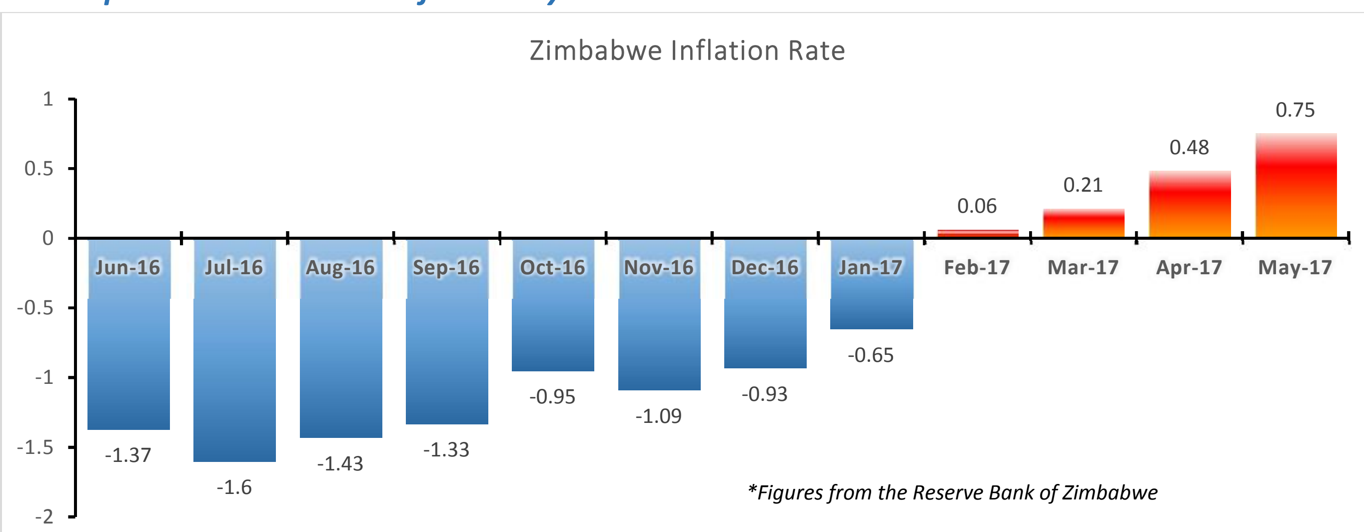
Monetary uncertainties spur ZSE charge

Index	H1 2016	FY 2016	H1 2017	H1 2016 Change	% H1 2016 Change	Change from 2017 Open	% Change from 2017 Open
Industrial	101.04	144.53	195.97	94.93	93.95%	51.44	35.59%
Mining	24.7	59.51	69.79	45.09	182.55%	10.28	17.27%

The ZSE followed the uptick which began in the fourth quarter of 2016 as major indices ended the 2017 half year in the black. This time last year the industrial index sat at 101.04pts and the Mining Index at 24.70pts. One year on and the indices have posted 93.95% and 182.55% growths respectively. Half year 2016 was characterized by an increasingly difficult economic climate, as manufacturing remained subdued and the trade deficit widened. The same pressures that fuelled the Q4 2016 rally continued into 2017 as the monetary outlook remained uncertain with adverse implications for the liquidity situation in the country. Efforts to quell the cash crisis through bond notes have seemingly failed to quench the demand for cash as these have also been running out with winding queues at banking halls becoming the order of the day. Further, remerging inflationary pressures spooked investors mostly those locally based into pursuing securities as a hedge. Consequently, the ZSE enjoyed a rallying first half in which the benchmark Industrial Index charged 35.59% while, the Mining Index put on 17.27%. Demand was also spurred by the monetary authorities' decision to cap interest rates which had the ultimate effect of reducing the allure in money market investments with maturing positions increasingly fuelling liquidity in the equities market. Despite the difficulties in the economy, increasing use of plastic money helped prop up formal business which had suffered from the in formalisation of the economy which was mostly dependent on cash transactions. The reporting season bore testimony of the impact of plastic money on performance, as companies reported better than expected financials with improved revenues in most cases.

The Elephant in the Room: Inflationary Pressure

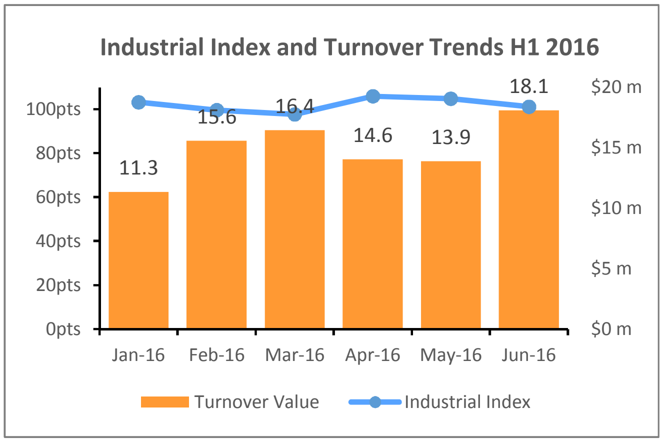


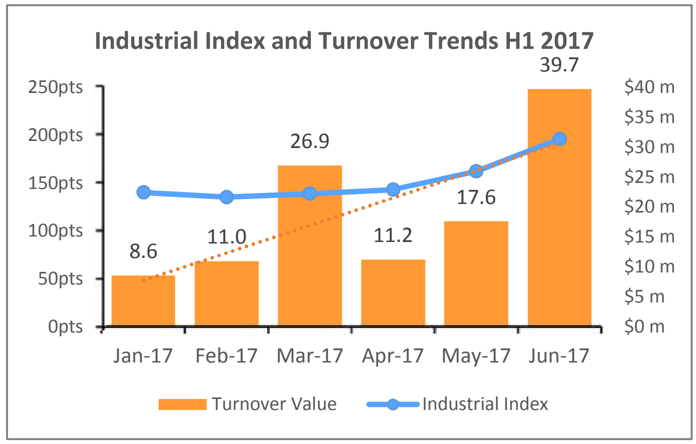
Whilst the cash crisis has been the main concerns in recent times, emerging inflationary pressures stocked the flames of demand on the ZSE, as the period of deflation since dollarization has ebbed off, underlining the need for the measure to be constantly monitored. The second issue of the World Bank Zimbabwe Economic Update (WBZEU), which was released in June 2017, stated inflation (calculated with a private consumption deflator) was estimated to end 2017 at 3.2%, up from -1.6% in 2016, and balloon in 2018 to 9.6%. The International Monetary Fund gave a bearish prediction for inflation to end 2017 at 5% and with alleged talks to expand facilities to issue more bond notes, the future remains uncertain. As of May 2017, the inflation rate was 0.75%, up from 0.48% in April. The inflation rate has been positive since February 2017. Some of the major factors which could impact inflation are the budget deficit, the unsustainable issuance of treasury bills which in most cases are being liquidated for RTGS balances and the need to dis-incentivize a parallel money market for bond notes.

ZSE Review

Industrial Index in bullish mode

Industrial Index:	High	Low	Avg.	Standard Deviation	Avg. Daily Change	SD Daily Change	High Daily Change	Low Daily Change
2017	195.97	134.44	149.59	17.49	0.24%	0.62%	2.29%	-1.14%
2016	114.35	93.39	101.86	4.68	0.09%	0.83%	2.96%	-3.21%

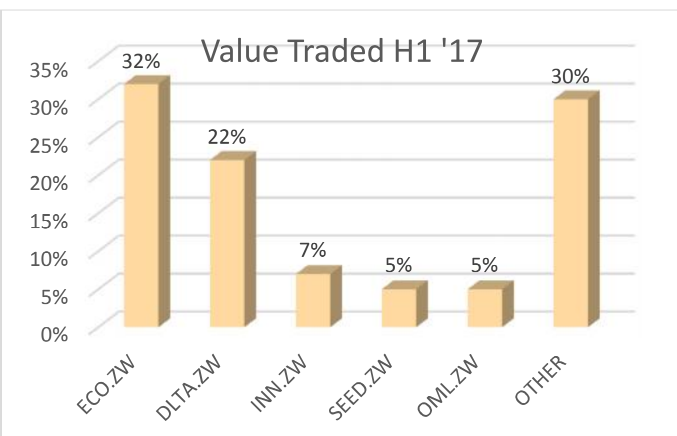


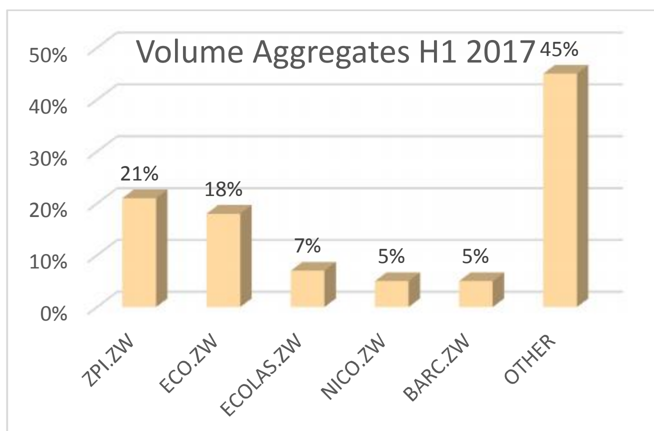


The industrial index was on a bullish run in the first six months of 2017, achieving a daily average increase of 0.24% each day between January and June of 2017, highlighting the upward movement of the ZSE. Contrastingly, there was an average daily decrease of 0.10% in the previous period. Ultimately, the Industrial index ended H1 2017, 36% higher with this increase coinciding with a surge in turnover value, which swelled 29% from last year's half year total of US$89.3m to US$119m for the first half of 2017.

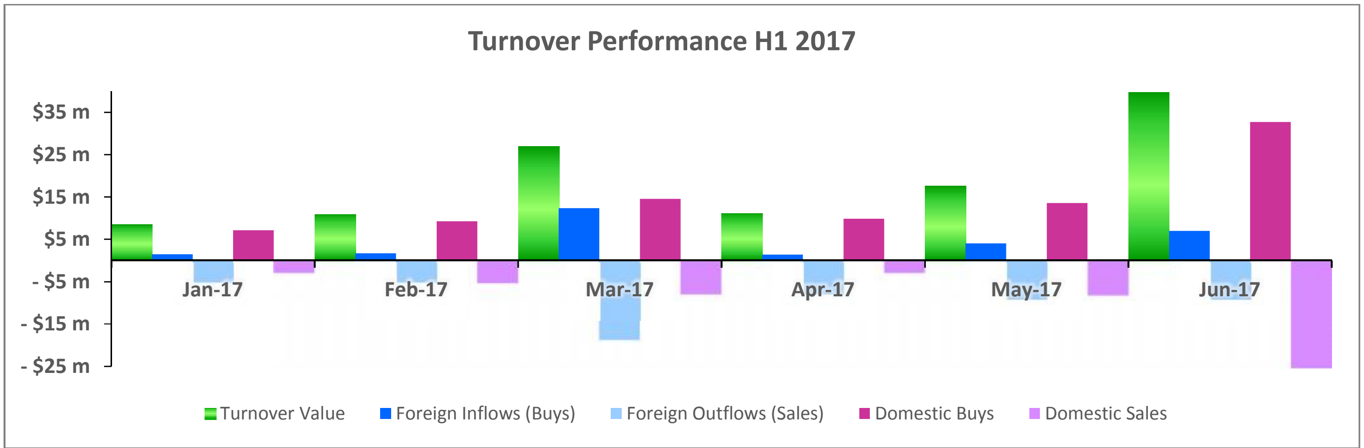
Domestic buys lead turnover to 29% surge

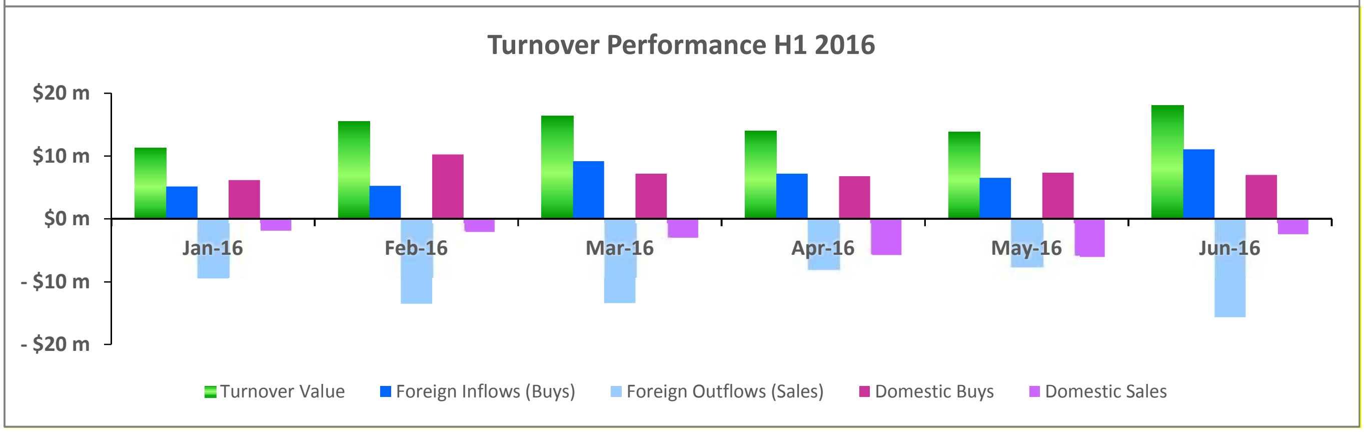
Market activity was much improved in H1 2017 relative to the comparable period in the prior year as the value of trades for the HY2017 came in 14% ahead at $115m while, even the volumes exchanged were also ahead by 33% at 687.6m shares.



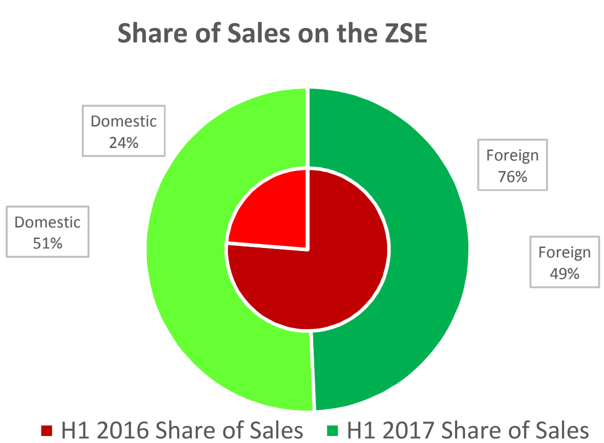


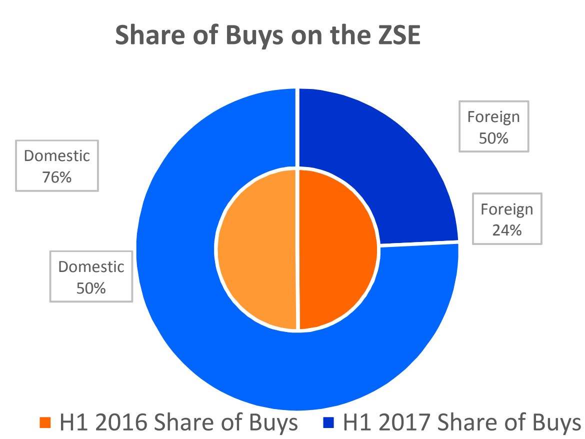
The market's momentum stocks anchored the activity aggregates, particularly the value of trades whose top traded stocks were Econet, Delta and Innscor that made respective contributions of 32%, 22% and 7%. Volumes were driven by ZPI and Econet that accounted for a combined 39% of the aggregate while, Econet's surrogate asset ECONET LA's drove volumes in its short period of trading on the bourse as it accounted for 7% of the total volumes traded on the bourse over the first half.





Turnover aggregates highlighted that local investors drove the market liquidity accounting for the bulk of the demand in the first half. Foreign portfolio investments in H1 2017 decreased 37% from the previous year, shrinking from US$44.5m to US$27.9m. In the comparable period last year, foreign inflows had accounted for almost half of the demand on the bourse at an estimated 49.86% of turnover for the half year, but now account for only 24.25% of buying in the first half of 2017. Resultantly, the bulk of the liquidity on the ZSE was attributed to domestic buyers, who accounted for 75.75% of the buy side trades in the first half of 2017. Contrastingly, foreign disposals were the major source of supply of shares on the market as they established a consistently net selling position over the period. Although total sales decreased from US$69.1m to US$ 56.8m, the market extended the capital flight as foreign investors continued to exit the ZSE.





Risers and Fallers

The bullish sentiment that prevailed on the market was underlined by stocks that firmed up over the first half compared to a mere eleven fallers for the period. Demand initially started out skewed towards the market's momentum stocks as investors cherry picked in the blue chips and eventually found its way into the mid-tier and penny stocks. Consequently, the market's blue chip stocks anchored the bull-run, with Econet growing 17.93% to $0.3538 despite a decrease in revenue and profit for the year ended 28 February 2017. The telecommunications giant was involved in an initially disputed US$130m rights issue to pay off foreign loans, which eventually sailed through with one of the highest subscription rates since dollarization after a compromise was reached for the place of exercising rights. SeedCO went up 38.6% to $1.4000 also riding on a good FY17 financial outcome coupled with news that the group will be seeking to unbundle its regional operations and list these on a regional stock exchange via a dividend in-specie and seeks to raise capital for expansion projects. The market's top stock Delta was also not to be outdone in the surges as it put on 43.5% and ended at $1.2700 consolidating its position as the market's top capitalised stock on the bourse. Innscor put on 50% and had its shares trading at $0.7200 despite the various offshoots that were unbundled from the group while, the leaner structure remained a boon for future growth.

RISERS

Symbol	Previous	Current	Change	%Change
ZBFH.ZW	0.0452	0.165	0.1198	265.04
ARIS.ZW	0.0035	0.01	0.0065	185.71
MSHL.ZW	0.017	0.048	0.031	182.35
FML.ZW	0.042	0.106	0.064	152.38
HIPO.ZW	0.35	0.7526	0.4026	115.03
NPKZ.ZW	0.024	0.05	0.026	108.33
ZIMP.ZW	0.005	0.01	0.005	100
MEIK.ZW	0.13	0.25	0.12	92.31
PWS.ZW	0.0219	0.042	0.0201	91.78
RIOZ.ZW	0.3	0.55	0.25	83.33

FALLERS

Symbol	Previous	Current	Change	%Change
BIND.ZW	0.04	0.03	0.01	25
RTG.ZW	0.012	0.0099	0.0021	17.5
HCCL.ZW	0.03	0.025	0.005	16.67
ZIMR.ZW	0.0165	0.014	0.0025	15.15
EDGR.ZW	0.048	0.042	0.006	12.5
DAWN.ZW	0.016	0.014	0.002	12.5
ARTD.ZW	0.061	0.055	0.006	9.84
CBZ.ZW	0.105	0.1005	0.0045	4.29
TURN.ZW	0.0104	0.01	0.0004	3.85
PEAR.ZW	0.035	0.034	0.001	2.86

Leading the bulls for HY2017, however was banking giant ZB Financial Holdings that shrugged off the nascent shareholder battles arising from the contentious acquisition of Intermarket Holding Limited assets in 2007, the group ballooned by a cumulative 65.04% to $0.1650. Agri-industrial holding company, Ariston, posted the second largest gain, with a 185.71% surge, despite a $1.9m loss in the half year results ended March 2017, though the good rainy season offered a boon for better prospects. First Mutual Holdings trailed after a 152.38% charge to $0.1060 riding on improved financials to December 2016 and an even better trading update for the five months to May 2017 in which management reported a $4.3m profit after tax. Hippo Valley's improved FY2016 profitability that saw them post $7.7m profit for its full financial year from a loss in the previous period, spurred the sugar manufacturer to a 115% surge, as it ended pegged at $0.7526.

Despite the bullish sentiment prevalent on the ZSE, several tickers ended the half year in the red. Bindura registered the biggest drop, as a 25% knockback left it trading at $0.0300. The mining company posted a lower net income of US$ 609,961 for the financial year ended March 31 2017 citing high taxation, falling nickel prices and impairment costs for the refinery as major strains on profitability. Rainbow Tourism Group shed 17.5% to $0.0099 in the wake of a $ 4.7m loss of for the full year ended December 31 2016. Coal miner Hwange dropped 16.67% to $0.0250. ART declined 9.84% in price to settle at $0.0550, despite reporting a US$ 1.3m profit in the half year ended March 31 2017, which represented a 40% increase from the last period.