

ZIMBABWE

Weekly Review & Charts Update – 3rd November 2006

MARKET UPDATE

Equities were subdued throughout the week due to further changes made by the RBZ in a bid to further suck out the liquidity prevalent on the money market. Effectively the RBZ has raised the amount that banks have to take up in bonds to 45% of their balance sheet size. With statutory reserves at above 40%, commercial banks will have +70% of their assets tied up in non-performing assets. The major concern is the massive liquidity risk which the entire sector is exposed to, which will in fact make regulation of the financial sector by the RBZ more difficult. However there are indications that the banking sector has made representations to the RBZ in a bid to find a more practical solution to the suggested stringent measures. Short term rates have been buoyant in cognisance of the associated liquidity crunch. Thus the Industrial Index shed almost 12% to close at 319,720.22 points. While the market has become attractive mainly in second tier counters investors should remain wary of the enhanced volatility which is largely emanating from policy inconsistency. Next up on the horizon pertaining to economic policy is the Budget which should be released in the next few weeks. A major concern for investors may well be the implementation of further taxes on the stock market.

ECONOMIC DATA

Bank Rate (USD):	Z\$250.00
Implied OM Rate (USD):	Z\$1,537.25
Sept. Inflation (Y-o-Y):	1,023%
Sept. Inflation (M-o-M):	14.8%

MONEY MARKET RATES

Call:	20%
30 Day:	100%
90 Day:	100%
180 Day:	150%

MARKET STATISTICS

Industrial Index:	319,720.22	(-11.7%)
Value of ZSE (USD):	US\$2.403 billion	(9.88%)
Market P/E:	37.56x	
Ave. Daily Turnover:	Z\$1.385 billion	(US\$0.852m)

TOP 5 MOVERS

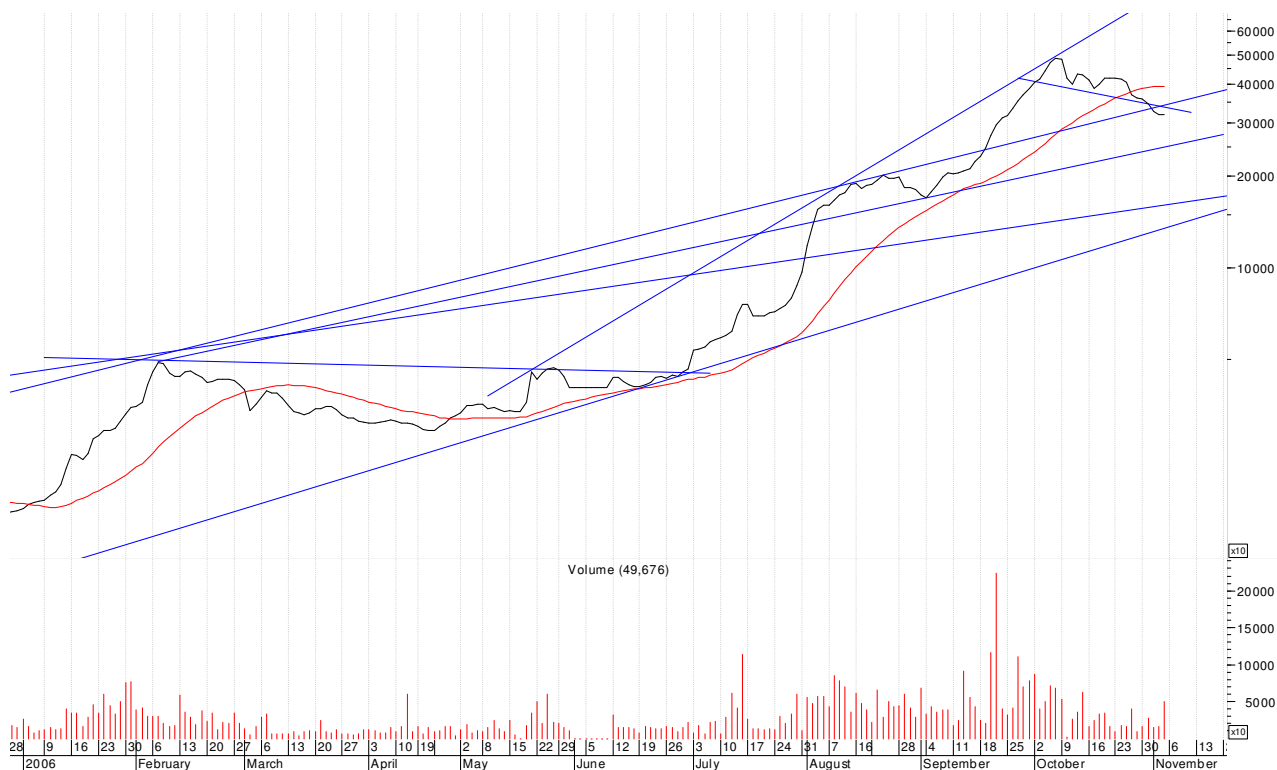
Gainers		Losers	
Pioneer	+43%	Cairns	-40%
Nicoz	+27%	Gulliver	-40%
Phoenix	+25%	Natfoods	-33%
ZHL	+20%	Tang.	-29%
Apex	+14%	NMB	-26%

RECOMMENDATIONS

Buy	Reduce
Turnall	Border
Colcom	RTG
Dawn	Willdale
Barclays	Zimplot
Innscor	
FBCH	
Mash	
NTS	

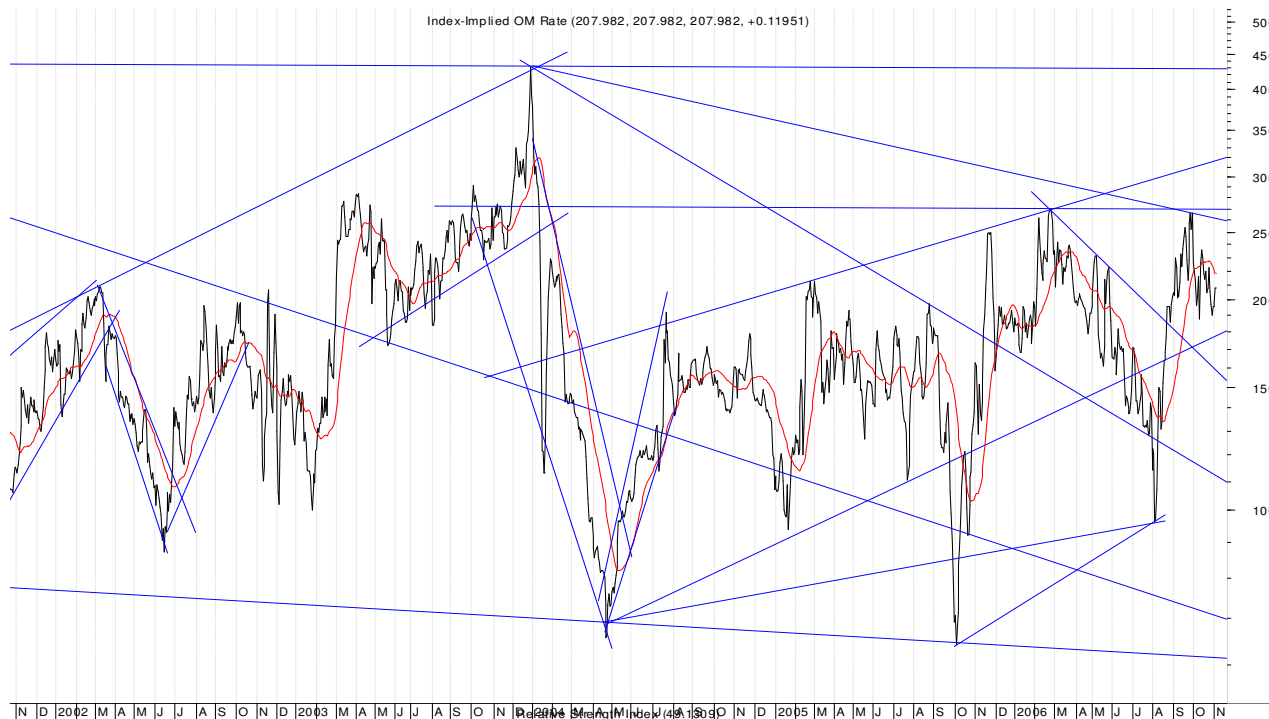
Chart Update

INDUSTRIAL INDEX (DAILY)



- Broken through two support levels to create technical sell signals.
- Volumes showing signs of recovery.
- Market recommendation: **Accumulate**

INDUSTRIAL INDEX RELATIVE TO IMPLIED OM RATE (DAILY)



- Still trading in bullish trading channel; heading towards 3 year bullish support.

Accumulate

ARISTON RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Has recently been testing 13 year bullish support; a break above bearish resistance would be positive.

BARCLAYS RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Rebounding off short term support; remains in bullish trading channel.

BORDER RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Breaking above 2 year resistance to create a new technical buy signal.

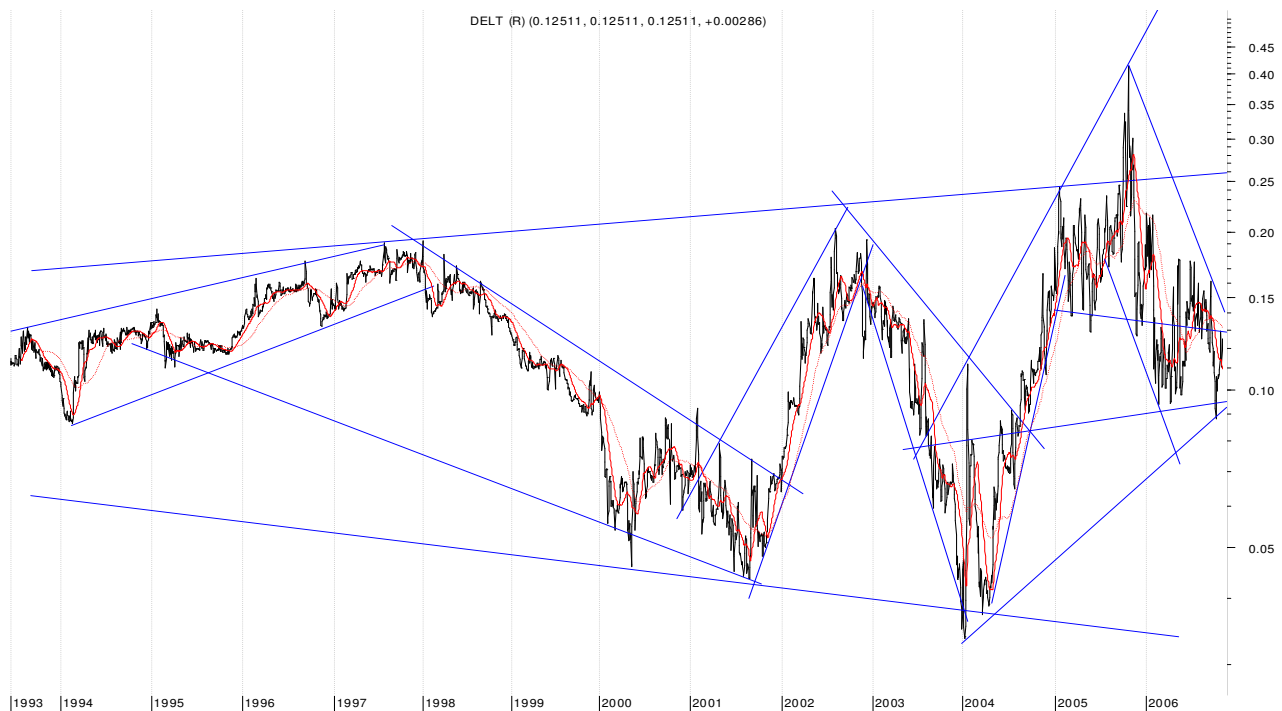
COLCOM RELATIVE TO INDUSTRIAL INDEX (DAILY)



- One of the worst performers on the Index year to date; testing 6 year support.

Reduce

DELTA RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Remains in a broad negative trading channel.

GENERAL BELTINGS RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ Broad range remains negative.

NMB RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ Trend for the last 4 years remains negative.

PGI RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Remains an under-performer.


Chart of the Week

MINING INDEX RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Primary trend remains positive; with the Mining Index having outperformed Industrials for the past 7 years.

LEGEND

	Security
	30 Day Moving Average
	90 Day Moving Average
	Trend Lines

EXPLANATION OF RECOMMENDATIONS

Trading Buy:	Implies gain within the short-term.
Buy:	Expect out-performance in short to medium-term.
Accumulate:	Expect out-performance in medium to long-term.
Reduce:	Bearish short-term outlook also implies taking profit.
Sell:	Bearish short and long-term outlook on security.

NOTE

Comments and recommendations are based entirely on technical analysis which may contradict with fundamental recommendations.

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Prepared by Dzika Danha on behalf of and for Mast Stockbrokers (Private) Limited.

CONTACT DETAILS:

DZIKA DANHA

Telephone: (263) (04) 252 439

Mobile: (263) 011 634 463

Email: dzika@3ia.co.zw



MAST STOCKBROKERS (PRIVATE) LIMITED

Samuel Leon Building
52 Josiah Chinamano Avenue

P.O.Box 10313

Harare

Tel: (263) (04) 252893, 253101, 794108

Fax: (263) (04) 794108

Email: quinvex@zol.co.zw, quinvex@quinvex.co.zw

