

(Members of the Zimbabwe Stock Exchange)

Weekly Market Review

24 May 2013

1.0 Macroeconomic Review

The economy continues to remain stable though limited capital inflows, a huge trade deficit and depressed manufacturing output continue to haunt the fundamentals into 2013. We expect the current economic environment to continue up until an official announcement regarding the election dates is made, as investors and market players continue with the wait and see inclination.

Meanwhile, year-on-year inflation remains contained far below the regional benchmark of 5% (April 2.49%), and this has seen the cost of living for a family of six decreasing (March \$571.51), from the latest statistics from the Consumer Council of Zimbabwe (CCZ).

Liquidity crunch not sparring the insurance industry

The liquidity crunch continues to prevail in the economy, with the latest SFG insurance saga, a true reflection of the existing tight liquidity situation after the Insurance and Pension Commission directed the ZimRe

Holdings subsidiary to shut down due to insolvency. This comes after IPEC hiked the minimum capital threshold for insurance companies from US\$300 000 to US\$3 million, in 2012.

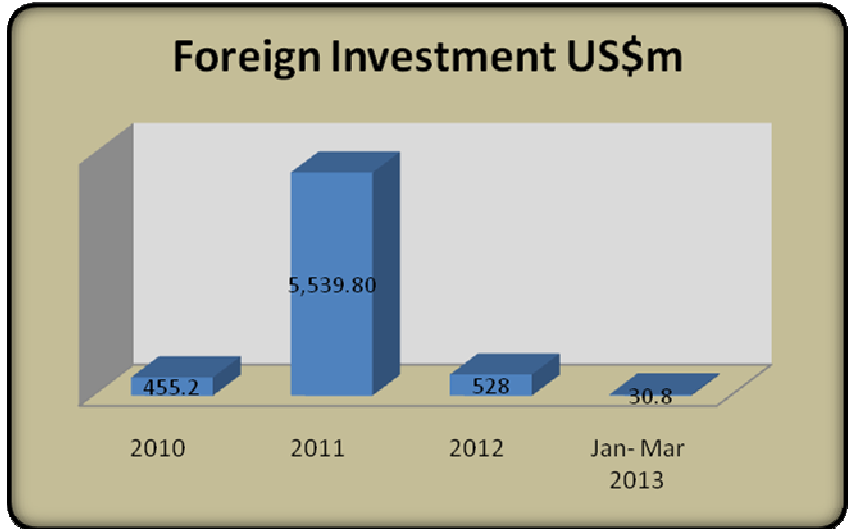
Absence of direct flights weighing on the Tourism sector...

With the nation set to host the UNWTO general assembly, accessibility of Zimbabwe as a tourist destination remains a challenge given the absence of direct flights into the country from the United States, Asia and Europe, which has seen tourists flying into the country spending long hours waiting for connecting flights, thereby daunting tourists not prepared to spend long hours travelling. The ministry of tourism pointed out that during the peak period in the 90's the country had over 40 planes flying into Zimbabwe compared to the current 14.

Meanwhile, the UNWTO general assembly to be co-hosted by Zimbabwe and Zambia will provide a unique opportunity to market the country as a Tourist destination. According to the Ministry of tourism, total tourist arrivals advanced by 8.7% in the four months ended 31 January 2013. However, during the same period, international arrivals were down 9.6%, compared to destinations in North America and Asia, which registered an increase of 36.6% and 34.6%, respectively. On the same note, arrivals from South Africa also tumbled, as a result of the weakening South African Rand against the US dollar

2.0 Policy Environment

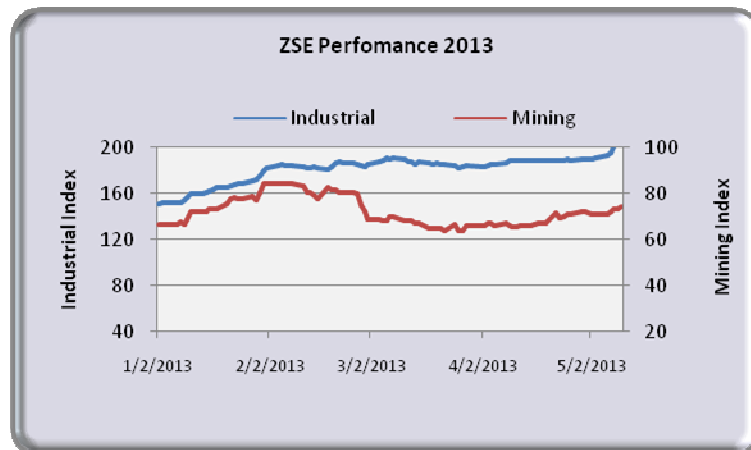
On the policy front, the Indigenisation Legislation continues to be an integrity problem, given the latest Empowerment Ministry move on stringent measures that seek to protect reserved sectors of the economy which include the agriculture, transport, retail and wholesale trades sectors. The NIEEB reiterated that any person who operates in the reserved sectors without an indigenisation compliance certificate as from 01 January 2014 will be found guilty of an offence and liable to a fine not exceeding US\$20,000 or to imprisonment for a period not exceeding three months, or to both such fine and such imprisonment. This has become the largest barrier to new Foreign Direct Investment inflows, which have been on a downward trend since the close of 2011.



Source: ZIA

3.0 Equities Trading

The local bourse remained bullish as investors continue to position themselves ahead of the forthcoming general elections. Buy interests remained concentrated on the blue chip stocks, though daily trading volumes finished the week below the US\$1.5 million mark on Friday at US\$1.3 million after commencing the week at a paltry US\$0.6 million on Monday. Against this background, the mainstream industrial index put on 0.85% week-on-week to reach a new high of 212.08 points, with foreign investors still dominating the market. The mining index finished 1.88% down at 74.14 points.



Indices	Week Ended 24.05.2013	Week Ended 17.05.2012	Weekly % Change
Industrial	212.08	210.29	0.85
Minings	74.14	75.56	(1.88)

		Week Ended
Trades		24.05.2013
Number of		
Trades		416
Turnover		8,445,215
Mkt Cap		5,463,714,737

Foreign Trades	
Buys	4,134,550
Sales	894,857

Global stocks down...

Global stocks traded lower during the week under review, after the release of mixed economic reports out of Germany and France as sentiment weakened after a weak Chinese manufacturing report, while expectations for a near-term end to the Federal Reserve's bond buying program also weighed on the markets. However, improving economic growth, reasonable valuations and hefty support for financial markets from central banks

like the Federal Reserve, is likely to see a continual rise in the global markets.

Meanwhile, a number of African stock markets have seen huge returns in 2013, with the Ghana stock market standing as one of the world's top performers up 50% so far, Kenya up 35% and Nigeria is also up 35% on the year.

This week's pick of Stocks to Buy and Sell

This week we recommend 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
BAT	825.00	12.13	68.00	170.2m	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
ART	0.60	6.00	-0.10	2.6m	SELL
AICO	8.00	7.21	1.11	42.7m	SELL

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