3%

**Source: TIMB**

### Markets Summary

#### **1. Equities**

On the Zimbabwe Stock Exchange, the industrial index advanced by 6.9% to end the week at 190.07 driven by gains in Delta, Econet and BAT. On the other hand, the mining index traded flat at 69.63. Meanwhile, weekly turnover fell by 38.5% to US\$8.33 million with local investors being the most active participants. Elsewhere, regional and global markets recorded mixed trades amidst several economic news including interest rate policy decisions in the US, UK and Japan as well as the uncertainty over UK politics. **Table 2** below outlines the local as well as major regional and global equities markets' performance as at 16 June 2017.

**Table 2: Local, Regional and Global Stock Market Performance**

Domestic	09-Jun-17	16-Jun-17	Weekly change (%)	Previous week change(%)	YTD Change (%)
Industrial Index	177.79	190.07	6.9%	5.8%	31.5%
Mining Index	69.63	69.63	0.0%	0.0%	19.0%
Mkt cap - US\$mln	5.37	5.53	3.0%	9.6%	37.9%
Turnover - US\$mln	13.56	8.33	-38.5%	367.4%	
<b>African</b>					
Botswana	9,315.32	9,269.44	-0.5%	-0.3%	-1.4%
Ghana	1,917.27	1,934.12	0.9%	-0.1%	14.5%
Kenya	150.53	154.08	2.4%	0.3%	15.6%
Malawi	15,573.68	15,639.08	0.4%	-0.2%	17.4%
South Africa	51,789.70	50,831.89	-1.8%	-2.1%	0.4%
Nigeria	33,276.68	33,810.56	1.6%	6.1%	25.8%
Zambia	4,691.35	4,761.11	1.5%	0.0%	13.5%
Mauritius	2,087.19	2,080.96	-0.3%	0.5%	15.1%
<b>Global</b>					
U.S. - Dow	21,271.97	21,384.28	0.5%	0.3%	8.2%
U.S. - S&P500	2,431.77	2,433.15	0.1%	-0.3%	8.7%
U.K. - FTSE 100	7,497.25	7,463.54	-0.4%	-0.7%	4.5%
Japan - NIKKEI 225	19,908.58	20,067.75	0.8%	-1.3%	5.0%
China - Shanghai Index	3,139.88	3,138.25	-0.1%	1.1%	1.1%

**Source: Various**

... Contracted crop  
accounted for 81% of total  
sales...

...Industrial index  
advanced by 6.9% to  
190.07...

## 2. Commodities

With the exception of wheat and nickel, all commodities under our survey recorded price declines. Excess supply concerns saw sugar and cotton prices declining by 5.8% and 5.0% to US\$13.4/p and US\$71.9/p, respectively. Oil prices fell by 1.6% to US\$47.4/b due to persistent expansion in US drilling and signs of faltering global demand (**Table 3**).

**Table 3: Commodities Price Performance**

Commodities	09-Jun-17	16-Jun-17	Weekly change (%)	Previous week change (%)	YTD Change (%)
<b>Metals</b>					
Gold - US\$/oz	1,266.55	1,255.40	-0.88%	-0.7%	9.6%
Platinum - US\$/oz	944.00	925.00	-2.01%	1.0%	1.9%
Copper - US\$/t	5,739.00	5,637.00	-1.78%	3.2%	2.5%
Nickel - US\$/t	8,805.00	8,830.00	0.28%	1.0%	-11.8%
Oil - US\$/b	48.15	47.37	-1.62%	-3.6%	-16.6%
<b>Agricultural</b>					
Wheat - US\$/t	163.69	170.95	4.43%	3.8%	13.8%
Soybeans - US\$/t	356.96	355.31	-0.46%	0.0%	-7.4%
Sugar - US\$/pound	14.27	13.44	-5.82%	3.9%	-31.1%
Cotton - US\$/pound	75.69	71.88	-5.03%	-1.3%	1.7%

Source: Various

## 3. Currencies

Despite the interest rate increase by the US Fed, the US dollar traded flat during the week under review. Weak US economic data related to inflation, retail sales and business inventories restrained the US dollar performance. As a result, the dollar index was largely unchanged at 97.13. Elsewhere, the prospect of slower-than-expected U.S. rate increases spurred demand for emerging-market assets, which offer higher returns but carry more risk. Thus, the South African rand and Zambian kwacha strengthened by 0.4% and 0.5% to close at ZAR12.85 and ZMK9.17, respectively. **Table 4** below outlines currencies performance as at 16 June 2017.

**Table 4: Currencies Performance**

Currencies	09-Jun-17	16-Jun-17	Weekly change (%)	Previous week change (%)	YTD Change (%)
USD/ZAR	12.8919	12.8458	-0.4%	0.2%	-5.9%
USD/BWP	10.0762	10.0728	0.0%	-0.6%	-4.3%
USD/ZMK	9.2206	9.1739	-0.5%	-0.6%	-6.5%
USD/NGN	315.8150	312.6770	-1.0%	-0.2%	3.2%
USD/GBP	0.7849	0.7828	-0.3%	1.1%	-3.7%
USD/EUR	0.8935	0.8954	0.2%	0.4%	-5.6%
USD/JPY	110.3	111.042	0.7%	-0.8%	-4.9%
USD/CNY	6.7982	6.8108	0.2%	-0.2%	-2.0%
Dollar Index - DXY	97.11	97.13	0.0%	0.5%	-5.0%

Source: Oanda

## Week Ahead

Date	Event	Period	Forecast	Previous
<b>Local</b>				
20-Jun-17	ZPI AGM, 12pm, 206 Samora Machel Avenue			
21-Jun-17	Getbucks EGM, 10am, Monomotapa Hotel			
23-Jun-17	Fidelity AGM, 12 pm, Boardroom, 7th Floor, Fidelity House, 66 J.Nyerere Way			
<b>Regional and International</b>				
20-Jun-17	South Africa Current Account % of GDP	Q1 2017	-2.30%	-1.70%
21-Jun-17	South Africa CPI - YoY	May-17	5.30%	5.30%
21-Jun-17	New Zealand Interest Rate Decision		1.75%	1.75%
22-Jun-17	ECB Economic Bulletin			
23-Jun-17	Euro Markit Composite - Preliminary	Jun-17	56.60	56.80
23-Jun-17	US Manufacturing PMI - Preliminary	Jun-17	53.00	52.70

Source: Various

... most commodity prices subdued by excess supply concerns ...

... US dollar index flat at 97.1 ...

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