

Euro Area –EU and BOE slashes 2019 growth forecasts...

The European Union lowered its 2019 growth forecast for the euro zone from an initial forecast of 1.9% to 1.3%. According to the bloc, the major reasons were rising global trade tensions and domestic challenges – mainly growing public debt. Meanwhile, the Bank of England “BOE” cut the UK’s growth forecast from 1.7% to 1.2%, citing “slowing global economy and Brexit uncertainty with a 25% chance of a recession.” As a result, BOE maintained the policy rate at 0.75% and indicated fewer increases in borrowing costs between 2019 and 2020. The recent downgrades in economic growth reflect the uninspiring global economic outlook in 2019. In the short-term, barring unforeseen events, the pace of global monetary tightening will most likely slowdown thereby benefitting most sovereigns in emerging market and frontier economies.

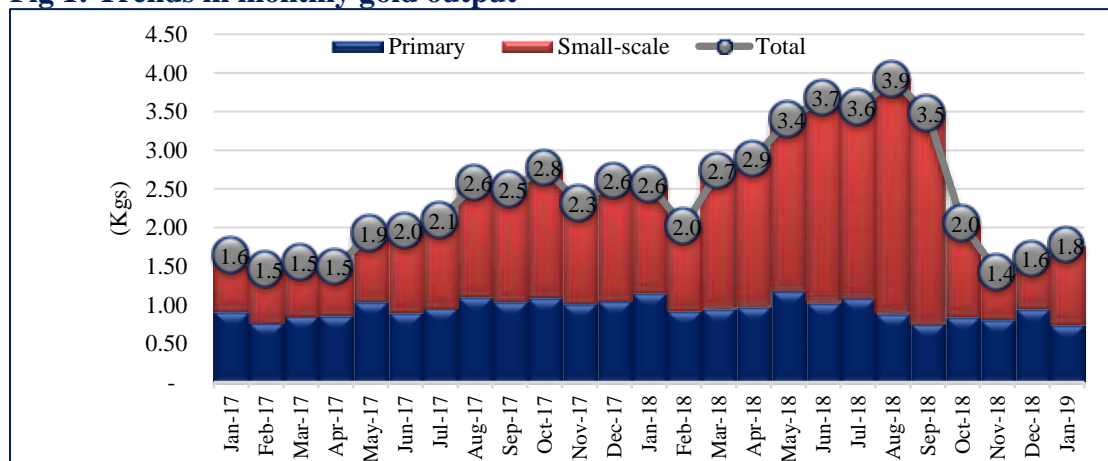
Africa – Egypt to issue green bonds and Asian-currency denominated bonds...

According to the Finance Ministry, Egypt will issue new green bonds and Asian currency-denominated bonds for the first time in addition to dollar and Eurobonds in the fiscal year 2018/19. In fact, the decision follows cabinet approval for US\$3 billion to US\$7 billion in foreign bond offers. Four international investment banks — Goldman Sachs, Citibank, JP Morgan and HSBC — have been selected by Egypt to issue the dollar-denominated bonds, whilst another four international investment banks — BNP Paribas, Natixis, Alex Bank San Paolo and Standard Chartered — will issue the Eurobonds. Strong investor support is expected following a recent approval by the IMF of US\$2 billion loan package in response to an austerity program that has boosted growth and cut unemployment as well as budget deficit.

Zimbabwe– Recovery in gold output...

According to Fidelity Printers and Refiners “FPR”, gold output increased by 11.1% to 1.8t in Jan 2019 against 1.6t produced in Dec 2019. This was driven by a 61% expansion by artisanal and small-scale miners “ASM” from 0.6t to 1.0t, over the same period. However, on a year-on-year basis, gold output was 30.8% lower than 2.6t logged in Jan 2018 and below the average 2018 monthly output of 2.8t. Meanwhile, in terms of contribution, ASM’s commanded 58% of total production in Jan 2019 (40% - Dec 2018), whilst the balance emerged from primary producers – Fig 1 below.

Fig 1: Trends in monthly gold output



Source: FPR

The recovery in output is commendable considering that gold remains the country’s single largest export earner. There is, however, a greater need for Government to continuously create a conducive environment for capital inflows as well as easing the cost of doing business. This entails a gradual shift towards market-based policies that will enhance foreign currency allocation thereby avoiding the recurrence of voluntary production suspensions similar to the recent announcement by RioZim during the week under review.

...Trade tension and Brexit risks to slowdown euro-area and UK growth forecast...

...Egypt expects to raise US\$3b-US\$7b on the international markets...

...Gold increased by 11% in Jan 2019 supported by ASM...

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange, the All Share Index fell by 1.8% to end the week at 155.08, as investors maintained a cautious approach ahead of the forthcoming 2019 Monetary Policy Statement. Meanwhile, weekly turnover declined by 22.3% to US\$24.2 million with offshore investors closing as net sellers. Elsewhere, most regional and global markets traded in the positive territory. US markers traded higher lifted by positive corporate earnings, whilst the UK market was sustained by expectations of accommodative monetary policy. **Table 1** below outlines the local as well as major regional and global equities markets' performance as at 08 February 2019.

...All share index fell by
1.8%...

Table 1: Local, Regional and Global Stock Market Performance

Domestic	01-Feb-19	08-Feb-19	Weekly change (%)	Previous week change(%)	YTD Change (%)
All Share Index	157.85	155.08	-1.8%	-0.2%	6.0%
Industrial Index	526.94	517.45	-1.8%	-0.2%	6.2%
Mining Index	213.13	216.5	1.6%	0.4%	-4.9%
Top 10 Index	158.45	154.03	-2.8%	-0.6%	6.2%
Mkt cap - US\$mln	20.92	20.59	-1.6%	-0.5%	6.0%
Turnover - US\$mln	31.21	24.24	-22.3%	-19.9%	
African					
Botswana	7,875.36	7,882.74	0.1%	0.0%	0.4%
Ghana	2,425.12	2,416.24	-0.4%	-0.3%	-3.2%
Kenya	154.52	160.44	3.8%	5.5%	14.2%
Malawi	29,328.77	29,329.86	0.0%	0.0%	1.2%
South Africa	53,930.14	53,244.18	-1.3%	-0.2%	1.0%
Nigeria	30,636.36	31,529.92	2.9%	-2.5%	0.3%
Zambia	5,691.10	5,769.70	1.4%	0.2%	9.9%
Mauritius	2,212.92	2,210.58	-0.1%	-0.3%	-0.4%
Global					
U.S. - Dow	25,063.89	25,106.33	0.2%	1.3%	7.6%
U.S. - S&P500	2,706.53	2,707.88	0.0%	1.6%	8.0%
U.K. - FTSE 100	7,020.22	7,071.18	0.7%	3.1%	5.1%
Japan - NIKKEI 225	20,877.24	20,333.17	-2.6%	0.5%	1.6%
China - Shanghai Index	2,618.23	2,618.23	0.0%	0.6%	5.0%

Source: Various

2. Commodities

Mixed trades were registered among the major commodities. On the downside, gold prices fell by 1.0% to US\$1,310/oz due to a relatively strong US dollar. On the other hand, oil prices increased marginally by 0.3% to US\$62.1/b, supported by expectations of further output cuts - **Table 2** below.

Table 2: Commodities Price Performance

Commodities	01-Feb-19	08-Feb-19	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
Metals					
Gold - US\$/oz	1,323.25	1,310.00	-1.0%	3.1%	2.4%
Platinum - US\$/oz	825.00	798.00	-3.3%	2.1%	-0.2%
Copper - US\$/t	6,139.00	6,210.00	1.2%	1.4%	4.1%
Nickel - US\$/t	12,455.00	12,730.00	2.2%	6.4%	20.2%
Oil - US\$/b	61.89	62.10	0.3%	0.4%	15.4%
Agricultural					
Wheat - US\$/t	192.72	190.33	-1.2%	2.4%	3.0%
Soybeans - US\$/t	345.29	344.10	-0.3%	0.4%	3.8%
Sugar - US\$/pound	12.60	12.71	0.9%	1.3%	5.7%
Cotton - US\$/pound	73.64	72.55	-1.5%	-0.7%	0.5%

Source: Various

Meanwhile, according to the Grain Marketing Board, local prices remained unchanged at US\$390/t, US\$630t and \$780/t for maize, wheat and soyabeans, respectively.

...gold prices fell due to a
relatively stronger US
dollar...

...US dollar rose to a six-month high...

3. Currencies

The US dollar traded stronger supported by concerns over the slowing global economy as reflected by downward revisions of growth forecasts for the euro-zone area and the UK economy. Therefore, the US dollar index rose by 1.1% to end the week at a six-month high of 96.65. Elsewhere, the South African rand weakened by 2.4% to ZAR13.6/US\$ pressured by risk-off sentiment on emerging market currencies. **Table 3** below outlines currencies performance as at 08 February 2019.

Table 3: Currencies Performance

Currencies	01-Feb-19	08-Feb-19	Weekly change (%)	Previous week change(%)	YTD Change (%)
USD/ZAR	13.2983	13.6238	2.4%	-2.6%	-5.3%
USD/BWP	10.1227	10.2525	1.3%	-1.6%	-2.5%
USD/ZMK	11.8983	11.7938	-0.9%	-0.3%	-0.9%
USD/NGN	361.0730	359.4680	-0.4%	0.0%	-1.0%
USD/GBP	0.7641	0.7724	1.1%	0.4%	-1.6%
USD/EUR	0.8728	0.8822	1.1%	-0.9%	1.0%
USD/JPY	109.122	109.759	0.6%	-0.5%	-0.2%
USD/CNY	6.7328	6.7431	0.2%	-0.4%	-1.9%
Dollar Index - DXY	95.60	96.65	1.1%	-0.2%	0.5%

Source: Oanda

Looking Ahead

Date	Event	Period	Forecast	Previous
Local				
TBA	2019 Monetary Policy Statement			
15-Feb-19	CPI - YoY	Jan-19		42.09%
Regional and International				
12-Feb-19	South Africa Manufacturing Production	Dec-18	0.40%	0.70%
13-Feb-19	UK CPI - YoY	Jan-19	1.90%	2.10%
13-Feb-19	US CPI - YoY	Jan-19	1.50%	1.90%
14-Feb-19	South Africa Mining Production	Dec-18	-0.60%	-5.60%

Source: Various

Analysts:

Andrew Chirewo
achirewo@cbz.co.zw

Victor Makanda
vmakanda@cbz.co.zw

Godknows Muwandi
gmuwandi@cbz.co.zw

Contact Details

3rd Floor, Sapphire House,
Cnr Speke/ Angwa St,
P O Box 3313,
Harare, Zimbabwe,

Tel: +263 4 759101-16

Website: www.cbz.co.zw

Email: research@cbz.co.zw

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