

...ECB maintains policy rate...

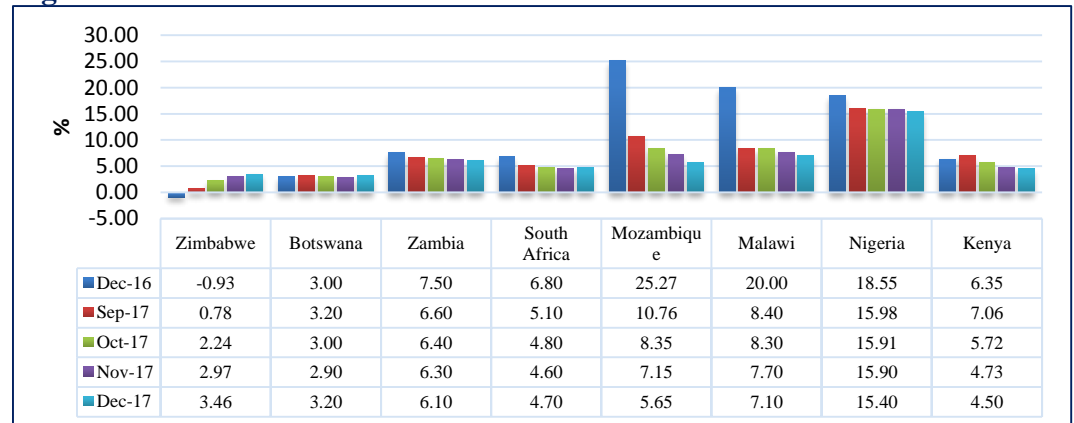
Euro Area – ECB maintains stimulus program...

The European Central Bank “ECB”, in its January 2018 meeting, maintained its benchmark policy rate, marginal lending facility rate and deposit facility at 0%, 0.25% and -0.40%, respectively. In addition, the ECB stated that monthly asset purchases of €30 billion will run until the end of September 2018. However, the ECB President added that “...the bank will keep its stimulus program for as long as needed and stated that there are a “very few chances” that it will change interest rates this year.” Despite the reduced political risk and broad-based growth witnessed in the euro zone in previous quarters, the slow pace in inflation will continue to support the accommodative monetary policy stance by the ECB.

South Africa – Uptick in inflation...

According to Statistics South Africa “SSA”, annual inflation rose from 4.6% in November 2017 to 4.7% in December 2017, in line with market expectations. The main drivers of the annual increase were the housing and utilities, miscellaneous goods and services, transport (fuel price increase) as well as food. **Fig.1** below outlines the annual inflation trend in South Africa relative to its peers.

Fig.1: Annual inflation trend



Source: Various

In the short term, inflation is expected to soften given the recent strength in the South Africa rand and relatively low food prices. Nonetheless, political and economic developments including a possible downgrade to sub-investment grade by the Moody’s rating agency, present significant risks on the rand and related upward pressure on inflation.

Zimbabwe – Government lowers excise duty on fuel prices...

The Ministry of Finance and Economic Development “MoFED” lowered duty on fuel prices with effect from 23 January 2018. According to MoFED, the reduction is intended to reduce fuel prices and the overall economy’s production cost structures across all sectors. In fact, excise duty on petrol, diesel and paraffin was reduced by USc7 to USc38.5/litre, USc33/litre and USc33/litre, respectively. Subsequently, the Ministry of Energy and Power Development lowered the maximum fuel prices as shown in **Table 1** across. Given that fuel remains a major cost driver for most commodities, the downward review of excise duty was a step in the right direction. Furthermore, there is need for Government in consultation with the private sector to continuously probe various taxes in line with the Ease of Doing Business reforms. Nonetheless, caution must be exercised in order to avoid price controls which seemingly go against the acceptable tenets of free markets.

Table 1: New maximum fuel prices per litre

	Old Price (US\$)	New Price (US\$)
Petrol	1.40	1.35
Diesel	1.30	1.23
Paraffin	1.24	1.17

Source: ZERA

...annual inflation in SA rises in Dec 2017...

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, self-correction saw the All share index easing by a marginal 0.2% to end the week at 91.27. Meanwhile, weekly turnover improved by 20.6% to US\$10.1 million with offshore investors commanding 31% of the total as net buyers. Elsewhere, mixed trades were recorded on the regional and global markets. US markets registered new higher levels driven by strong earnings from the fourth quarter. According to Reuters, of the S&P 500 companies that have already posted results, 78.8% have topped expectations against an average of 72% over the previous four quarters. **Table 2** below outlines the local as well as major regional and global equities markets' performance as at 26 January 2018.

...All share index fell by a marginal 0.2% to 91.27...

Table 2: Local, Regional and Global Stock Market Performance

Domestic	19-Jan-18	26-Jan-18	Weekly change (%)	YTD Change (%)
All Share Index	91.49	91.27	-0.2%	-8.7%
Industrial Index	305.70	305.18	-0.2%	-8.4%
Mining Index	134.52	130.42	-3.0%	-8.4%
Mkt cap - US\$m	8.67	8.65	-0.2%	-9.7%
Turnover - US\$m	8.39	10.11	20.6%	
African				
Botswana	8,759.24	8,750.25	-0.1%	-1.2%
Ghana	2,870.81	3,036.41	5.8%	17.7%
Kenya	180.17	181.64	0.8%	6.1%
Malawi	22,015.57	22,212.50	0.9%	2.8%
South Africa	60,912.88	61,595.86	1.1%	3.5%
Nigeria	45,092.83	43,773.76	-2.9%	14.5%
Zambia	5,316.74	5,329.99	0.2%	0.0%
Mauritius	2,258.07	2,253.28	-0.2%	2.2%
Global				
U.S. - Dow	26,071.72	26,616.71	2.1%	7.7%
U.S. - S&P500	2,810.30	2,872.87	2.2%	7.5%
U.K. - FTSE 100	7,730.79	7,665.54	-0.8%	-0.3%
Japan - NIKKEI 225	23,816.33	23,631.25	-0.8%	3.8%
China - Shanghai Index	3,496.76	3,523.00	0.8%	6.5%

Source: Various

2. Commodities

With the exception of copper and cotton, all major commodities traded in the positive territory. Nickel advanced by 9.17% to US\$13,750/t driven by a weaker dollar and strong demand. On the other hand, cotton prices fell by 3.52% to US\$80.48/p due to excess supply concerns in Asia - **Table 3** below.

Table 3: Commodities Price Performance

Commodities	19-Jan-18	26-Jan-18	Weekly change (%)	YTD Change (%)
Metals				
Gold - US\$/oz	1,334.95	1,353.15	1.36%	4.8%
Platinum - US\$/oz	1,016.00	1,025.00	0.89%	9.9%
Copper - US\$/t	7,079.00	7,063.50	-0.22%	-1.3%
Nickel - US\$/t	12,595.00	13,750.00	9.17%	12.2%
Oil - US\$/b	68.61	70.52	2.78%	5.5%
Agricultural				
Wheat - US\$/t	155.52	162.13	4.25%	3.4%
Soybeans - US\$/t	373.77	374.96	0.32%	-5.8%
Sugar - US\$/pound	13.25	13.36	0.83%	-10.9%
Cotton - US\$/pound	83.42	80.48	-3.52%	2.1%

Source: Various

...dollar weakness supports most commodity prices...

3. Currencies

The US dollar traded weaker after comments by a senior U.S. Treasury official in support of a weak dollar and U.S. fourth quarter economic growth of 2.6%, below market expectations of 3%. As such, the dollar index fell by 1.6% to end the week at 89.05. Elsewhere, a relatively weaker greenback lifted emerging market currencies with the South African rand and Botswana Pula strengthening by 2.4% and 1.6%, respectively. **Table 4** below outlines currencies performance as at 26 January 2018.

...US dollar dragged by Treasury comments and economic data...

Table 4: Currencies Performance

Currencies	19-Jan-18	27-Jan-18	Weekly change (%)	YTD Change (%)
USD/ZAR	12.1581	11.8714	-2.4%	-3.9%
USD/BWP	9.5984	9.4418	-1.6%	-2.5%
USD/ZMK	9.7574	9.6849	-0.7%	-2.7%
USD/NGN	358.0150	358.4380	0.1%	0.6%
USD/GBP	0.7201	0.7043	-2.2%	-5.0%
USD/EUR	0.8164	0.8042	-1.5%	-3.7%
USD/JPY	110.74	109.003	-1.6%	-3.2%
USD/CNY	6.4	6.3216	-1.2%	-2.9%
Dollar Index - DXY	90.49	89.05	-1.6%	-3.3%

Source: Oanda

Week Ahead

Date	Event	Period	Forecast	Previous
Local				
None				
Regional and International				
30-Jan-18	South Africa Private Sector Credit	Dec-17	6.05%	6.45%
30-Jan-18	Euro Business and Consumer Survey	Jan-18	116.30	116.00
31-Jan-18	US - ADP Nonfarm employment change	Jan-18	185k	250k
31-Jan-18	US Fed Interest Rate Decision		1.50%	1.50%
01-Feb-18	Euro Manufacturing PMI	Jan-18	59.60	59.60
02-Feb-18	US Unemployment rate	Jan-18	4.10%	4.10%

Source: Various

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