

MACRO-ECONOMIC UPDATE: WEEK ENDING 03 JULY 2020

- **Economic Update:** According to IMF, Zimbabwe's economy seen contracting 10.4% from the 7.4% reported by IMF in April report. This comes after the World Bank has also envisaged that Zimbabwe's real gross domestic product (GDP) will shrink by 10% this year.
- **Forex 2nd 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.

Amount Allotted	USD \$16,321,028.61
Highest Rate:	92.0000
Lowest Rate	37.8200
Weighted Average Rate:	63.7442
Total bids	USD \$18,957,677.05

Source: RBZ

- The MPC in a statement encouraged various foreign exchange recipients to participate in the auction as a way of improving liquidity. An exchange rate indexed OMO instrument was introduced at a coupon of 5% pa, with a maturity ranging from 30 –360 days settled in ZWL. Borrowing interest rates were also restored from 15% to 35% pa to curb speculative borrowing.
- **Tourism gets partial relaxation:** Lockdown regulations for the tourism and hospitality sector have been partially can carefully and safely resume limited operations. Restaurants are now allowed to serve sitting customers within their premises, but using only half their licensed capacity, while safari operations and national parks are allowed to re-open to help boost domestic tourism.
- **Tobacco Sales Update-** Tobacco sales have reached 110 m kgs worth US\$258 m, with deliveries to contract companies and floors steady. Up-to-date farmers have sold 110 m kgs of tobacco worth US\$258 million compared to 111 m kgs worth US\$202 m by this stage of the season last year. Prices have this year continued to firm with the average price at US\$2.36/kg compared to US\$1.81/kg at the same stage last year. The overwhelming bulk of the crop has been delivered to contract companies who supplied the inputs to farmers they had under contract, with only 4.2 m kgs produced by independent farmers sold through the auction floors.

Fund	Unit Price	Unit Price	Unit Price	Weekly return	YTD return
	(ZWL\$)	(ZWL\$)	(ZWL\$)		
	31-Dec-19	25-Jun-20	3-Jul-20	(%)	(%)
First Mutual Wealth Equity Fund	9.6891	56.8384	57.9204	1.90%	497.79%
First Mutual Wealth Balanced Fund	5.1936	32.4093	33.5508	3.52%	546.00%
First Mutual Wealth Bond Fund	1.1629	1.181457	1.1819	0.04%	1.63%
First Mutual Wealth Money Market Fund	1.096159	1.116721	1.1170	0.03%	1.90%
First Mutual Wealth Money Market Gross Fund	1.069472	1.072165	1.072359	0.02%	0.27%

COMMENTARY & FIRST MUTUAL WEALTH'S VIEWS

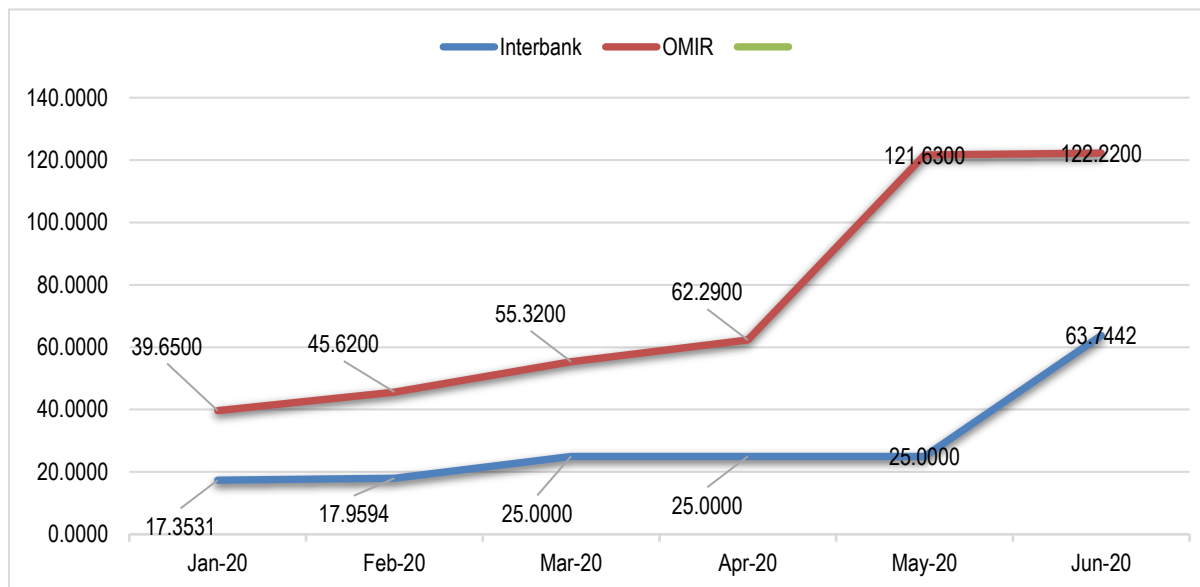
- **Forex Auction:** The second auction has seen increased participation and a further depreciation of the Z\$ which was expected given the rate above 100 to the US\$ on the parallel market. Skepticism still persist and it is to be expected over a period of time until such time there is track record, consistency and availability. The effect of the auction system is being felt on the ground with the reduction of bread price from nearly Z\$80 per loaf to Z\$66.
- **Tourism gets partial relaxation:** The tourism sector hard hit by the pandemic welcomes the partial re-opening to domestic tourism. The limited government support will unlikely improve the sector prospects in the short to medium term, but the re-opening will certainly provide a platform for sector rebound and save jobs. It is unlikely that the sector will open to international tourism in the short term unless there is a solution to the pandemic. **Tobacco Z\$ weakening has been welcomed by the farmers as it brings the rater closer to the parallel market trading above 100. This narrows the gap between costs at which the farmers secure their inputs at parallel rates and the income which was at fixed interbank rate at 25**
Unit Trust YTD returns for the week are summarized below:
 - Equity Fund – 497.79%
 - Balanced Fund – 546.00%,
 - Bond Fund – 1.63%
 - Money Market Fund - 1.90% and
 - Money Market Gross fund 0.27%.

FMW continue to urge clients in monetary based funds to switch to equities bias funds as a preservation strategy in this hyper-inflation environment.

COMPANY UPDATES: WEEK ENDING 3 JULY 2020

- **Seed Co FY2020 Update:** Art revenue increased by 19% to US\$71.36 m (FY2019:US\$60.14). PAT improved to US\$6.07m (FY2019:US\$3.77). Net operating expenses decreased by 1% to US\$22.58 (FY2019: US\$22.84), EPS grew to 2.86c (FY2019: 1.75c)
- **CFI Holdings** – Group revenue increased by 28% to \$581 m (HY2019: \$453.97m), retail contribute 96% and farming operations 4% of the revenue. PAT reduced by 12.36% to \$18.01 (HY2019:20.55), Victoria Foods recorded a loss of \$22.8 m. EPS declined to 16.86c from 19.2c.

EXCHANGE RATES: WEEK ENDING 3 JULY 2020



COMMENTARY & FIRST MUTUAL WEALTH'S VIEWS

- *The ZSE remain closed with no trading activity for the past week. Stakeholders are currently engaged in discussions that is expected to lead to the opening of the market. The longer the market remain closed the further the erosion of investor confidence. FMW still anticipate a sell off at opening particularly from foreign investors in the immediate term with a rebound in the short term as there are limited investments options that track inflation.*
- **SeedCo** – *The company managed to improve its financial position in this period and also increased production overall volume by 10% despite the prevailing economic environment. It has to put firm measures and costs containing in order to drive more exports in the second half so as to increase their earnings for the year.*
- **CFI** – *Improved set of results with the group still earning most of its revenue from retail sales, though affected by poor weather in 2019/2020 agricultural season. And Victoria foods which is under judicial management recording a loss. We view that the management still needs still put more effort in order to increase shareholders value in the long run and to increase their earnings.*
- **Exchange Rates:** *The local currency on the interbank rate lost 60.78% to close at \$63.74, while the on the OMIR market the local currency lost 0.48% to close the week at ZWL\$122.22/US\$.*

Table 1: Mining Commodities

Mining Commodity Prices for week ended 3 July 2020				
	3-Jul-20	26-Jun-20	Weekly %Δ	YTD %Δ
Gold	1,774.30	1,765.30	0.51%	16.58%
Nickel	13,040.00	12,709.00	2.60%	-6.79%
Copper	6,022.50	5,985.50	0.62%	-2.16%
Silver	18.01	17.81	1.12%	-0.25%
Platinum	831.6	808.50	2.86%	-14.39%
Crude	40.65	38.72	4.98%	-32.33%

Table 2: Agro-commodity

Agro Commodity Prices for the week ended 3 July 2020				
	3-Jul-20	26-Jun-20	Weekly %Δ	YTD %Δ
Coffee* (lb)	1.03	0.95	9.09%	-20.62%
Maize (mt)	135.23	130.31	3.78%	-11.47%
Cotton (lb)	0.64	0.61	3.89%	-7.90%
Sugar (lb)	0.122	0.119	2.94%	-5.85%
Wheat (mt)	180.78	177.66	1.76%	-11.99%

Table 3: International Forex Market

Exchange Rates for the week ended 3 July 2020				
	CCY		Cross Rates	
	3-Jul-20	26-Jun-20	Weekly %Δ	YTD %Δ
USD/EUR	1.1243	1.1213	0.26%	0.14%
USD /GBP	1.2464	1.2334	1.06%	-6.05%
INR/USD	74.6448	75.6271	-1.30%	4.70%
USD /AUD	0.6940	0.6858	1.18%	-1.27%
CAD/USD	0.7371	0.7301	0.95%	-4.45%
ZAR /USD	17.0421	17.3197	-1.60%	21.92%
JPY /USD	107.5245	107.2095	0.29%	-1.06%
CNY /USD	7.0660	7.0782	-0.17%	1.48%
BWP /USD	11.7875	11.5479	2.07%	10.59%
KES /USD	106.6050	106.4962	0.10%	5.22%
ZMW /USD	17.9469	18.0799	-0.74%	27.56%
USD/ZWL	63.7442	57.3600	11.13%	280.02%

Table 4: Money market rates

Money Market Rates for the week ended 3 July 2020			
Tenor (Days)	3-Jul-20	26-Jun-20	
7	-	-	
14	-	-	
30	7.19%	6.96%	
60	8.19%	8.04%	
90	8.65%	8.58%	

Table 5: Regional Equities

	3-Jul-20	26-Jun-20	Weekly %Δ	YTD %Δ
Botswana DCI	7,159.66	7,186.72	-0.38%	-4.56%
JSE All Share	54,521.90	53,941.22	1.08%	-4.49%
Nigeria All Share	24,336.12	24,933.41	-2.40%	-8.80%