

*...British PM to resign  
on 07 June 2019 due to  
Brexit tension...*

### **Euro Area- British PM resigns on Brexit tensions...**

Britain's Theresa May announced her resignation as prime minister with effect from 07 June 2019. In fact, May said it was with "deep regret" that she had ultimately failed to reach a consensus among lawmakers over Brexit withdrawal agreement from the European Union. With no Brexit withdrawal agreement, the prospect of the U.K. suffering a disorderly exit from the European Union now appears to be more likely. Britain and Northern Ireland's official departure date from the European Union is 31 October 2019. However, with the recent events, the following possible scenarios of (a) further extension in order to elect a new PM and (b) another referendum are now expected and these will most likely drag the UK into a recession in 2019 and 2020 as predicted by the IMF.

*... Kenya launches  
mortgage refinance  
company to reduce  
housing backlog...*

### **Africa – Kenya launches mortgage-refinancing company...**

The Kenyan government launched the Kenya Mortgage Refinancing Company "KMRC" as part of President Uhuru Kenyatta's affordable housing plan. KMRC, expected to be operational in June 2019, is expected to advance cash to commercial banks, savings and credit cooperative society "Saccos" and mortgage companies for onward lending to individual home buyers at rates below 10% (*market rates at 13.5%*). Thus, Kenyans who earn less than KSh150, 000 (US\$1,500) monthly income will qualify for affordable housing loans, whilst market rates of 13.5% will continue to be offered for those earnings above KSh150, 000. KMRC will be 80% privately owned and the balance owned by government. Shareholders of the company include 8 Kenyan banks namely; KCB Group, Co-op Bank, Barclays, NIC, Stanbic, DTB, HF group, and Credit Bank; a microfinance institution, and 11 Saccos.

### **Zimbabwe–RBZ removes fuel subsidy...**

The Reserve Bank of Zimbabwe "RBZ" on 21 May 2019 announced the removal of fuel subsidies to Oil Marketing Companies "OMC" to promote efficient use of foreign exchange and guarding against arbitrage opportunities. In fact, **Table 1** below outlines the initiatives from the RBZ;

**Table 1: RBZ Initiatives**

<b>Initiative</b>	<b>Details</b>
Fuel subsidy	Procurement of fuel by OMCs shall be done through the interbank foreign exchange market and there shall only be one foreign exchange rate to be used for the importation of all goods and services.
Credit line	RBZ began the drawdown of a US\$500 million offshore line to supplement the foreign exchange receipts. The facility will be disbursed into the economy through the interbank foreign exchange framework at the prevailing interbank foreign exchange rate on a willing-seller willing-buyer basis
Letters of Credit	Continued use of Letters of Credit "LCs", priced at the prevailing foreign exchange rate, for the importation of essential commodities such as fuel, grain and cooking oil.
Compliance	Banks to ensure that there are no moral hazards in the operation of the interbank forex market and avoid twinning arrangements for their customers.

**Source: RBZ**

Going forward, initiatives such as promoting transparency, build-up of foreign exchange reserves and removal of restrictions, are expected to further enhance the effectiveness interbank foreign exchange market.

### Tobacco Marketing Season Update

Cumulative sales for the period to 23 May 2019 show that total volume and value traded declined by 18% and 49% to 116.6 million kgs and US\$210.9 million, respectively, when compared to the 2018 marketing season. The average 2019 price at US\$1.81/kg remained below the 2018 level of US\$2.87/kg. **Table 2** below outlines the cumulative tobacco sales statistics as at 23 May 2019 (*latest available data*).

**Table 2: Tobacco Marketing Statistics as at 23 May 2019 (Day 43)**

Seasonal	Total Auction	Total Contract	Total 2019	Total 2018	Change (%)
Mass sold (mln kg)	16.76	99.62	116.38	142.25	-18.2%
Value (US\$m)	27.19	183.75	210.94	410.73	-48.6%
Average Price (US\$/kg)	1.62	1.84	1.81	2.87	-36.9%
Rejected %	12.14%	4.32%	5.58%	4.63%	(1.0)
Highest Price (US\$/kg)	4.65	5.60	5.60	6.25	-10.4%
Lowest Price (US\$/kg)	0.10	0.10	0.10	0.10	0.0%
Average bale weight (kg)	74.0	77.00	77.0	77.0	0.0%

Source: TIMB

### Markets Summary

#### **1. Equities**

On the Zimbabwe Stock Exchange “ZSE”, the All Share Index advanced by 9.7% to 159.74 driven by further acceleration of FX premiums, both at the formal and informal markets, underpinned by the recent RBZ initiatives. Meanwhile, weekly turnover improved by 53.2% to RTGS\$59.0 million driven by trades in Delta, Econet and Seed Co. In terms of investor participation, offshore players closed as net sellers for the sixth consecutive week. Elsewhere, mixed trades were recorded among regional and global markets dragged by the continued trade tension, soft US manufacturing data and elections in Europe. **Table 3** below outlines the local as well as major regional and global equities markets’ performance as at 24 May 2019.

**Table 3: Local, Regional and Global Stock Market Performance**

Domestic	17-May-19	24-May-19	Weekly change (%)	Previous week change(%)	YTD Change (%)
All Share Index	145.65	159.74	9.7%	2.8%	9.2%
Industrial Index	486.76	534.24	9.8%	2.9%	9.7%
Mining Index	189.63	191.87	1.2%	0.1%	-15.7%
Top 10 Index	137.5	152.73	11.1%	2.1%	5.3%
Mkt cap - US\$m	19.01	21.03	10.6%	2.6%	8.3%
Turnover - US\$m	38.53	59.01	53.2%	31.3%	
<b>African</b>					
Botswana	7,657.66	7,748.77	1.2%	-2.6%	-1.3%
Ghana	2,415.22	2,456.69	1.7%	3.2%	-1.6%
Kenya	145.33	146.46	0.8%	-6.5%	4.3%
Malawi	28,114.09	28,728.11	2.2%	1.2%	-0.9%
South Africa	56,183.21	54,423.56	-3.1%	-1.1%	3.2%
Nigeria	28,871.93	30,881.29	7.0%	0.1%	-1.7%
Zambia	5,740.17	5,739.45	0.0%	6.0%	9.4%
Mauritius	2,154.21	2,145.41	-0.4%	0.7%	-3.3%
<b>Global</b>					
U.S. - Dow	25,764.00	25,585.69	-0.7%	-0.7%	9.7%
U.S. - S&P500	2,859.53	2,826.06	-1.2%	-0.8%	12.7%
U.K. - FTSE 100	7,348.62	7,277.73	-1.0%	2.0%	8.2%
Japan - NIKKEI 225	21,301.73	21,182.58	-0.6%	0.5%	5.8%
China - Shanghai Index	2,866.79	2,894.03	1.0%	-2.5%	16.0%

Source: Various

...volume and value still below prior year's level...

...All share index advanced by 9.7%...

## 2. Commodities

With the exception of platinum, copper and oil, most major commodities registered prices gains. Wheat and cotton registered the largest gains of 5.9% and 3.6%, to US\$180.1/t and US\$68.4/pound, respectively. The former continued to receive support from weather-related supply concerns in Europe. On the downside, oil prices fell by 4.9% to US\$68.7/b due to rising inventories and concerns over the global economy - **Table 4** below.

**Table 4: Commodities Price Performance**

Commodities	17-May-19	24-May-19	Weekly change (%)	Previous Week Change (%)	YTD Change (%)
<b>Metals</b>					
Gold - US\$/oz	1,280.80	1,282.50	0.1%	-0.5%	0.3%
Platinum - US\$/oz	832.00	810.00	-2.6%	-3.5%	1.3%
Copper - US\$/t	6,056.00	5,955.00	-1.7%	-1.7%	-0.2%
Nickel - US\$/t	12,020.00	12,150.00	1.1%	1.3%	14.7%
Oil - US\$/b	72.21	68.69	-4.9%	2.3%	27.7%
<b>Agricultural</b>					
Wheat - US\$/t	170.12	180.14	5.9%	10.8%	-2.5%
Soybeans - US\$/t	301.94	304.88	1.0%	-1.4%	-8.1%
Sugar - US\$/pound	11.55	11.66	1.0%	-1.5%	-3.1%
Cotton - US\$/pound	65.99	68.39	3.6%	-3.6%	-5.3%

Source: Various

Meanwhile, local prices were maize and small grains (RTGS\$726/t), wheat (RTGS\$1 089.68), soyabean (RTGS\$918/t) and cotton (RTGS\$1 950/t).

## 3. Currencies

The US dollar traded lower as the weak US manufacturing activity for May 2019 sparked worries that trade conflict with China may hurt the world's largest economy. Thus, the US dollar index fell by 0.4% from a 2-year high to end the week at 97.61. Elsewhere, the South Africa rand weakened by 0.5% to ZAR14.43 with S&P Global ratings keeping South Africa's foreign and local-currency credit ratings in "junk" territory with a stable outlook. **Table 5** below outlines currencies performance as at 24 May 2019.

**Table 5: Currencies Performance**

Currencies	17-May-19	24-May-19	Weekly change (%)	Previous week change (%)	YTD Change (%)
USD/RTGS\$ (mid-rate)	3.4861	4.9333	41.5%	3.3%	97.3%
USD/ZAR	14.3605	14.4273	0.5%	1.0%	0.3%
USD/BWP	10.5815	10.6049	0.2%	0.2%	0.9%
USD/ZMK	13.6935	12.8328	-6.3%	6.8%	7.9%
USD/NGN	359.4090	357.0160	-0.7%	0.4%	-1.7%
USD/GBP	0.7839	0.7881	0.5%	2.0%	0.4%
USD/EUR	0.8953	0.8932	-0.2%	0.6%	2.2%
USD/JPY	110.9828	109.486	-1.3%	1.1%	-0.5%
USD/CNY	6.9102	6.9031	-0.1%	1.4%	0.4%
Dollar Index - DXY	98.00	97.61	-0.4%	0.7%	1.5%

Source: Oanda

...oil prices fell due to rising inventory levels ...

...US dollar fell from a 2-yr high due to weak manufacturing data ...

## Looking Ahead

Year	Event	Period	Forecast	Previous
<b>Local</b>				
31-May-19	Dairibord Holdings AGM, 12pm, Stewart Room, Meikles Hotel			
<b>Regional and International</b>				
28-May-19	US CB Consumer Confidence	May-19	130.10	129.20
28-May-19	Euro Business and Consumer Survey	May-19	104.00	104.00
29-May-19	Bank of Canada Interest Rate Decision		1.75%	1.75%
30-May-19	US Initial Jobless Claims		216k	211k
31-May-19	UK Money Supply Growth - MoM	Apr-19	0.40%	-0.50%

Source: Various

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