

(Members of the Zimbabwe Stock Exchange)

## Weekly Market Review

10 May 2013

### **1.0 Macroeconomic Review**

Although the macro-economic environment continues to be relatively stable, inbred flaws in the form of structural weaknesses, a trade and current account gap and limited revenue growth, have remained a blip in the otherwise buoyant long-term economic growth trajectory. On another note, the inflow of Foreign Direct Investment (FDI) from offshore investors continues, is somewhat hindered by the implementation of the Indigenisation Legislation. This has made full economic recovery fragile and the road back to normalcy a long and difficult one. Meanwhile, until an official announcement with regards to election dates is made, we expect the current trivial economic activities to subsist up until elections are held, as investors and big market players adopt a wait and see predilection.

#### ***Liquidity crunch, Indigenisation weighing on the banking sector....***

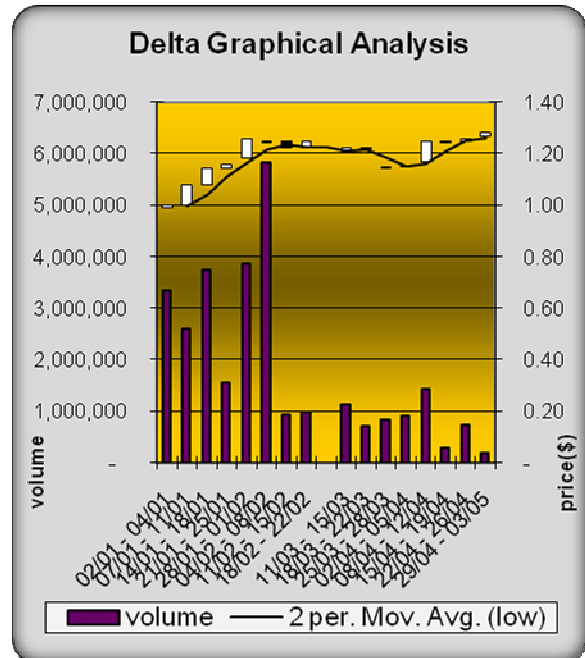
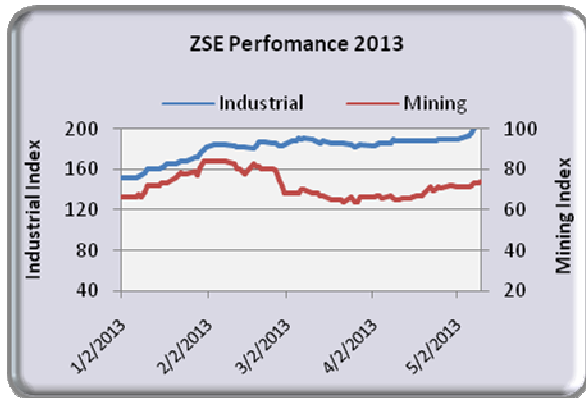
The liquidity crunch and high credit defaults continue to weigh heavily on the banking sector performance, and has seen banks struggling to make ends meet, in order to meet the June 30 deadline of US\$50 million capital requirement. The TRUST Bank tale, in which the bank failed to honor withdrawals last month, and the recent Kingdom saga in which underperforming loans have exposed the financial institution, are a true reflection on the impact of the liquidity crunch on financial institutions. Adding on, the Indigenization legislation has become an authenticity problem and foreign banks, Barclays, Standard Chartered and MBCA, have been under pressure to comply with the country's indigenisation

laws. The NIEEB had announced that banks would lose business licenses, for not complying with the 51% indigenisation programme, only for the central Bank to intervene pointing out that indigenisation is still work-in-progress and that NIEEB should take precipitous positions that are to the detriment of the sector as a whole.

### **2.0 Local and Global Markets Overview**

#### ***ZSE bullish as Delta reaches new high***

The local bourse traded northward during the week, though election talk continues to arrest the market, after investors expressed cosmic buy interests for blue chip stocks, positioning themselves ahead of the forthcoming general elections. Daily trading volumes improved during the week and closed above the US\$1.5 million mark on Friday, a figure representing an immense 10fold from US\$198 000 recorded on the first trading day of the week. As a result, the mainstream industrial index is up more than 34% this year, after gaining 7.10% week-on-week to reach a new high of 204.74 points, with foreign investors still dominating the market. The mining index closed 4.28% up at 74.13 points, after gains in Bindura, Hwange and Riozim overshadowed a decline in Falgold.



### 3.0 Individual Stocks

*Delta reaches new record high..... What' Next?*

**Price : US\$c135.01**  
**P/E : 22.39**  
**P/B ratio : 6.28**  
**EPS: 6.03**  
**Market Cap: US\$1.7 bill**  
**Recommendation: BUY**

Delta reached a new record high of 135.01c during the week, with the recent price rise as a result of an emotional buying spurt ahead of the release of financial results for the full year to March 2013. The current price is not justified by earnings outlook after the group indicated that there was a decline in volumes amid a notable slowdown in consumer spending in the quarter ending March 2013.

### Recommendation

It is easy for an investor to fall into the “What goes up must come down” Trap, but with the Delta stock it is worth paying the going price, because today’s price is cheap as the stock is going to get for some time, because with the stock having grown by 92.87% year on year it is not automatically doomed to fall back to 70c. Meanwhile, this is not to say that the price won’t have ups and downs along the way, but it is a true growth stock with solid prospects to keep moving up. As a result, we recommend a **BUY** on the Delta stock.

### ZSE Top Movers

Counter	10 May-13	03 May-13	Move %
PG↑	1.00	0.40	150.00
MASIMBA↑	5.00	3.50	42.86
WILLDALE↑	0.08	0.06	33.33
OK↑	25.00	19.20	30.21
ECONET↑	74.50	66.00	12.89

## ZSE Shakers

Counter	10 May-13	03 May-13	Move %
RTG↓	1.20	1.30	(7.69)
NICOZ↓	1.30	1.40	(7.14)
LAFARGE↓	85.00	90.00	(5.56)
POWERSPEED↓	1.60	1.65	(3.03)
ZPI↓	1.39	1.40	(0.71)

### *This week's pick of Stocks to Buy and Sell*

This week we urge investors to consider stocks, with solid fundamentals, some of which have been listed hereunder, as they prove capable of generating good returns in the medium to long-term.

Counter	Price USc	P/E	EPS	Mkt Cap	Recomm
Delta	135.01	22.39	6.03	1.7 bill	BUY
Innsco	91.03	12.73	7.15	491.7m	BUY
Econet	72.00	7.20	10.00	654.7m	BUY
Barclays	3.40	34.00	0.10	73.2m	BUY
PG	1.00	-0.98	-1.02	4.8m	SELL
Zeco	0.03	0.00	-53.00	0.14m	SELL
Pelhams	0.09	0.00	0.00	0.9m	SELL

### **Global stocks on the rise....**

US stocks continued on an upward trend, amid indications that US unemployment fell to 7.5% in April, the lowest since October 2008, thereby reviving confidence in global economic recovery. The equities rallied, with the S&P 500 recently undergoing a five-day streak of record closing highs given the Federal Reserve's accommodative monetary environment and encouraging data on the labor market, including jobless claims. As a result, for the week, major stock market indexes posted gains as the Dow Jones Industrial Average (DIA) added 0.72%, and the S&P 500 put on 0.75%.

Peer Analysis	10 May-13	Weekly % Change
DJIA	15,082.60	0.72
S&P 500	1,626.67	0.75
JSE	40,232.00	1.82
NSE	122.52	2.53

### International US dollar Cross rates

Currencies	10 May-13	03 May-13	Wkly %
US\$/Pound	1.5396	1.5555	1.02
US\$/Euro	1.2997	1.3113	0.88
ZAR/US\$	9.1160	8.9537	1.81
BWP/US\$	8.1900	8.0841	1.31

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