

**Asia –China’s 2018 growth slows to a 28-yr low...**

According to the National Bureau of Statistics, China’s economy grew by 6.4% in the fourth quarter of 2018 “Q4 2018”, compared to 6.5% in Q3 2018. Subsequently, the full year growth expanded by 6.6% - slowest pace since 1990 – in 2018 against 6.8% registered in 2017. Although in line with market expectations, the slowdown reflected the increased trade tension with the US and relatively weak domestic investment. Going forward, a combination of fiscal and monetary policy measures are expected to revive the world’s second largest economy. In fact, more fiscal tools i.e. tax cuts and increased spending on infrastructure projects are anticipated as policymakers move away from increased reliance on monetary measures that have seen six cuts in the Reserve Requirement Ratios for banks between Jan 2018 and Jan 2019.

...China’s growth slows to a 28-yr low in 2018...

**Africa – Moody’s maintains a negative outlook for SSA sovereigns in 2019...**

Global ratings agency, Moody’s, maintained a negative outlook for Sub-Saharan African “SSA” sovereigns in 2019. According to the ratings agency, the outlook reflects “credit challenges that stem from fiscal and external vulnerabilities amid tightening global liquidity conditions and rising global trade tensions, despite gradually improving growth prospects.” Furthermore, Moody’s noted that debt trajectories for a number of sovereigns would remain vulnerable to lower-than-expected growth, exchange rate depreciation and contingent liability risk from weak state-owned enterprise, whilst political risk will remain a key credit constraint.

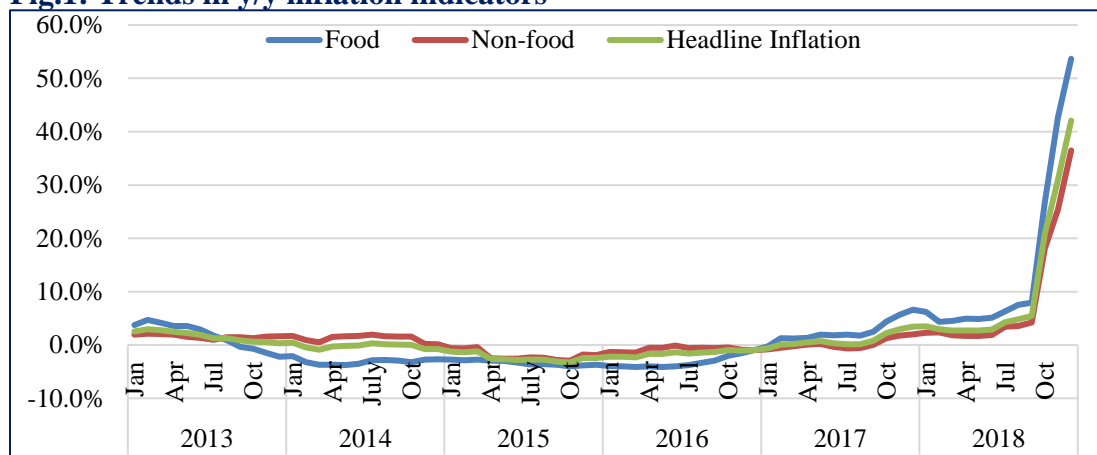
...negative outlook for SSA sovereigns in 2019...

**Zimbabwe – Inflationary pressures remain high...**

According to the ZimStat, the year-on-year “y/y” rate of inflation increased from 31.0% in Nov 2018 to 42.1% in Dec 2018. The y/y food and non-alcoholic beverages inflation rose from 42.7% to 53.7%, driven by increases in prices of bread & cereals, meat, oils and fats, vegetables and dairy products. The non-food inflation also rose from 25.4% to 36.5%, over the same period, underpinned by higher prices for transport, clothing & footwear and furniture categories. Meanwhile, the underlying m/m inflation rate slightly fell from 9.2% to 9.0% between Nov 2018 and Dec 2018. **Fig.1** below outlines the trend in annual inflation, food and non-food since 2013.

...highest inflation level since dollarisation...

**Fig.1: Trends in y/y inflation indicators**



Source: ZimStat

The future direction of Zimbabwe’s inflation rate depends on (1) the authorities’ ability to build public confidence, trust and support in the ongoing reforms and, thus, eliminate adverse expectations, (2) the currency regime and the authorities’ ability to stabilize the exchange rate going forward and (3) the ability to manage rising operational costs among economic agents following the recent fuel price increases. It is, therefore imperative for the government to swiftly and religiously implement policies enunciated in the Transitional Stabilization Program and 2019 National Budget with major focus on containing the fiscal deficit within set targets.

## Markets Summary

### 1. Equities

On the Zimbabwe Stock Exchange, the All Share Index advanced by 6.5% to end the week at 153.25 driven by gains in Econet, Cassava and Innscor. Meanwhile, weekly turnover declined by 91.6% to US\$2.41 million due to a strike-shortened week. Elsewhere, most regional and global markets registered gains underpinned by improved optimism between the US and China's trade dispute and strong quarterly earnings from US banks. **Table 1** below outlines the local as well as major regional and global equities markets' performance as at 18 January 2019.

...All share index advanced by 6.5%...

**Table 1: Local, Regional and Global Stock Market Performance**

Domestic	11-Jan-19	18-Jan-19	Weekly change (%)	Previous week change(%)	YTD Change (%)
All Share Index	143.90	153.25	6.5%	-0.9%	4.8%
Industrial Index	480.1	511.67	6.6%	-0.7%	5.0%
Mining Index	206.84	207	0.1%	-9.2%	-9.1%
Top 10 Index	142.86	154	7.8%	-0.6%	6.2%
Mkt cap - US\$m	18.89	20.41	8.0%	-1.9%	5.0%
Turnover - US\$m	28.78	2.41	-91.6%	49.5%	
<b>African</b>					
Botswana	7,874.78	7,881.69	0.1%	0.0%	0.4%
Ghana	2,501.19	2,485.26	-0.6%	-0.3%	-0.4%
Kenya	142.61	145.27	1.9%	4.1%	3.4%
Malawi	28,861.64	28,848.15	0.0%	0.0%	-0.5%
South Africa	53,653.38	54,054.89	0.7%	2.8%	2.5%
Nigeria	29,830.70	31,005.17	3.9%	-2.6%	-1.4%
Zambia	5,593.14	5,593.14	0.0%	8.8%	6.6%
Mauritius	2,223.90	2,226.78	0.1%	0.3%	0.4%
<b>Global</b>					
U.S. - Dow	23,995.95	24,706.35	3.0%	2.4%	5.9%
U.S. - S&P500	2,596.26	2,670.71	2.9%	2.5%	6.5%
U.K. - FTSE 100	6,918.18	6,971.71	0.8%	1.2%	3.6%
Japan - NIKKEI 225	20,359.70	20,719.33	1.8%	1.5%	3.5%
China - Shanghai Index	2,553.83	2,610.51	2.2%	1.5%	4.7%

Source: Various

### 2. Commodities

With the exception of gold, platinum and wheat, most major commodities registered gains. Oil prices advanced by 3.7% to \$62.7/b driven by the recent production cuts by OPEC members led by Saudi Arabia, Iran and Libya. On the other hand, gold prices fell by 0.4% to \$1,284/oz due to a relatively stronger US dollar - **Table 2** below.

**Table 2: Commodities Price Performance**

Commodities	11-Jan-19	18-Jan-19	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
<b>Metals</b>					
Gold - US\$/oz	1,288.98	1,284.20	-0.4%	-0.1%	0.4%
Platinum - US\$/oz	828.00	813.00	-1.8%	2.5%	1.6%
Copper - US\$/t	5,942.00	6,052.00	1.9%	0.4%	1.5%
Nickel - US\$/t	11,395.00	11,605.00	1.8%	4.4%	9.6%
Oil - US\$/b	60.48	62.70	3.7%	6.0%	16.5%
<b>Agricultural</b>					
Wheat - US\$/t	190.98	190.15	-0.4%	0.7%	2.9%
Soybeans - US\$/t	342.00	342.72	0.2%	-1.1%	3.4%
Sugar - US\$/pound	12.78	13.03	2.0%	7.1%	8.3%
Cotton - US\$/pound	72.49	73.89	1.9%	0.0%	2.3%

Source: Various

...oil price recovery driven by production cuts...

...Yuan weakens on  
China's Q4 growth  
statistics...

### 3. Currencies

The US dollar strengthened on renewed appetite for a safe-haven currency and positive industrial production statistics. Therefore, the dollar index advanced by 0.7% to end the week at 96.36. Elsewhere, the yuan weakened by 0.3% in line with the slowdown in economic growth for Q4 2018. On the other hand, the South African Rand recovered by 0.4% to ZAR 13.8/US\$ mainly due to the South Africa Reserve Bank's decision to maintain its policy rate. **Table 3** below outlines currencies performance as at 18 January 2019.

**Table 3: Currencies Performance**

Currencies	11-Jan-19	18-Jan-19	Weekly change (%)	Previous week change(%)	YTD Change (%)
USD/ZAR	13.8307	13.7775	-0.4%	-2.0%	-4.2%
USD/BWP	10.2927	10.2899	0.0%	-1.9%	-2.1%
USD/ZMK	11.8952	11.8755	-0.2%	-0.3%	-0.2%
USD/NGN	363.8660	361.8970	-0.5%	0.2%	-0.3%
USD/GBP	0.7814	0.7732	-1.0%	-0.9%	-1.5%
USD/EUR	0.8693	0.8783	1.0%	-0.9%	0.5%
USD/JPY	108.366	109.52	1.1%	0.2%	-0.4%
USD/CNY	6.7547	6.7741	0.3%	-1.6%	-1.5%
Dollar Index - DXY	95.67	96.36	0.7%	-0.5%	0.2%

Source: Oanda

### Looking Ahead

Date	Event	Period	Forecast	Previous
<u>Local</u>				
<u>Regional and International</u>				
22-Jan-19	Euro ZEW Economic Sentiment	Jan-19	(20.1)	(21.0)
22-Jan-19	Bank of Japan Interest Rate Decision		-0.10%	-0.10%
22-Jan-19	Nigeria Interest Rate Decision	Jan-19		14.00%
23-Jan-19	South Africa CPI - YoY	Dec-18	4.50%	5.20%
24-Jan-19	ECB Interest Rate Decision	Jan-19	0.00%	0.00%
25-Jan-19	Angola Interest Rate Decision	Jan-19		16.50%

Source: Various

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