

ZIMBABWE

Weekly Review & Charts Update – 10th November 2006

MARKET UPDATE

The week proved to be positive one for equities, with the Industrial Index recovering by just above 29% to close at 415,365.98 points. The catalyst for the market's recovery were further changes made the RBZ regarding the allocations of the newly introduced stabilisation bonds. Indications are that the 7 year bonds have been scrapped along with the 5% increased uptake of 5 year bonds. Thus money market rates which had been firm at the short-end of the market plummeted. While the changes are a welcome relief for the banking community, the sector will continue to be the focus of massive policy risk. Naturally with CPI-linked interest payments having just began, the focus for the RBZ will be to attempt to implement a strategy to mop up the excess liquidity. Thus equities are expected to be extremely volatile in the view of uncertainty surrounding future policy pertaining to the money market. While the financial sector's earnings will be buoyant in H206, we recommend investors trade out of the sector on market strength. The earnings releases continue to highlight the overall macroeconomic situation, which indicate that GDP decline is accelerating. Given the increasingly hostile environment the sphere of companies from which investors can gain exposure continues to dwindle as risk factors associated with economy put increasing strain on business models.

ECONOMIC DATA

Bank Rate (USD):	Z\$250.00
Implied OM Rate (USD):	Z\$1,729.96
Oct. Inflation (Y-o-Y):	1,070.2%
Oct. Inflation (M-o-M):	27.5%

MONEY MARKET RATES

Call:	20%
30 Day:	50%
90 Day:	90%
180 Day:	150%

MARKET STATISTICS

Industrial Index:	415,365.98	(29.92%)
Value of ZSE (USD):	US\$2.722 billion	(13.3%)
Market P/E:	49.5x	
Ave. Daily Turnover:	Z\$1.567 billion	(US\$0.957m)

TOP 5 MOVERS

Gainers		Losers	
TPH	+233%	Radar	-43%
Falgold	+167%	Pioneer	-25%
FML	+123%	Phoenix	-18%
Star Africa	+106%	Cafca	-14%
Cairns	+100%	Tedco	-13%

RECOMMENDATIONS

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

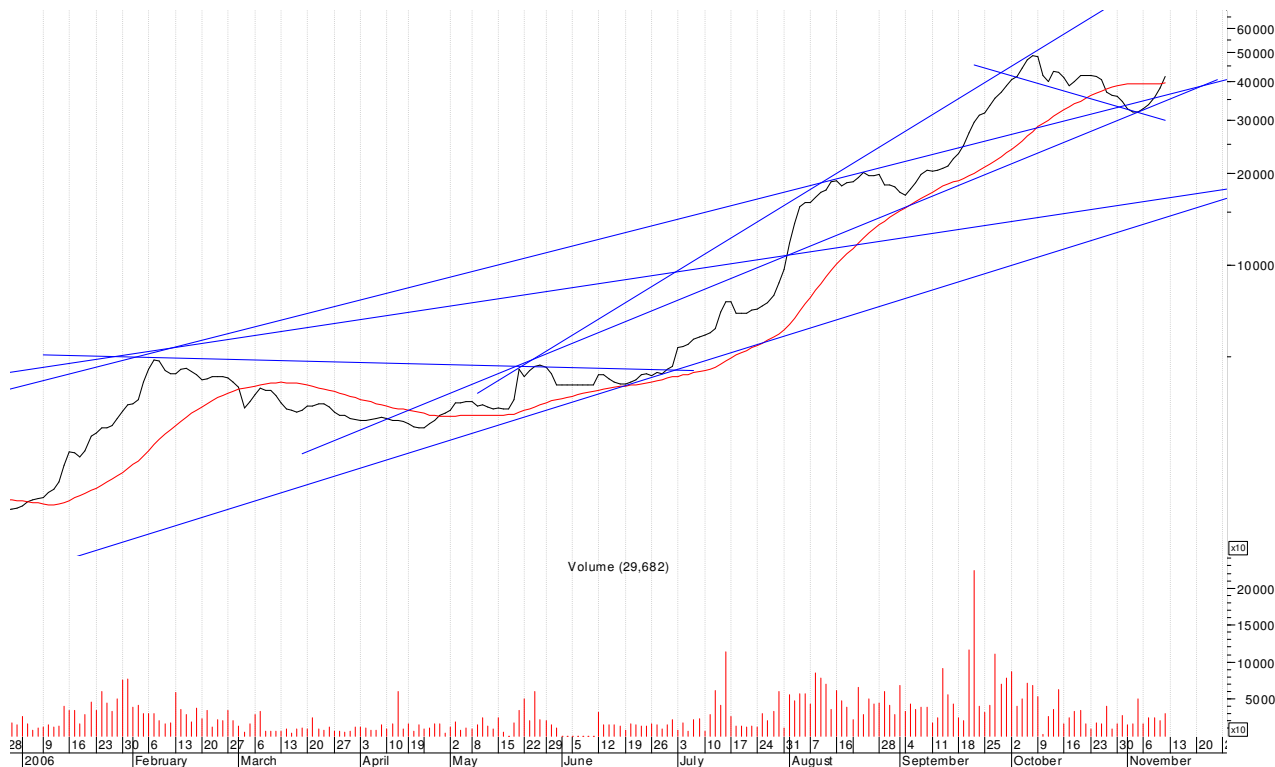
AFRICAN MARKETS RESEARCH

EARNINGS ANNOUNCEMENTS

Counter	Annualised EPS	Rolling P/E	Recommendation
Cottco	Z\$6.64	25.3x	Accumulate
OK	Z\$0.99	27.1x	Accumulate
Pelhams	Z\$0.24	12.5x	Hold

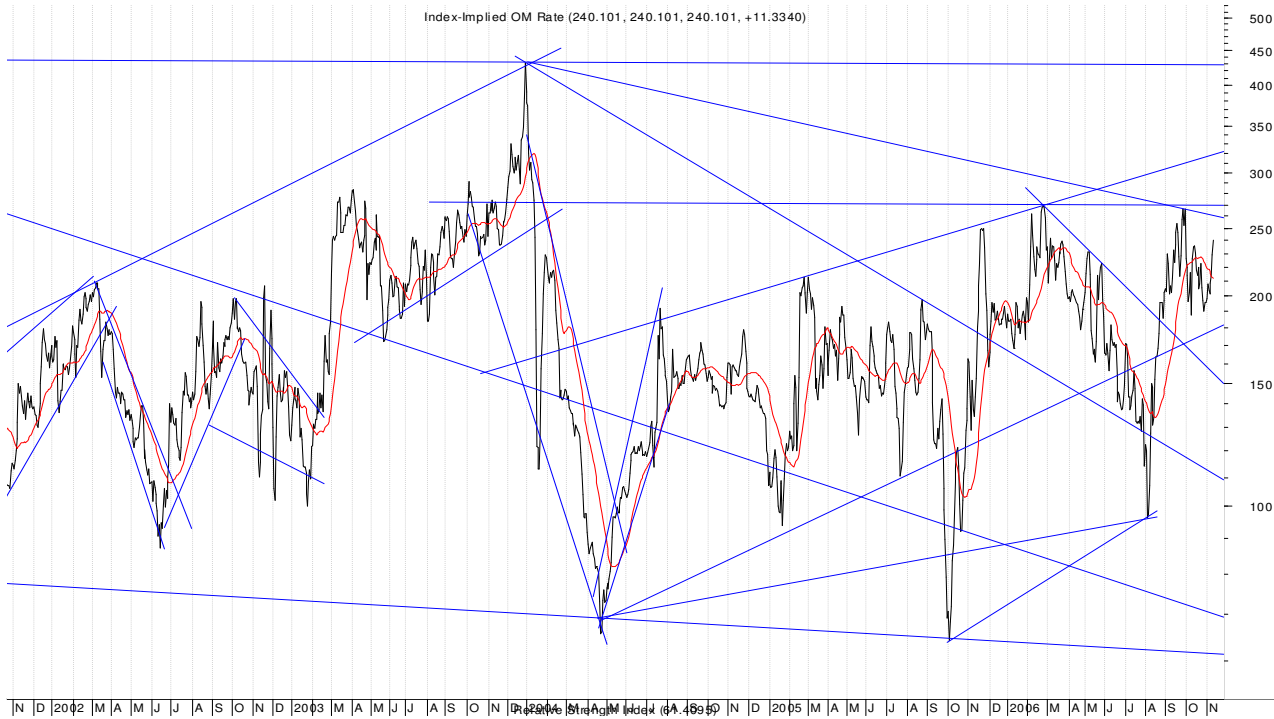
Chart Update

INDUSTRIAL INDEX (DAILY)



- Rebounding off two support levels.
- Volumes still 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

ART RELATIVE TO INDUSTRIAL INDEX (DAILY)



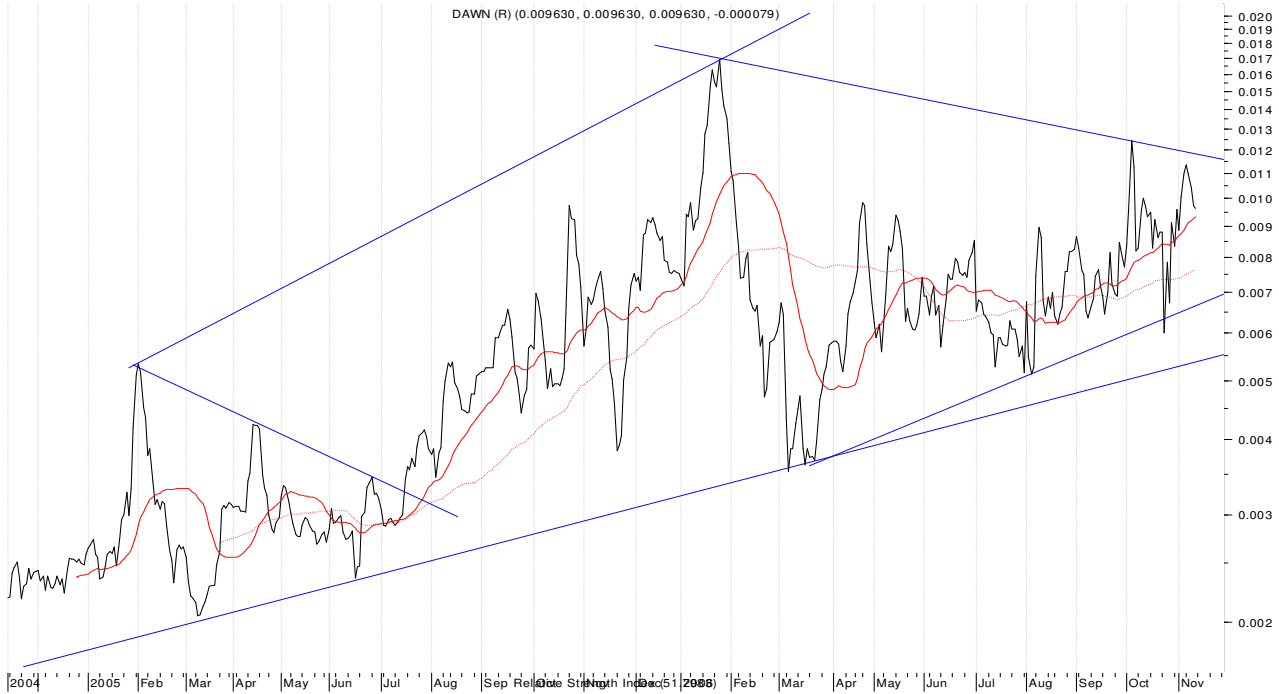
- Rebounding off bullish support level.

CELSYS RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ Remains in bullish trading channel.

DAWN RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ Primary trend remains positive.

ZHL RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ In recent times has broken out from 4 year resistance level.

Reduce

EDGARS RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ Year to date the counter has been underperforming the Index.

FIDELITY RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Since the start of the year the counter has been underperforming the Index; bearish channel remains intact.

HUNYANI RELATIVE TO INDUSTRIAL INDEX (DAILY)



- Breaking below bullish support.

TEDCO RELATIVE TO INDUSTRIAL INDEX (DAILY)



➤ Remains an under-performer.



Chart of the Week

OLD MUTUAL LSE (DAILY) 173P



- Has sustained a break above previous 6 year resistance at 170p, which has now become support.
- Primary bullish trend remains intact.

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

