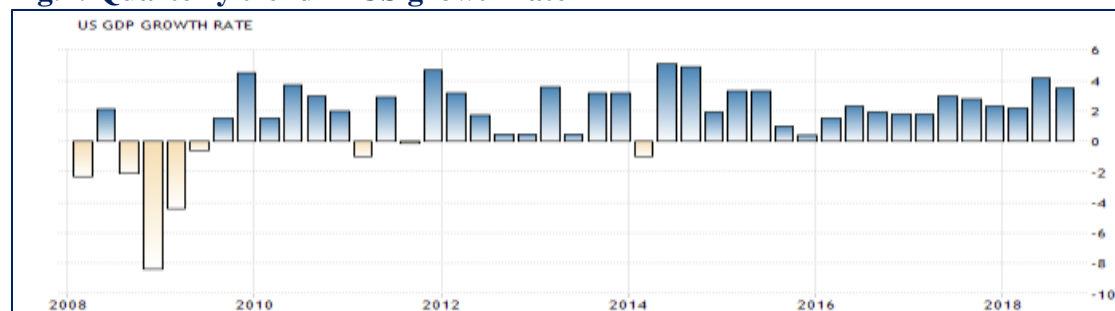


...slowdown in US economic growth for Q3...

America – Slowdown in US Q3 growth...

According to the Commerce Department, the US economy grew at an annualised 3.5% in the third quarter of 2018, compared to 4.2% in the previous quarter. The Commerce Department attributed the slowdown to underperformance in fixed investment, investment in structures and residential investment as well as exports. In fact, exports fell 3.5% (Q2 2018:+9.3%) mainly due to a decline in soybean exports to China following the retaliatory tariffs. **Fig.1** below outlines the US growth pattern since 2008.

Fig.1: Quarterly trend in US growth rate



Source: US Commerce Department

Despite the slowdown in Q3, the US economy remained strong exceeding its estimated growth potential of 2%. However, the trade-war risks with China and other trading partners will most likely dent its potential growth outcome.

Africa – Kenya’s risk of debt distress worsens...

The International Monetary Fund “IMF raised its assessment of Kenya’s external debt distress to moderate from low due to increasing refinancing risk and narrower safety margins. The global lender which forecasts public debt to peak at 63.2% of economic output in 2018 (2017: 58%), recommended Kenya’s Treasury to refinance loans at longer maturities in order to limit refinancing risks and to limit commercial credit for projects with high social and economic returns.

Zimbabwe – Government lifts import ban on selected commodities...

Cabinet resolved that the Ministry of Industry and Commerce temporarily amend Statutory Instrument “SI” 122 of 2017 by removing selected commodities from the import ban – **Table 1** below. According to Cabinet, the decision is meant to “allow economic agents with offshore and free funds to import commodities as well as enabling adequate restocking by manufacturers.”

Table 1: List of selected commodities

Category	Product(s)
Foodstuffs	Animal oils & fats (lard, tallow & dripping), baked beans, bottled water, cereals, cheese, coffee creams, cooking oil, crude soya bean oil, wheat flour, ice cream, jams, juice blends, margarine, mayonnaise, peanut butter, potato crisp, pizza base, salad creams and sugar.
Non-food	Body creams, synthetic hair products, shoe polish and soap.
Metal & Packaging	Finished roofing steel sheets and packaging materials.
Agro-related	Fertilisers, agro-chemicals and stock feeds.
Construction	Cement

The decision by the Government is expected to provide short-term relief towards restocking. However, the ongoing foreign currency “FX” crisis limits its effectiveness and will most likely fuel pricing pressures especially if relevant players continue to access FX from the parallel market. Furthermore, the decision appears to be in contrast with the Transitional Stabilisation Programme “TSP” target of promoting local production and reducing the trade gap as import competition is among the major constraints affecting manufacturers. Thus, continued consultation with industry remains essential in improving policymaking and limiting the reversal of economic gains especially on the cooking oil, dairy, baked beans and cement industries, among other affected sectors.

...IMF urges Kenya to refinance loans at longer maturities...

...Govt temporarily amends SI122 of 2017 on selected commodities...

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, the All Share Index fell by 6.7% to end the week at 168.84 due to increased market volatility. Meanwhile, weekly turnover declined by 75% to US\$11.81 million as offshore investors reduced activity. Elsewhere, a global sell-off was recorded amid rising geopolitical and economic uncertainty reflected in weak corporate earnings from the US and European stocks. **Table 2** below outlines the local as well as major regional and global equities markets' performance as at 26 October 2018.

...All share index fell by 6.7%...

Table 2: Local, Regional and Global Stock Market Performance

Domestic	19-Oct-18	26-Oct-18	Weekly change (%)	Previous week change (%)	YTD Change (%)
All Share Index	180.93	168.84	-6.7%	-9.7%	68.8%
Industrial Index	607.59	566.92	-6.7%	-9.8%	70.2%
Mining Index	225.61	216.79	-3.9%	-0.8%	52.2%
Top 10 Index	191.48	174.48	-8.9%	-12.1%	74.5%
Mkt cap - US\$m	20.01	18.46	-7.8%	-10.0%	92.6%
Turnover - US\$m	47.24	11.81	-75.0%	-42.7%	
African					
Botswana	7,946.06	7,951.28	0.1%	0.4%	-10.3%
Ghana	2,864.41	2,820.65	-1.5%	-0.9%	9.3%
Kenya	146.33	145.89	-0.3%	1.4%	-14.8%
Malawi	31,866.27	30,818.01	-3.3%	1.9%	42.7%
South Africa	52,092.98	50,837.57	-2.4%	-2.6%	-14.6%
Nigeria	32,841.69	32,907.33	0.2%	1.2%	-14.0%
Zambia	5,250.61	5,218.63	-0.6%	-0.3%	-2.0%
Mauritius	2,232.72	2,240.01	0.3%	0.3%	1.6%
Global					
U.S. - Dow	25,444.34	24,688.31	-3.0%	0.4%	-0.1%
U.S. - S&P500	2,767.78	2,658.69	-3.9%	0.0%	-0.6%
U.K. - FTSE 100	7,049.80	6,939.56	-1.6%	0.8%	-9.7%
Japan - NIKKEI 225	22,614.82	21,128.08	-6.6%	1.4%	-7.2%
China - Shanghai Index	2,650.75	2,535.81	-4.3%	2.6%	-23.3%

Source: Various

2. Commodities

Mixed trades were registered across major commodities. On the upside, gold advanced by 0.5% to US\$1,234/oz sustained by renewed safe-haven buying given the risk-off sentiment on stocks. On the other hand, oil prices fell by 2.7% to US\$77.62/b due to rising production (Opec members and the US) as well as concerns over oil demand at a global level - **Table 3** below.

Table 3: Commodities Price Performance

Commodities	19-Oct-18	26-Oct-18	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
Metals					
Gold - US\$/oz	1,227.85	1,233.85	0.5%	0.7%	-4.4%
Platinum - US\$/oz	1,092.00	1,108.00	1.5%	-0.1%	18.8%
Copper - US\$/t	6,191.50	6,210.00	0.3%	-2.1%	-13.2%
Nickel - US\$/t	12,470.00	12,135.00	-2.7%	-1.9%	-1.0%
Oil - US\$/b	79.78	77.62	-2.7%	-0.8%	16.1%
Agricultural					
Wheat - US\$/t	188.77	185.47	-1.8%	-0.7%	18.3%
Soybeans - US\$/t	317.46	317.46	0.0%	-0.1%	-20.2%
Sugar - US\$/pound	13.89	13.84	-0.4%	6.3%	-7.7%
Cotton - US\$/pound	80.02	78.53	-1.9%	2.1%	-0.3%

Source: Various

...gold prices supported by renewed safe-haven buying...

3. Currencies

The US dollar rose towards a 10-week high as concerns about global growth pervaded markets. Thus, the dollar index marginally rose by 0.6% to end the week at 96.34. Elsewhere, the South African Rand fell by 1.6% to ZAR 14.6/US\$ on the anticipated wider budget deficits and lower growth forecasts. In fact, the budget deficit is estimated to end the 2018/19 fiscal year at 4% of gross domestic product from 3.6% forecast previously, whilst the growth forecast was halved to 0.7%. **Table 4** below outlines currencies performance as at 26 October 2018.

Table 4: Currencies Performance

Currencies	19-Oct-18	26-Oct-18	Weekly change (%)	Previous week change(%)	YTD Change (%)
USD/ZAR	14.3929	14.6297	1.6%	-0.8%	18.4%
USD/BWP	10.4886	10.5991	1.1%	-0.3%	9.4%
USD/ZMK	11.8165	11.5700	-2.1%	-3.2%	16.3%
USD/NGN	362.5780	362.7910	0.1%	0.0%	1.8%
USD/GBP	0.7667	0.7800	1.7%	1.2%	5.2%
USD/EUR	0.8710	0.8788	0.9%	0.8%	5.3%
USD/JPY	112.443	111.998	-0.4%	0.2%	-0.6%
USD/CNY	6.93	6.947	0.2%	0.3%	6.7%
Dollar Index - DXY	95.71	96.32	0.6%	0.5%	4.6%

Source: Oanda

Week Ahead

Date	Event	Period	Forecast	Previous
<u>Local</u>				
None				
<u>Regional and International</u>				
30-Oct-18	South Africa Unemployment Rate	Q3 2018		27.20%
30-Oct-18	Euro GDP - YoY	Q3 2018	1.90%	2.10%
30-Oct-18	Bank of Japan Interest Rate Decision		-0.10%	-0.10%
31-Oct-18	Euro CPI - YoY	Oct-18	2.10%	2.10%
01-Nov-18	Bank of England Interest Rate Decision	Nov-18	0.75%	0.75%
02-Nov-18	US Unemployment Rate	Oct-18	3.80%	3.70%

Source: Various

...US dollar rises towards a 10-week high...

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