

...China slaps US\$75b worth of retaliatory tariffs on US products...

Asia – China slaps retaliatory tariffs on US products...

China’s State Council announced plans to retaliate against the US administration with new tariffs on c.US\$75bln worth of US products and reinstated duties on American cars. In fact, tariffs ranging from 5% to 10% on more than 5,000 products will take effect in two batches, on 01 September 2019 and 15 December 2019 coinciding with the dates that the US is slated to increase import duties on US\$300bln worth of Chinese goods. In the short term, the ongoing trade dispute will inevitably slow down global output with the World Trade Organisation recently projecting a bearish outlook on international trade.

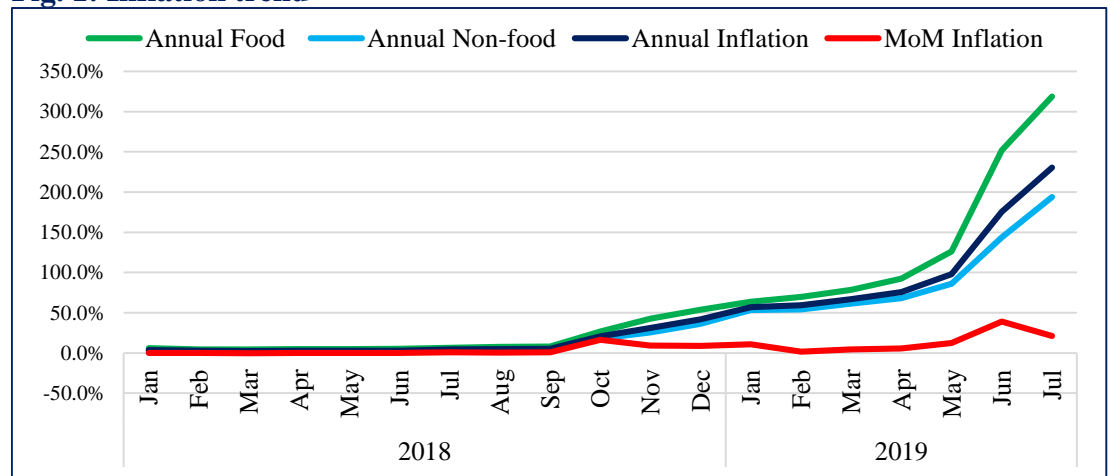
Africa – SA annual inflation within target range...

According to Statistics South Africa, annual inflation fell from 4.5% in June 2019 to 4% in July 2019 below market expectations. The slowdown mainly emanated from the lower-than-expected increase in utilities prices. Meanwhile, monthly inflation increased by 0.4% in July 2019 lifted by the housing and utilities category. Inflation is expected to remain within SARB’s 3-6% target range as there is limited price pressure given the weak economic growth.

Zimbabwe – Monthly inflation slows to 21%...

According to the ZimStat, the month-on-month “m/m” inflation rate fell from 39.3% in Jun 2019 to 21.0% in Jul 2019. In fact, the m/m food and non-alcoholic inflation slowed from 55.1% in Jun 2019 to 19.9% in July, implying prices increased at a slower pace. The highest price increases were recorded in coffee products (+44%), vegetables (+27%), fish & sea food (+26%) and oils & fats (+26%). Likewise, m/m non-food inflation fell from 31.2% to 21.7%, over the same period. Major price increases were recorded in car insurance (+175%), motor cars and motor cycles (range of 85%-147%), pharmaceutical products (+66%), spare parts (+60%), solid fuels (+59%), private college fees (+52%) and catering services (40%), among others items. Meanwhile, in spite of barring publication of year-on-year “y/y” figures, the extrapolated figures indicate an increase from 175.7% in Jun 2019 to 230.4% in Jul 2019- **Fig 1** below. The y/y food and non-alcoholic beverages inflation rose from 251.9% to 318.9%, whilst y/y non-food inflation rose from 144% to 193.8%, over the same period.

Fig. 1: Inflation trend



Source: ZimStat

Going forward, inflationary pressures will remain entrenched driven by the ongoing USD\$ indexed-pricing by most suppliers, adverse inflation expectations and the continued depreciation of the local currency against the US dollar. The full impact of the review in utilities and fuel price adjustments are expected to be felt in the Aug 2019 statistics.

...SA annual inflation fell to 4% in July 2019...

...Zimbabwe’s monthly inflation fell from 39.3% in Jun 2019 to 21% in Jul 2019...

Tobacco Marketing Season Update

Cumulative sales for the period to 22 Aug 2019 show that total volume marginally increased by 1.1% to 253.7 mln kg compared to the 2018 marketing season. However, the value traded declined by 30% to US\$513.4 million, when compared to the prior season due to subdued lower prices. In fact, the average 2019 price at US\$2.02/kg remained below the 2018 level of US\$2.92/kg. **Table 1** below outlines the cumulative tobacco sales statistics as at 22 August 2019 (*latest available data*).

Table 1: Tobacco Marketing Statistics as at 22 Aug 2019 (Day 106)

| Seasonal | Total Auction | Total Contract | Total 2019 | Total 2018 | Change (%) |
|--------------------------|---------------|----------------|------------|------------|------------|
| Mass sold (mln kg) | 32.26 | 221.44 | 253.70 | 250.83 | 1.1% |
| Value (US\$m) | 56.90 | 456.52 | 513.42 | 733.12 | -30.0% |
| Average Price (US\$/kg) | 1.76 | 2.06 | 2.02 | 2.92 | -30.8% |
| Rejected % | 15.22% | 4.55% | 6.17% | 4.94% | (1.2) |
| Highest Price (US\$/kg) | 4.99 | 5.75 | 5.75 | 6.25 | -8.0% |
| Lowest Price (US\$/kg) | 0.10 | 0.10 | 0.10 | 0.10 | 0.0% |
| Average bale weight (kg) | 76.0 | 83.00 | 82.0 | 80.0 | 2.5% |

Source: TIMB

Markets Summary

1. Equities

On the Zimbabwe Stock Exchange “ZSE”, the All Share Index fell by 3.0% to end the week at 174.33 due to losses in Innscor, Econet and Delta. Meanwhile, weekly turnover improved by 12.5% to ZWL\$22.8 million with notable trades recorded in Delta, Old Mutual, Edgars and Econet. Elsewhere, the escalation of the trade dispute between the US and China saw most regional and global markets recording losses during the week under review. **Table 2** below outlines the local as well as major regional and global equities markets’ performance as at 23 August 2019.

Table 2: Local, Regional and Global Stock Market Performance

| Domestic | 16-Aug-19 | 23-Aug-19 | Weekly change (%) | Previous week change(%) | YTD Change (%) |
|------------------------|-----------|-----------|-------------------|-------------------------|----------------|
| All Share Index | 179.70 | 174.33 | -3.0% | -0.2% | 19.2% |
| Industrial Index | 599.18 | 580.6 | -3.1% | -0.2% | 19.2% |
| Mining Index | 248.74 | 259.15 | 4.2% | 1.6% | 13.8% |
| Top 10 Index | 165.66 | 158.69 | -4.2% | -0.6% | 9.4% |
| Mkt cap - RTGS\$m | 23.43 | 22.72 | -3.0% | -0.4% | 16.9% |
| Turnover - RTGS\$m | 20.24 | 22.76 | 12.5% | -25.0% | |
| African | | | | | |
| Botswana | 7,573.45 | 7,490.62 | -1.1% | 0.2% | -4.6% |
| Ghana | 2,311.48 | 2,269.79 | -1.8% | -0.2% | -9.1% |
| Kenya | 151.40 | 149.87 | -1.0% | 2.3% | 6.7% |
| Malawi | 29,071.28 | 29,153.01 | 0.3% | -0.9% | 0.6% |
| South Africa | 54,505.89 | 53,995.82 | -0.9% | -1.9% | 2.4% |
| Nigeria | 26,925.29 | 27,800.17 | 3.2% | -1.4% | -11.6% |
| Zambia | 4,503.18 | 4,457.88 | -1.0% | 0.0% | -15.1% |
| Mauritius | 2,167.77 | 2,172.04 | 0.2% | -0.2% | -2.1% |
| Global | | | | | |
| U.S. - Dow | 25,886.10 | 25,628.90 | -1.0% | -1.5% | 9.9% |
| U.S. - S&P500 | 2,888.68 | 2,847.11 | -1.4% | -1.3% | 13.6% |
| U.K. - FTSE 100 | 7,117.15 | 7,094.98 | -0.3% | -1.8% | 5.5% |
| Japan - NIKKEI 225 | 20,563.16 | 20,261.04 | -1.5% | -0.4% | 1.2% |
| China - Shanghai Index | 2,883.10 | 2,859.91 | -0.8% | 2.6% | 14.7% |

Source: Various

...national output above
TIMB expectations of
220-240 mln kg range...

...All share index up
19% on a ytd basis...

2. Commodities

Mixed trades were recorded among major commodities. Gold prices advanced by 1.2% to US\$1,527/oz as the US-China trade fight renewed safe-haven demand for the precious metal. On the other hand, nickel prices fell by 2.1% to US\$15,750/t as the global market shortage narrowed to 5,100t in June 2019 compared to 12,400t in May 2019 - **Table 3** below.

Table 3: Commodities Price Performance

| Commodities | 16-Aug-19 | 23-Aug-19 | Weekly change (%) | Previous Week Change (%) | YTD Change (%) |
|---------------------|-----------|-----------|-------------------|--------------------------|----------------|
| Metals | | | | | |
| Gold - US\$/oz | 1,508.60 | 1,527.20 | 1.2% | 0.7% | 19.4% |
| Platinum - US\$/oz | 841.00 | 865.00 | 2.9% | -2.9% | 8.1% |
| Copper - US\$/t | 5,744.00 | 5,683.00 | -1.1% | -0.2% | -4.7% |
| Nickel - US\$/t | 16,080.00 | 15,750.00 | -2.1% | 3.0% | 48.7% |
| Oil - US\$/b | 58.64 | 59.34 | 1.2% | 0.2% | 10.3% |
| Agricultural | | | | | |
| Wheat - US\$/t | 173.16 | 174.63 | 0.8% | -5.7% | -5.5% |
| Soybeans - US\$/t | 335.37 | 326.83 | -2.5% | -1.0% | -1.4% |
| Sugar - US\$/pound | 11.64 | 11.47 | -1.5% | -1.9% | -4.7% |
| Cotton - US\$/pound | 60.08 | 57.97 | -3.5% | 1.7% | -19.7% |

Source: Various

Meanwhile, local prices were maize and small grains (RTGS\$1,400/t), wheat (RTGS\$1 089.68), soybean (RTGS\$918/t) and cotton (RTGS\$1 950/t).

3. Currencies

The US dollar traded weaker after President Donald Trump ordered U.S. companies to start looking for an alternative to China after Beijing imposed more tariffs on American goods, further escalating tension between the world's two largest economies in a prolonged trade dispute. In addition, dovish statements by the US Federal Reserve chairman led to a relatively weaker US dollar. Thus, the dollar index fell by 0.5% to end the week at 97.64. Elsewhere, the Zambian Kwacha weakened by a marginal 0.1% to ZMK13.09 as its agriculture ministry introduced a cap on the price of maize to keep the staple food affordable, sparking protest from commercial farmers who accused the government of bringing back price controls. **Table 4** below outlines currencies performance as at 23 August 2019.

Table 4: Currencies Performance

| Currencies | 16-Aug-19 | 23-Aug-19 | Weekly change (%) | Previous week change (%) | YTD Change (%) |
|-----------------------|-----------|-----------|-------------------|--------------------------|----------------|
| USD/RTGS\$ (mid-rate) | 10.01 | 10.34 | 3.3% | 2.2% | 313.6% |
| USD/ZAR | 15.23 | 15.21 | -0.2% | 0.5% | 5.8% |
| USD/BWP | 10.93 | 10.91 | -0.2% | 0.4% | 3.8% |
| USD/ZMK | 13.07 | 13.09 | 0.1% | 0.4% | 10.0% |
| USD/NGN | 363.87 | 361.86 | -0.6% | 1.0% | -0.3% |
| USD/GBP | 0.82 | 0.82 | -0.9% | -0.4% | 4.0% |
| USD/EUR | 0.90 | 0.90 | 0.0% | 1.0% | 3.1% |
| USD/JPY | 106.26 | 106.12 | -0.1% | 0.5% | -3.5% |
| USD/CNY | 7.04 | 7.09 | 0.7% | -0.2% | 3.1% |
| Dollar Index - DXY | 98.14 | 97.64 | -0.5% | 0.7% | 1.5% |

Source: Oanda

...nickel prices soften as the global market shortage narrowed in June 2019...

...US dollar softens on as global trade wars escalates...

Looking Ahead

| Date | Event | Period | Forecast | Previous |
|-----------------------------------|---|---------|----------|----------|
| Local | | | | |
| 04-Sep-19 | Border Timbers EGM, 9am, Boardroom, Northern Tobacco Complex, 4-12 Paisley Rd, Southerton | | | |
| Regional and International | | | | |
| 27-Aug-19 | German GDP -QoQ | Q2 2019 | -0.1% | -0.1% |
| 28-Aug-19 | Euro M3 Money Supply - YoY | Jul-19 | 4.8% | 4.5% |
| 29-Aug-19 | Euro Services Sentiment | Aug-19 | 10.50 | 10.60 |
| 30-Aug-19 | South Africa M3 Money Supply - YoY | Jul-19 | 9.0% | 9.0% |
| 30-Aug-19 | South Africa Private sector credit | Jul-19 | 7.1% | 6.9% |

Source: Various

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