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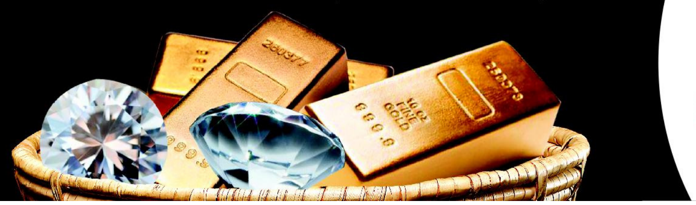
The Weekly Wealth Report



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Economic Commentary for the week ended 25 Sept 2009

Financial Sector- The Diamond in the Rough

Despite the liquidity constraints faced by banks and issues of undercapitalisation, banks look set to get a shot in the arm as they are the best agencies to supervise the $510m loan availed by IMF a few weeks ago. The financial sector has the necessary project assessment skills and proper risk management frameworks to identify potential recipients for the windfall. In order to transfer risk from the government, the Minister of Finance should avail money to banks which should then perform their usual credit analysis functions. A formula can be worked on the amount of money allocated to each bank and this can depend on banks' balance sheet size, current deposits or shareholder funds etc. The banks will benefit from administering the loans through charging a marginally higher interest rate to their clients above- the 0.26% wanted by the IMF. If this idea is adopted, banks are likely to realise more interest income, fees and commissions. On the other hand, the government will be able to ride on already established risk management frameworks while it also frees itself to concentrate on other strategic issues.

Parastatals.... The drag

Meanwhile, the government should move swiftly to correct the pricing structures for Utility companies if efforts to hit 60% capacity utilisation by year end are to be successful. Last week, Sable Chemicals decided to close down citing high electricity charges while a host of other companies also decried high utility costs in their half year results presentations. More needs to be done at parastatals like Air Zimbabwe, Tel-One and Zimbabwe Electricity Supply Authority (ZESA) in terms of service delivery, skills retention and cost rationalisation with reference being made to regional average tariffs. Last week, Bindura Nickel Corporation indicated that as they are being billed at 7 cents per Kilowatt hour against their target charge of 2 cents per Kilowatt hour. Utilities such as electricity constitute a significant proportion of the production costs for the productive sectors and the government should move with speed to rectify the situation.

US$ Stock Market Report for the week ended 25 September 2009

Top 5	US$ % change	Bottom 5	US$ % change
Nicoz	50%	NMBZ	-29%
Fidelity	40%	TSL	-25%
Chemco	38%	Zimpapers	-20%
Pioneer	33%	Zimplow	-18%
Gulliver	22%	ZECO	-17%

The equities market recovered yet again this week with the Industrial Index gaining 3.8% to close at 143.63 points. The Mining Index gained 0.79% to 194.53 points. Meanwhile, the Consumer sector was the biggest riser after putting on 9.25% a performance backed by Delta which gained 17.31% . The financial sector gained 3.29%, after gaining 10.44% last week with CBZ and Barclays picking up 5% each. The Tourism sector, finally gained 5.61% after RTG added 15%. The prospects for this sector are bright as global recession eases and as local arrival increases on the back of improved salaries across the board. The Properties sector lost a further 7.42% on the back of losses in Dawn and Mash while Pearl Properties traded unchanged. Meanwhile, the market's top ten counters by market capitalisation now control 63.28% of the market with Delta and Econet commanding over 30% of the market. Going forward, investors should strategically position themselves in sectors that are likely to directly benefit from the US$510m IMF loan like the Retail and Financial sectors.

Commodity Prices for the week ended 25 September 2009

	18/09/2009	25/09/2009	
Gold	1014.5	996.55	US$/oz
Copper	6,077.50	6,077.5	US$/t
Nickel	17,897.50	17,897.5	US$/t
Platinum	1,337	1,297.5	US$/t
Oil	66	68	Per barrel

Precious metal prices turned south, ending the week down for the first time since mid-July. In notable declines, gold retreated below $1,000 an ounce, silver slipped toward $16, and platinum dropped under $1,298. New York oil futures turned higher on Friday but plunged 8% for the week. US and European stocks finished lower as well, with the former falling from recent one-year highs and the latter sliding to more than a two-week low. In weekly London bullion figures, gold fell 2.0 percent; silver plummeted 5.3 percent and platinum sank 4.2 percent. New York December silver futures ended at $16.06. London gold was fixed at $996.60 an ounce, for a decline of $20.50 on the week. New York gold for December delivery finished at $991.60. London platinum fell to $1,297.00 an ounce, a loss of $56.00 for the week. New York platinum for October delivery closed at $1,284.60. Crude oil rose Friday following two consecutive days of losses that still took prices down 8 percent to account for the biggest weekly decline in more than two months. New York crude-oil for November delivery climbed 13 cents, or 0.2 percent, to close at $66.20 a barrel on Friday. Last week's front end contract ended at $72.04. **(Reuters)**

Exchange Rates for the week ended 25 September 2009

CCY	Cross Rates	
BASE CCY (US$)	**18-09-2009**	**25-09-2009**
GBP	1.636	1,593
JPY	92	89.71
EUR	1.471	1,468

The US Dollar traded to the lowest levels since August 2008 this week, as global investors no doubt question the ability of the Greenback to hold its value. Jobless claims released Thursday were positive for the dollar falling to 530,000 from 551,000 last week. The Japanese Yen finished the week at the highest levels since early 2009 after the Japanese Finance Minister Hirohisa Fujii's comments indicating he didn't support a "weak yen" suggest a change toward allowing the currency to fluctuate more freely. The dollar was down 1.7 percent at 89.71 against the yen with analysts suggesting that investors are repatriating funds before Japan's fiscal year hits the halfway mark on Sept. 30. The euro has been viewed as one of the proxy currencies for risk appetite, moving in tandem with positive economic data and higher stocks. The euro rose 0.2 percent to $1.4682. The dollar fared better against sterling, which fell to multi-month lows a day after Bank of England Governor Mervyn King said a weak pound would help exports and the UK economy. The pound fell to $1.5919, its lowest since early June, before edging back to $1.5931, down 0.8 percent.

Investors Diary

30 Sept 2009	-Dawn, AGM, 10am, Monomotapa
29 Sept 2009	-ZHL, Interims and Briefing, 1430, Insurance Centre
2 Oct 2009	-Fidelity EGM, 12pm, 66 J Nyerere

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