

...BOE expects to tighten monetary policy stance...

Euro Area – BOE maintains rate at 0.5%...

The Bank of England “BOE” in its first meeting of 2018 maintained the benchmark policy rate at 0.5%. In addition, the BOE upheld the stock of corporate bond purchases and government bond purchases at £10 billion and £435 billion, respectively. However, the BOE expects to tighten its monetary policy stance “somewhat earlier and by a somewhat greater extent” in order to contain inflation. **Table 1** below outlines the key economic outlook projections.

Table 1: UK’s quarterly economic outlook projections

Period	GDP Growth (%)	Inflation Outlook (%)	Bank Rate (%)
Q1 2018	1.7% (1.5%)	2.9% (2.6%)	0.5%
Q1 2019	1.8% (1.7%)	2.3%	0.8%

Source: BOE (figures in brackets reflect previous projections)

As expected, BOE maintained that the Brexit-related uncertainty continued to exert short-to-medium term downside risk for the United Kingdom. Overall, expectations of future rate increases in the UK and in the US will most likely result in short-term portfolio reallocation between equities and fixed income markets.

...Nigeria to increase borrowing mix of foreign loans to total debt portfolio...

Africa – Another Eurobond by Nigeria to lower borrowing costs...

According to the Debt Management Office “DMO”, Nigeria seeks to issue a US\$2.5 billion Eurobond in the first quarter of 2018 to refinance domestic debt at a lower cost. In fact, DMO stated that “proceeds from the bond sale would be converted to naira and used to redeem a more expensive local debt thereby improving the government’s debt service ratio. Banking institutions, Citigroup, Stanbic IBTC Bank and Standard Chartered, were re-appointed for the new bond sale after successfully handling a US\$3 billion sale in November 2017. Going forward, Nigeria seeks to switch its borrowing mix to a level where foreign loans account for 40% of its total debt portfolio from the current c.25%.

Zimbabwe – Zimra off to a good start...

According to the Zimbabwe Revenue Authority “ZIMRA”, gross revenue collections for January 2018 amounted to US\$350.97 million. This was against a target of US\$325.05 million – **Table 2** across. In addition, net collections at US\$337.99 were 3.7% above target and grew by 28.6% from the US\$262.13 million collected during the same period last year. The improvements in revenue collection according to Zimra were mainly a result of “...intensified taxpayer education programmes meant to promote voluntary tax compliance; automation and modernisation initiatives, increased use of electronic payments and the authority’s tenacious fight against underhand dealings such as transit fraud, corruption, smuggling and tax evasion. Meanwhile, all the revenue heads, except for Customs Duty, performed above January 2017 levels led by Value Added Tax on local sales, Corporate Income Tax and Individual Tax. The sterling performance by Zimra in exceeding targets, will significantly boost government’s short-term revenue base. Policymakers need to complement efforts by Zimra through continuously formulating investor-friendly policies targeted at promoting broad-based economic growth.

Table 2: January 2018 collections

Revenues	Actual (\$m)	Target (\$m)	Variance
Gross	350.97	325.05	8.0%
Net	336.99	325.05	3.7%

Source: ZIMRA

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, the All share index fell by 0.4% to end the week at 90.05. This marked the third week of consecutive losses with both the industrial and mining sub-sectors recording declines. However, weekly turnover improved by 37.6% to US\$16.5 million supported by renewed buying appetite by offshore investors. Elsewhere, with the exception of Ghana, Malawi and Zambia, all major global stock markets under our survey recorded losses. Rapidly rising bond yields seen as increasing borrowing costs for companies and presenting a fresh alternative to investors who may reallocate some funds to fixed income markets, weighed heavily on equities. **Table 3** below outlines the local as well as major regional and global equities markets' performance as at 09 February 2018.

Table 3: Local, Regional and Global Stock Market Performance

Domestic	02-Feb-18	09-Feb-18	Weekly change (%)	Previous week change(%)	YTD Change (%)
All Share Index	90.37	90.05	-0.4%	-1.0%	-10.0%
Industrial Index	304.16	301.2	-1.0%	-0.3%	-9.6%
Mining Index	130.42	128.19	-1.7%	0.0%	-10.0%
Top 10 Index	90.26	89.22	-1.2%	-0.1%	-10.8%
Mkt cap - US\$mln	8.62	8.58	-0.5%	-0.3%	-10.5%
Turnover - US\$mln	11.98	16.48	37.6%	18.5%	
African					
Botswana	8,732.60	8,719.68	-0.1%	-0.2%	-1.6%
Ghana	3,147.19	3,248.57	3.2%	3.6%	25.9%
Kenya	181.69	179.96	-1.0%	0.0%	5.1%
Malawi	22,226.04	22,514.84	1.3%	0.1%	4.2%
South Africa	58,656.82	55,902.62	-4.7%	-4.8%	-6.1%
Nigeria	44,639.99	43,127.92	-3.4%	2.0%	12.8%
Zambia	5,339.99	5,590.03	4.7%	0.2%	4.9%
Mauritius	2,257.04	2,255.80	-0.1%	0.2%	2.3%
Global					
U.S. - Dow	25,520.96	24,190.90	-5.2%	-4.1%	-2.1%
U.S. - S&P500	2,762.13	2,619.55	-5.2%	-3.9%	-2.0%
U.K. - FTSE 100	7,443.43	7,092.43	-4.7%	-2.9%	-7.7%
Japan - NIKKEI 225	22,682.08	21,382.62	-5.7%	-4.0%	-6.1%
China - Shanghai Index	3,478.47	3,158.02	-9.2%	-1.3%	-4.5%

Source: Various

2. Commodities

With the exception of wheat, soybeans and sugar, all major commodities recorded price declines. Oil prices fell by 8.4% to US\$62.79/b after Iran announced plans to boost production and U.S. crude output hit record highs, adding to concerns about a sharp rise in global supplies. On the other hand, wheat prices advanced by 0.6% to US\$165.2/t as dry weather threatens US winter crop yields - **Table 4** below.

Table 4: Commodities Price Performance

Commodities	26-Jan-18	02-Feb-18	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
Metals					
Gold - US\$/oz	1,331.15	1,314.10	-1.3%	-1.6%	1.8%
Platinum - US\$/oz	1,006.00	974.00	-3.2%	-1.9%	4.4%
Copper - US\$/t	7,027.00	6,838.00	-2.7%	-0.5%	-4.5%
Nickel - US\$/t	13,545.00	13,025.00	-3.8%	-1.5%	6.2%
Oil - US\$/b	68.58	62.79	-8.4%	-2.8%	-6.1%
Agricultural					
Wheat - US\$/t	164.15	165.16	0.6%	1.2%	5.3%
Soybeans - US\$/t	372.48	374.04	0.4%	-0.7%	-6.0%
Sugar - US\$/pound	13.63	13.67	0.3%	2.0%	-8.9%
Cotton - US\$/pound	77.30	76.68	-0.8%	-4.0%	-2.7%

Source: Various

...market correction persists on both local and global markets...

...excess supply concerns drag oil prices...

3. Currencies

The US dollar registered its strongest weekly gain in nearly 15 months stoked by concerns about signs of inflation amid an improving global backdrop and increased speculation for the Federal Reserve and other major central banks to raise interest rates. Thus, the dollar index rose by 1.3% to end the week at 90.37. Elsewhere, the South African rand weakened by 0.8% to ZAR12.08 with market participants closely watching talks in the governing party over the political future of President Jacob Zuma. **Table 5** below outlines currencies performance as at 09 February 2018.

Table 5: Currencies Performance

Currencies	02-Feb-18	09-Feb-18	Weekly change (%)	Previous week change(%)	YTD Change (%)
USD/ZAR	11.9785	12.0801	0.8%	0.9%	-2.2%
USD/BWP	9.4115	9.5229	1.2%	-0.3%	-1.7%
USD/ZMK	9.7746	9.7154	-0.6%	0.9%	-2.4%
USD/NGN	357.1710	358.2250	0.3%	-0.4%	0.5%
USD/GBP	0.7043	0.7207	2.3%	0.0%	-2.8%
USD/EUR	0.8014	0.8162	1.8%	-0.4%	-2.2%
USD/JPY	109.925	108.839	-1.0%	0.9%	-3.4%
USD/CNY	6.2898	6.3046	0.2%	-0.5%	-3.2%
Dollar Index - DXY	89.23	90.37	1.3%	0.2%	-1.9%

Source: Oanda

Week Ahead

Date	Event	Period	Forecast	Previous
Local				
15-Feb-18	CPI Inflation - YoY (%)	Jan-18		3.46%
Regional and International				
13-Feb-18	UK CPI - YoY	Jan-18	2.90%	3.00%
13-Feb-18	South Africa Unemployment Rate -	Q4-17		28%
13-Feb-18	Botswana Interest Rate Decision			5.00%
13-Feb-18	Namibia Interest Rate Decision			6.75%
14-Feb-18	US CPI Inflation - YoY	Jan-18	1.90%	2.10%
14-Feb-18	Uganda Interest Rate Decision			9.50%
15-Feb-18	Egypt Interest Rate Decision			18.75%

Source: Various

...US dollar strengthens on increased expectations of rate hikes...

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