

Morning Flash

Stock Market Update

Stocks tumbled for a second straight day in February dragging both the benchmark industrial index and the mining index. On the industrial index 12 stocks declined compared to 8 which advanced while 23 counters traded unchanged. This follows choppy trading on Monday which saw 3 stocks retreating for each that rose while 16 counters traded unchanged. Heavyweight stocks led the losers with ECONET, Delta, Old Mutual and Seed Co all retreating. The mining index slipped 2.33 points after Falgold closed in the red while RIOZIM and Hwange traded unchanged. We expect trading on the equities market to remain subdued in the short term as a result of liquidity challenges in the economy and the emergency of alternative investment assets, particularly the cash market where attractive rates are being offered. As we enter the reporting season for companies with December year end, there will be interest in selected counters that are forecast to report meaningful earnings results and have sustainable business models.

Company and Economic News

The Reserve Bank of Zimbabwe has reduced the effective statutory reserves ratio from 10% of liabilities to the public to 5% of incremental deposits from the 1st of February 2010, the bank said in a monetary policy statement for the six months to June 2010. The Reserve Bank will keep 2.5% of the statutory reserve and the other 2.5% will be kept in an offshore bank, which must be authorised by the Reserve Bank. The statutory reserves in respect of the period to 31 January 2010 will remain at 10% and the Reserve Bank will continue holding the deposited amounts pending the execution of various instruments that facilitate re-alignment of the old ratio to the new ratio of 5%.

Total bank deposits as at 18 December 2009, amounted to \$1.33 billion compared to \$705 million in June while loans and advances amounted to \$639.28 million giving a loans to deposit ratio of 48.19% an improvement from the 35% loan to deposit ratio as at June 2009. The bank also said the government remains in debt distress with a total public debt of US\$5.7 billion as at 31 December 2009, representing 62.9% increase from US\$3.5 billion recorded in 2000 when external payments arrears started accumulating. Of the total country external debt, public and publicly guaranteed debt accounted for 99%, while private external non-guaranteed accounted for the balance. The outstanding debt owed to bilateral creditors in December 2009 stood at US\$2.4 billion compared to US\$1.4 billion recorded in 2000.

Wednesday 3 February 2010

Industrial Index	% Change
154.91	-0.43%
Mining Index	% Change
204.00	-0.31%

5 On The Move	Losing Out
Medtech 50%	Hunyani 36%
Lafarge 22%	NMB 21%
FBC 14%	Truworthis 13%
Edgars 13%	DZLH 12%
Zimre 10%	M&R 9%

5 Top Buys	
Innsco	
Delta	
Old Mutual	
Barclays	
Econet	

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Commodities	Price (US\$)	% change
Gold	1,114	-0.23%
Nickel	19320	+0.84%
Platinum	1,578	+0.41%
Oil	75.86	+3.07%

Major Indices	Points	% Ch.
Dow Jones	10,297	+1.1%
Nasdaq	2,190	+0.9%
S&P 500	1,103	+1.3%
FTSE 100	5,283	+0.7%
Nikkei 225	10,403	+0.31%

International News Update

Asian stocks rose for a second day and commodity prices advanced after a report showed US pending home sales increased, spurring confidence in the recovery of the world's biggest economy. The MSCI Asia Pacific Index gained 0.6 percent to 118.25 taking its advance in the past two days to 1.7 percent. US stocks rose after the National Association of Realtors said an index of pending home sales rose 1 percent following a 16 percent drop in November that was the largest since records began in 2001. A nine-quarter earnings slump for S&P 500 companies is projected to have ended in the final three months of 2009, and almost 81 percent of earnings published since January 11 topped the average of Wall Street estimates.

Gold declined, snapping a two day advance as the dollar rebounded against the euro, reducing the allure of holding the metal as an alternative asset. Gold for immediate delivery fell 0.3 percent to \$1 111.63 an ounce in Singapore. Bullion futures for April delivery in New York slipped 0.5 percent to \$1 112.10 an ounce. The dollar rose against the euro on speculation that fiscal deficits in Europe will worsen. Gold climbed for the ninth consecutive year last year, reaching a record \$1 226.56 an ounce on December 3 as the dollar slipped amid record low interest rates and a surge in government stimulus spending.

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