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Stock Market Report for the week ended 25 January 2008

Movers	% change	Shakers	% change
Border	0%	PGI	-49%
Lafarge	0%	Steelnet	-49%
PPC	0%	Apex	-47%
Radar	0%	Turnall	-47%
		Celsys	-47%

Stock Market Summary

The stock market was bearish with Industrials ending the week weaker on the back of losses in blue chips KMAL, Chemco, & TA. Counters to gain included Cottco, TSL & CFI. Minings also ended the week in red due to losses recorded in Bindura, RioZim and Falgold. Except for 4 counters, the entire market recorded capital losses for the week under review with 33 counters losing at least a third of their value. The negative returns were largely as a result of liquidations by banks of their holdings as they battled to fund their positions in the wake of a liquidity crunch on money market. Institutional investors also took positions on the money market as short interest rates firmed. The resources index shed 31% in the week to 1,678,844,862 points while the Industrial index shed 18% to 1,784,669,701 points. We anticipate isolated gains in the outlook period.

Money Market Report for the week ended 25 January 2008

NCDs	%	BAs	%
7	550%	7	600%
14	550%	14	600%
30	500%	30	600%
60	400%	60	500%
90	300%	90	400%
1 yr TB	340%	MLR	750%

International Rates and Commodity Prices

	25-Jan-08	21-Jan-08	Change
EUR/USD	1.4714	1.4498	1.5%
GBP/USD	1.9838	1.9499	1.7%
USD/JPY	107.75	105.87	1.8%
USD/ZAR	7.0599	7.2006	-2.0%
Commodities	25-Jan-08	21-Jan-08	Change
Gold	918.65	878.15	4.6%
Oil	90.56	89.19	1.5%
Platinum	1670	1,562.00	6.9%
Nickel	27,075.00	32,050.00	-15.5%
Silver	16.42	16.01	2.6%

Money Market Summary

The money market was short the whole week after having hit \$66trn deficit Monday. The situation worsened with the deficit forecast to hit \$163trn Wednesday, \$101 Thursday and \$100trn Friday. The liquidity crisis was precipitated by higher cash withdrawal limits for individuals and corporates and Monday's stats reserve adjustments.

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<<The RBZ also demanded banks meet cash demands by depositors without fail or limitations leading banks to resort to unsecured borrowing, the rate of which was hiked to 1500%. Resultantly NCDs were being quoted rates of up to 550% for 7-30 days while 60-90 day fixed deposits were attracting 300%-400%. BAs were hiked to 700% with minimum lending rates going to 750% as banks battled to discourage excessive credit creation in a short market. We anticipate the situation to remain the same until mid week due to Monday's stats reserve adjustments and repayments of overnight borrowings. Investors with large volumes of cash should take advantage of firm rates on the short end.

Old Mutual Implied Rates (OMIR) as at 25 January 2008

	25-Jan-08	21-Jan-08	USD mvt (%)
USD	5,787,585.19	6,240,837.51	-7%
EURO	8,515,913.58	9,047,576.78	-6%
GBP	11,481,481.48	12,168,933.43	-6%
JPY	53,713.59	58,948.68	-9%
ZAR	817,079.60	890,052.36	-8%
BWP	930,435.34	1,014,866.27	-8%
CAD	5,771,137.44	6,052,308.11	-5%

The OMIR weakened in line with the retreat by Old Mutual on the ZSE to Z\$1550000. The bourse was generally bearish largely due to the liquidity crunch obtaining on the money market. Another interesting development is the fact that the USD OMIR is now below the PMR (cash) of Z\$6.5m up from \$4.4m last week. The PMR (trf) is reportedly around Z\$10m. The depreciation of the Zim dollar on the parallel market has been attributed to large cash volumes in the market following the hiking of maximum cash withdrawals by the central bank. Following cash shortages of earlier weeks/ months depositors now prefer to hold cash. In the face of hyperinflation, most individuals and corporates have resorted to holding forex to hedge their wealth resulting in excessive demand for US\$ and ZAR pushing rates up. However, it would not be much of a surprise if the rate is to correct next week given that the PMR is now trading at a premium to the OMIR, a sign of overvaluation.

Top stock picks for the week

BUY/HOLD	SPECULATE	TAKE PROFIT	SELL
TA	Apex	Zimsun	MedTech
RioZim	Turnall	Zimplot	Red Star
PPC	ZHL	Starafrica	Edgars
TSL	Steelnet	Delta	Truworths
CFI	RTG	FBCH	Hunyani

Investors Diary

08 Feb 08	-Zeco announces results of offer -Art AGM 11am, HQ
22 Feb 08	-Zeco expected listing date on ZSE
29 Feb 08	-CFI EGM 1130am, Meikles Mirabelle Room

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