

America –Partial end of US government shutdown...

US President Donald Trump signed a legislation to temporarily end the record 35-day long government shutdown. The measure funds the government for 3 weeks until 15 Feb 2019, as lawmakers seek to reach a wider deal on immigration (border wall). In fact, the US President remained adamant on his US\$5.7 billion funding quest for the US-Mexico border wall, tweeting “This was in no way a concession. It was taking care of millions of people who were getting badly hurt by the shutdown with the understanding that in 21 days, if no deal is done; it’s off to the races!” The possibility of an extended shutdown raises the likelihood of a slowdown in economic growth and a potential credit rating downgrade. In fact, Standard & Poor's reported that the shutdown has cost the U.S. economy US\$3.6 billion. Similarly, the White House's Council of Economic Advisers estimated that each week of the shutdown reduced GDP growth by 0.1 percentage points, the equivalent of 1.2 points per quarter.

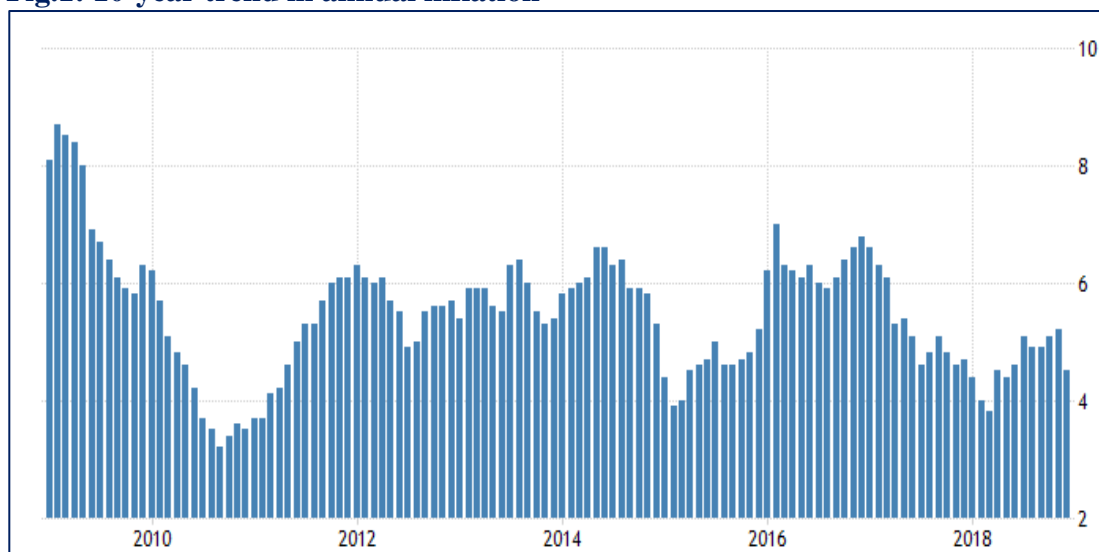
The 2019 WEF – A world cup without Brazil...

The 2019 World Economic Forum “WEF” was held during the week under review, with the absence of profile figures from the world’s most influential economies reducing the forum to the equivalence of a soccer world cup without Brazil. US, President Donald Trump, stayed home to deal with the government shutdown. The Chinese and Indian leaders had to attend to domestic crisis, particularly slowing domestic growth. The French and British leaders had to attend to domestic political issues. However, a number of topical issues were noted in the week-long event. These include continuous assessment of globalisation, impact of artificial intelligence, climate change, multi-lateral order and slowdown in China’s economic growth.

Africa – South Africa’s inflation slows in Dec 2018...

According to Statistics South Africa, annual inflation fell to 4.5% in Dec 2018 from 5.2% in Nov 2018. The decline in the inflation rate, in line with market expectations, was attributed to softer fuel and food prices. **Fig.1** below outlines the 10-year trend in South Africa’s inflation rate.

Fig.1: 10-year trend in annual inflation



Source: Statistics South Africa

Going forward, inflation is expected to average 4.5% and within the central bank’s 3-6% range sustained by a combination of relatively low food and fuel prices.

...US Gvt shutdown potentially increases the risk of a credit downgrade and slowdown in economic growth...

...SA inflation slows to 4.5% in Dec 2018...

...RBZ expected to tackle the currency crisis in the 2019 monetary policy statement...

Zimbabwe – Monetary Policy: to liberalize or not to liberalize: that is the key question!

In line with the Reserve Bank of Zimbabwe “RBZ” Act, the Governor of the Central Bank is expected to present the 2019 Monetary Policy Statement, giving an account of the monetary policy measures pursued in the last 6 months and the new measures to be pursued in the forthcoming 6 months’ period. Among others, the markets expect the central bank to give progress updates on the separation and inter-operability of RTGS FCAs and Nostro FCAs, regularisation of the Government overdraft facility, impact of the 5% statutory reserve requirements in mopping excess liquidity from the money market as well as the progress on the planned issuance of treasury bills through the open market/ open tender process. In addition to addressing the prevailing negative real returns on monetary assets, occasioned by the spike in the inflation rate on the back of an interest rate caps, the central bank is also expected to tackle the elephant in the room – the currency crisis. In fact, like in William Shakespeare’s play, Hamlet, to liberalize or not to liberalize the foreign exchange market; (that) is the key question facing the monetary authorities. The deterioration of macroeconomic fundamentals since the last quarter of 2018 may tempt the policy makers to hold back on some of the painful reforms. However - just like in golf - and with the economy evidently at an inflection point, both speed and good contact remain essential elements for far reaching reforms.

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, the All Share Index gained by 3.2% to end the week at 158.22. Meanwhile, weekly turnover improved by 1,517% to US\$39.0 million with offshore investors closing as net-sellers. Elsewhere, mixed trades were recorded among regional and global markets. The US Dow advanced by 0.1% as investors warmed up to the temporary re-opening of government, whilst the UK’ s FTSE market fell by 2.3% due to uncertainties related to the Brexit deal. **Table 1** below outlines the local as well as major regional and global equities markets’ performance as at 25 January 2019.

...All share index advanced by 3.2%...

Table 1: Local, Regional and Global Stock Market Performance

Domestic	18-Jan-19	25-Jan-19	Weekly change (%)	Previous week change(%)	YTD Change (%)
All Share Index	153.25	158.22	3.2%	6.5%	8.2%
Industrial Index	511.67	528.21	3.2%	6.6%	8.4%
Mining Index	207	212.19	2.5%	0.1%	-6.8%
Top 10 Index	154	159.43	3.5%	7.8%	9.9%
Mkt cap - US\$mln	20.41	21.02	3.0%	8.0%	8.2%
Turnover - US\$mln	2.41	38.97	1517.1%	-91.6%	
African					
Botswana	7,881.69	7,874.91	-0.1%	0.1%	0.3%
Ghana	2,485.26	2,433.36	-2.1%	-0.6%	-2.5%
Kenya	145.27	146.48	0.8%	1.9%	4.3%
Malawi	28,848.15	29,322.93	1.6%	0.0%	1.2%
South Africa	54,054.89	54,050.23	0.0%	0.7%	2.5%
Nigeria	31,005.17	31,426.63	1.4%	3.9%	0.0%
Zambia	5,593.14	5,680.10	1.6%	0.0%	8.2%
Mauritius	2,226.78	2,220.58	-0.3%	0.1%	0.1%
Global					
U.S. - Dow	24,706.35	24,737.20	0.1%	3.0%	6.0%
U.S. - S&P500	2,670.71	2,664.76	-0.2%	2.9%	6.3%
U.K. - FTSE 100	6,971.71	6,809.22	-2.3%	0.8%	1.2%
Japan - NIKKEI 225	20,719.33	20,773.56	0.3%	1.8%	3.8%
China - Shanghai Index	2,610.51	2,601.72	-0.3%	2.2%	4.3%

Source: Various

2. Commodities

Mixed trades were registered across major commodities. Oil prices fell by 1.7% to \$61.6/b due to improved US supplies and weak China industrial output. On the other hand, soybeans advanced by 0.4% to US\$343.9/t on anticipated supply concerns from Brazil. - **Table 2** below.

...oil price fall on improved US supplies...

Table 2: Commodities Price Performance

Commodities	18-Jan-19	25-Jan-19	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
Metals					
Gold - US\$/oz	1,284.20	1,283.70	0.0%	-0.4%	0.4%
Platinum - US\$/oz	813.00	808.00	-0.6%	-1.8%	1.0%
Copper - US\$/t	6,052.00	6,056.00	0.1%	1.9%	1.5%
Nickel - US\$/t	11,605.00	11,710.00	0.9%	1.8%	10.6%
Oil - US\$/b	62.70	61.64	-1.7%	3.7%	14.6%
Agricultural					
Wheat - US\$/t	190.15	188.13	-1.1%	-0.4%	1.8%
Soybeans - US\$/t	342.72	343.92	0.4%	0.2%	3.7%
Sugar - US\$/pound	13.03	12.44	-4.5%	2.0%	3.4%
Cotton - US\$/pound	73.89	74.13	0.3%	1.9%	2.7%

Source: Various

3. Currencies – markets battle uncertainty...

The US dollar weakened after US President Donald Trump announced a tentative agreement with lawmakers to end a partial government shutdown. Thus, the US dollar index fell by 0.6% to end the week at 95.78. Elsewhere, the South Africa rand strengthened by 0.9% to ZAR13.7/US\$ due to a slowdown in inflation for December 2018 and renewed appetite for emerging market currencies. **Table 3** below outlines currencies performance as at 25 January 2019.

...US dollar weaker due to US Gvt shutdown...

Table 3: Currencies Performance

Currencies	18-Jan-19	25-Jan-19	Weekly change (%)	Previous week change (%)	YTD Change (%)
USD/ZAR	13.7775	13.6600	-0.9%	-0.4%	-5.0%
USD/BWP	10.2899	10.2863	0.0%	0.0%	-2.2%
USD/ZMK	11.8755	11.9301	0.5%	-0.2%	0.3%
USD/NGN	361.8970	361.2310	-0.2%	-0.5%	-0.5%
USD/GBP	0.7732	0.7613	-1.5%	-1.0%	-3.0%
USD/EUR	0.8783	0.8804	0.2%	1.0%	0.8%
USD/JPY	109.52	109.717	0.2%	1.1%	-0.3%
USD/CNY	6.7741	6.7585	-0.2%	0.3%	-1.7%
Dollar Index - DXY	96.36	95.78	-0.6%	0.7%	-0.4%

Source: Oanda

Looking Ahead

Date	Event	Period	Forecast	Previous
Local				
TBA	2019 Monetary Policy Statement			
Regional and International				
29-Jan-19	UK Parliament vote on Brexit deal			
30-Jan-19	US GDP - QoQ	Q4 2018	2.50%	3.40%
31-Jan-19	South Africa Trade Balance - US\$bbln	Dec-18	9.00	3.49
01-Feb-19	US Unemployment Rate	Jan-19	3.90%	3.90%
01-Feb-19	Euro Manufacturing PMI	Jan-19	50.50	50.50
01-Feb-19	South Africa Manufacturing PMI			50.70

Source: Various

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