

### ECONOMIC UPDATE: WEEK ENDING 10 JULY 2020

- **ZSE:** The ZSE remain closed and discussions with stakeholders are on-going and the market wait in anticipation for the re-opening of the bourse.
- **Economic Update:** The African Development Bank (AfDB) is projecting the Zimbabwean economy to contract between 7.5% and 8.5 % this year due to the impact of the Covid-19 pandemic, and to modestly recover in 2021.
- **Tobacco:** Tobacco growers have earned a collective US\$319 m from the sale of 133 m kgs of flue-cured tobacco since the marketing season started at the end of April compared to 146 m kgs valued at US\$268.1 m in the same period last year. The bulk of the crop sold so far has come from the communal and A1 and comes from the contract floors where 126.8 m kgs worth US\$303 m have been sold compared to 5.8 m kgs worth US\$15.9 m that have come through the auction system. The highest price at the auction floor has remained at US\$4.99 per kg, while the highest price under contract is US\$6.60 per kg.
- **Gold HY2020 Update:** Zimbabwe's gold deliveries have gone down 13% to 10.6 tonnes in HY2020 (HY2019:12.29 tonnes). Zimbabwe's gold exports were up in January and May with the rest of the months down during February, March, April, and June due to lockdown restrictions which limited artisanal miners to operate.

### FINANCIAL MARKETS: WEEK ENDING 10 JULY 2020

Fund	Unit Price (ZWL\$)	Unit Price (ZWL\$)	Unit Price (ZWL\$)	Weekly return (%)	YTD return (%)
	31-Dec-19	3-Jul-20	10-Jul-20		
First Mutual Wealth Equity Fund	9.6891	57.9204	57.934263	0.02%	497.93%
First Mutual Wealth Balanced Fund	5.1936	33.5508	33.54608	-0.01%	545.91%
First Mutual Wealth Bond Fund	1.1629	1.1819	1.182167	0.02%	1.66%
First Mutual Wealth Money Market Fund	1.096159	1.1170	1.118167	0.10%	2.01%
First Mutual Wealth Money Market Gross Fund	1.069472	1.072359	1.071939	-0.04%	0.23%

### COMMENTARY & FIRST MUTUAL WEALTH'S VIEWS

- **Economic Update:** Aggregate production output for 2020 is expected to fall as a result of slow recovery due to the impact of Covid-19. Mineral production for the second quarter of 2020 is expected to decline by about 60% compared to the first quarter, with revenue losses exceeding US\$400 m. Gold and platinum are expected to record an estimated US\$160 m loss, while potential revenue loss for nickel, ferrochrome, coal, and diamonds for the second quarter of 2020 is estimated to exceed US\$100 m. , Tourism on the other hand has been severely affected by Covid 19 restrictions though the sector can now earn forex from both locals. .
- **Tobacco:** Tobacco earnings have increased by 19% compared to same period last year driven by deliveries from contract farming which registered a good output and high-quality leaf attracting higher prices.
- **Gold –**The sector has been affected by distortions in the foreign currency market which rendered some operations unviable and led to a significant amount of gold being smuggled out of the country. Gold is the highest forex earner and contributes 38% of the country's total earnings and more than 60% to the mining sector which is the biggest contributor to forex earning in the country.
- **Unit Trust YTD returns for the week are summarized below:**
  - Equity Fund – 0.02% compared to 1.90% return recorded last week.
  - Balanced Fund % - declined by 0.01% compared to 3.52% for last week.
  - Bond Fund – 0.04% compared to 0.02% return for last week.
  - Money Market Fund – 0.10% compared to 0.03% recorded last week.
  - Money Market Gross fund – declined by 0.04% compared to 0.02% for last week.

Unit trusts returns currently have been affected by suspension of the ZSE trading since there is no movement of equity prices. However, FMWM continue to drive investors funds in markets where value is added.

Table 4: Money market rates

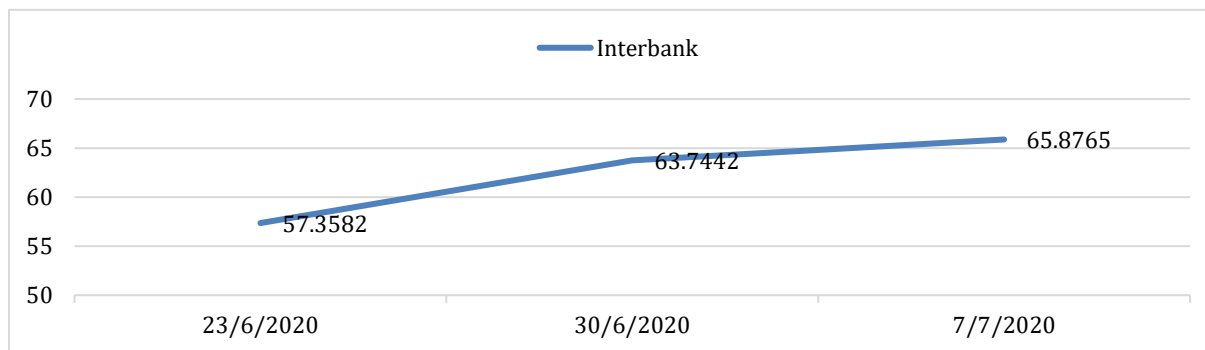
Money Market Rates for the week ended 10 July 2020		
Tenor (Days)	10-Jul-20	3-Jul-20
7	-	-
14	-	-
30	7.27%	7.19%
60	8.23%	8.19%
90	8.65%	8.65%

### EXCHANGE RATES: WEEK ENDING 10 JULY 2020

- Forex 3rd auction results:** The exchange rate for the US dollar increased by 11.13% to \$63, 7442: US\$1. US\$16.3 m in allotted applications being funded from total submitted bids of US\$18.9 m, as more in the private sector entered the official market. This week saw 316 bidders, more than three times as many who took part in the first auction. The top bidder put up Z\$92 for a US dollar while the lowest bidder offered Z\$37.82. On recent development by RBZ, Bids now have to be submitted through the bidders' banks by 3pm on the business day before the auction day.

Amount Allotted	USD \$13,602,407.84
Highest Rate:	90.0000
Lowest Rate	30.0000
Weighted Average Rate:	65.8765
Total bids	USD \$15,872,482.93

Source: RBZ



### COMMENTARY & FIRST MUTUAL WEALTH'S VIEWS

- Money Market:** Money market interest rates for 30 and 60 days improved to 7.27% and 8.23% respectively, though the market remains unattractive because of rising inflation.
- Forex Auction:** The auction has witnessed increased participation from the private sector joining the action. The RBZ has allotted 70% of auction currency to high priority imports 30% allotted to successful bidders for goods and services set at priority level 2.
- Exchange Rates:** The local currency on the interbank rate lost 3% to close at \$65.8765 from the last auction rate on 30 June 2020, while the on the OMIR market the local currency lost 8.00% to close at ZWL\$122.22/US\$.

Table 1: Mining Commodities

Mining Commodity Prices for week ended 10 July 2020				
	10-Jul-20	3-Jul-20	Weekly %Δ	YTD %Δ
Gold	1,800.30	1,774.30	1.47%	18.29%
Nickel	13,070.00	13,040.00	0.23%	-6.58%
Copper	6,322.50	6,022.50	4.98%	2.71%
Silver	18.67	18.01	3.64%	3.38%
Platinum	845.90	831.60	1.72%	-12.92%
Crude	40.55	40.65	-0.25%	-32.50%

Table 2: Agro-commodity

Agro Commodity Prices for the week ended 10 July 2020				
	10-Jul-20	3-Jul-20	Weekly %Δ	YTD %Δ
Coffee* (lb)	0.97	1.03	-5.62%	-25.08%
Maize (mt)	132.77	135.23	-1.82%	-13.08%
Cotton (lb)	0.65	0.64	1.83%	-6.22%
Sugar (lb)	0.118	0.122	-3.92%	-9.54%
Wheat (mt)	196.21	180.78	8.54%	-4.47%

Table 3: International Forex Market

Exchange Rates for the week ended 10 July 2020				
	CCY Cross Rates			
	10-Jul-20	3-Jul-20	Weekly %Δ	YTD %Δ
USD/EUR	1.1316	1.1243	0.65%	0.79%
USD /GBP	1.2651	1.2464	1.50%	-4.64%
INR/USD	75.1676	74.6448	0.70%	5.44%
USD /AUD	0.6957	0.6940	0.25%	-1.03%
CAD/USD	0.7357	0.7371	-0.19%	-4.64%
ZAR /USD	16.7607	17.0421	-1.65%	19.91%
JPY /USD	106.7691	107.5245	-0.70%	-1.76%
CNY /USD	7.0055	7.0660	-0.86%	0.61%
BWP /USD	11.6291	11.7875	-1.34%	9.11%
KES /USD	107.0040	106.6050	0.37%	5.61%
ZMW /USD	18.1255	17.9469	1.00%	28.83%
USD/ZWL	65.8765	63.7442	3.23%	292.29%

Table 4: Money market rates

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Table 5: Regional Equities

	10-Jul-20	3-Jul-20	Weekly %Δ	YTD %Δ
Botswana DCI	7,128.92	7,159.66	-0.43%	-4.97%
JSE All Share	55,417.89	54,521.90	1.64%	-2.92%
Nigeria All Share	24,306.36	24,336.12	-0.12%	-8.91%

Table 6: Forex Auction Results

Auction Day	Amount Allotted (USD)	Highest Rate	Lowest Rate	Lowest Accepted Rate	Average Rate	Total Bids (USD)	Received Bids	Rejected Bids
23-Jun-20	10,345,250.04	100.0000	25.5000	-	57.3582	11,407,240.20	-	-
30-Jun-20	16,321,028.61	92.0000	37.8200	-	63.7442	18,957,677.05	-	-
7-Jul-20	13,602,407.84	90.0000	30.0000	55.0000	65.8765	15,872,481.93	264	92