

## MONTHLY NEWSLETTER

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### What is the ideal moment to invest?

By Alberto Pitoro\*

Have you ever been in any of these situations? (i) I can't invest (buy) now because prices are not lower enough. Example: I'll wait a little longer until the prices drop even more; (ii) I cannot invest (buy) now because prices are rising. Example: I will wait until they are lower again; among others. When it comes to deciding on the ideal time to invest, these examples turn into dilemma, whereby every investor either wants, when possible, to wait in order to buy or sell the assets in prosper season.

However, the waiting is not free of costs. During this time, especially when waiting for a long period, the investor may lose the benefit of a possible increase in the asset prices, or may lose the invested assets, if the timing for decision making on the investments is not ideal.

There are two different investment methods: market timing and dollar-cost averaging. The Market timing is a method whereby the investor makes investment decisions according to market conditions assessed based on information available through various sources – newspapers, stock exchanges, specialized articles or market intelligence specialists. In this sense, the investor's concern is to understand the market in order to identify the ideal timing to investment.

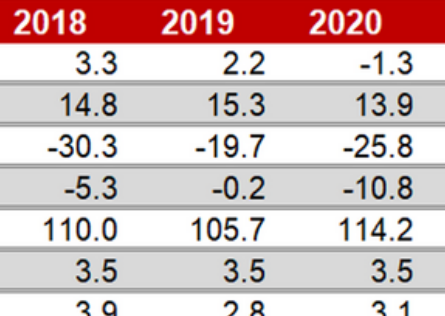
Dollar-cost averaging on this method the investments are made regularly, frequently and in portions of a specific asset. In this method, the investor's decision-making is not according to the existing market conditions but are continuous regardless of the price in force at each moment, thereby reducing the impact of the price volatility, being able to benefit from the potential continuous increase on the prices in long-term.

Of course, each of these methods has advantages and disadvantages, risks and potential benefits, all according to the profile and objectives of each investor.

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### Market Intelligence

By Absa Bank Mozambique



#### Macroeconomic Indicators

Source: Central Bank, INE, MEF, Absa Research

	2018	2019	2020	2021F	2022F	2023F	2024F
Real GDP (% y/y)	3.3	2.2	-1.3	1.9	3.9	5.0	6.1
GDP (USD bn)	14.8	15.3	13.9	15.1	18.2	21.0	21.6
Current Account Balance (% GDP)	-30.3	-19.7	-25.8	-23.8	-23.7	-23.1	-23.7
Fiscal Balance (% GDP)	-5.3	-0.2	-10.8	-8.6	-7.7	-5.7	-4.7
Public Debt (% GDP)	110.0	105.7	114.2	116.4	101.9	90.8	90.1
CPI (%Dec/Dec)	3.5	3.5	3.5	6.7	6.7	8.1	7.9
CPI (p aveg.)	3.9	2.8	3.1	5.7	6.7	7.5	7.9
Policy Rate (MIMO, % eop)	14.25	12.75	10.25	13.25	13.75	14.75	15.25
USD/MZN (eop)	61.63	61.64	74.60	64.00	63.00	61.00	60.00
USD/MZN (avg)	60.34	62.43	69.87	69.30	63.50	62.00	60.50

	Q3 21	Q4 21F	Q1 22F	Q2 22F	Q3 22F	Q4 22F	Q1 23F
CPI (% y/y, eop)	6.7	5.8	6.7	7.1	6.7	6.9	8.0
Policy rate (% eop)	13.25	13.75	13.75	13.75	13.75	13.75	14.75

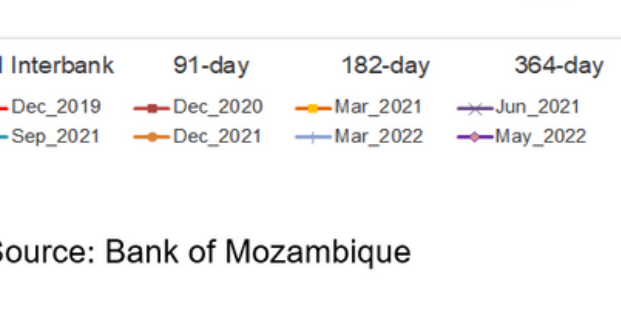
  

	Spot	Q4 21F	Q1 22F	Q2 22F	Q3 22F	Q4 22F	Q1 23F
USD/MZN	63.66	63.72	63.48	63.24	63.00	62.50	62.00
ZAR/MZN	4.14	4.18	4.30	4.22	4.06	3.96	3.82

#### Yield Curve



#### Yield Curve

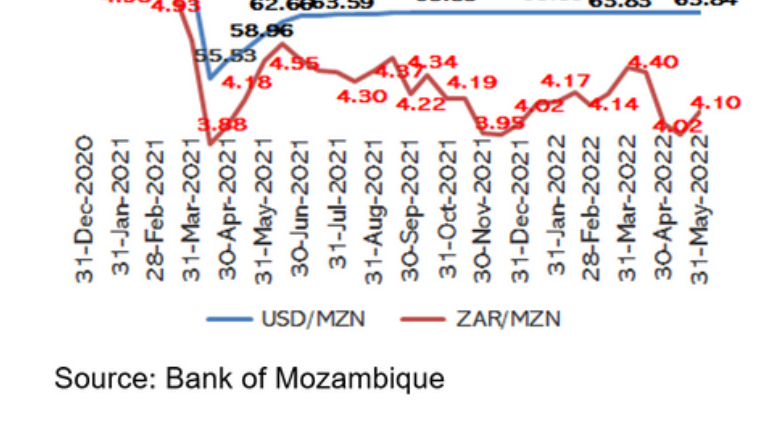


Note: Inflation for May-22 still the one as of Apr-22

Source: Bank of Mozambique, INE

Source: Bank of Mozambique

#### Foreign Exchange Rate



Source: Bank of Mozambique

### Mozambique Financial Markets

By Banco BIG Mozambique\*

#### Primary Market

During the auctions held in May, there were issued treasury bonds with 3 year maturities (OT 2022 S5), with a fixed rate of 17,00%. In the first auction, the demand/supply ratio was 120,50%, with an average rate of 17,33%. On the second auction, the demand/supply ratio increased to 156,05% and the average rate to 17,48%. The bonds issued (with fixed rates) had a positive impact on the primary market, as these bonds do not represent any risk of alteration of the coupons with the current market conditions, which is quite the opposite from the bonds with floating rates. The treasury has managed to raise MZN 4 billion combined, a much higher amount compared to the amount raised in previous auctions.

	1 <sup>o</sup> Auction	2 <sup>o</sup> Auction
Bond	OT 2022 S5	OT 2022 S5 (I)
Type	Opening	Reopening
Maturity	3 years	3 years
Coupon Interest Rate	17,00%	17,00%
Amount of the Issue	4.000.000.000	2.000.000.000
Amount of Demand	4.820.000.000	3.121.000.000
Amount Issued	2.025.000.000	2.000.000.000
Nominal Value	100	100
Minimum Rate	17,00%	17,00%
Maximum Rate	20,00%	19,50%
Average Rate	17,33%	17,48%
Nº Of Bonds Issued	20.401.048	20.223.736
Demand/Supply Ratio	120,50%	156,05%

#### Secondary Market

##### BVM – Shares

In May, the stock market has been marked by a significant appreciation in share prices of CDM and HCB of 42,9% and 54,6% respectively. Prices of one of the most transacted shares, CMH and EMOSE, have remained fixed despite having registered the most number of transactions. CMH was the most transacted (MZN 2,8 million), followed by the CDM (MZN 437 thousand).

CDM has recently published its financial statements which pointed to a good performance for the financial year of 2021. The net profit has increased 6x, to MZN 1.4 billion against MZN 242 million in 2020 (MZN 9,44 against MZN 1,52 per share in 2020), with a significant gross return of 28,2%.

Bonds	Price	Volume (MZN)	Δ weekly	Δ Monthly	Δ YTD
CDM	70.00	437,885.00	0.00%	42.86%	40.00%
HCB	2.35	390,795.60	54.61%	54.61%	-21.67%
CMH	2,800.00	2,790,800.00	0.00%	0.00%	-6.67%
EMOSE	20.00	2,600.00	0.00%	0.00%	0.00%

The table above shows the shares with higher transaction volume over the last (6) six months.

##### BVM -Bonds

In the secondary market, around MZN 605 million were transacted in treasury bonds, 60,9% lower than the amount transacted in April, marking this as the month with the lowest amount transacted since February.

#### Treasury Bonds

Bond	Current Coupon	Type of Coupon	Next Coupon	Maturity	Yield
OT 2019 S9	12.00%	Fixed	12-jun-22	12-jun-22	15.43%
OT Suppliers 2019	4.06%	Inflation + 0.5%	29-jul-22	29-jan-29	18.92%
OT 2020 S3	14.94%	BT's + 1.50%	11-sep-22	11-mar-23	15.82%
OT 2020 S10	14.94%	BT's + 1.50%	07-oct-22	07-oct-24	16.65%
OT 2021 S1	14.88%	BT's + 1.50%	10-aug-22	10-feb-25	16.83%
OT 2021 S2	14.65%	BT's + 1.25%	24-aug-22	24-feb-26	17.38%
OT 2021 S4	14.00%	BT's + 1.00%	21-oct-22	21-apr-26	17.46%
OT 2021 S7	14.25%	BT's + 0.75%	08-sep-22	08-sep-25	17.13%
OT 2021 S8	14.00%	BT's + 0.75%	22-sep-22	22-sep-25	17.15%
OT 2021 S10	14.50%	Fixed	10-nov-22	10-nov-25	17.22%
OT 2022 S1	14.50%	BT's + 1.00%	09-aug-22	09-feb-27	18.44%
OT 2022 S3	15.25%	BT's + 1.75%	09-sep-22	09-mar-30	19.51%
OT 2022 S5	17.00%	Fixed	11-nov-22	11-may-25	17.48%
MOZAM (USD)	5.00%	Fixed	15-sep-22	15-sep-31	11.04%

#### Corporate Bonds

Bonds	Current Coupon	Type of coupon	Next Coupon	Maturity	Yield
Bayport 2019 S1	20.00%	Fixed	12-oct-22	12-apr-24	18.98%
Bayport 2019 S2	19.00%	Fixed	21-oct-22	21-oct-24	19.38%
Bayport 2020 S1	16.00%	Fixed	27-sep-22	27-mar-25	19.71%
Bayport 2020 S2	19.40%	BT's + 6.00%	30-sep-22	30-mar-25	19.71%
Bayport 2021 S1	17.88%	BT's + 4.50%	21-nov-22	21-may-26	20.58%
Bayport 2021 S2	18.00%	BT's + 4.50%	26-jul-22	26-jul-26	20.72%
Bayport 2021 S3	18.00%	BT's + 4.50%	27-jul-22	27-jul-25	19.96%
Bayport 2021 S4	18.00%	BT's + 4.50%	16-sep-22	16-sep-26	20.83%
Visabeira 2020	21.00%	FPC + 4.75%	23-jun-22	23-mar-26	-
BNI 2019 S1	16.00%	MIMO + 2.75%	30-jul-22	30-jul-22	N/A

#### Total Transactions on the Secondary Market

Around MZN 5.9 billion were transacted on the secondary market as at the end of May, a remarkable growth of 136,0% comparing to the corresponding period in 2021.

\*Investment Banking



# News



## Allianz and Sanlam Launch Joint Company in 29 African Countries - a business of over 3 billion

Source: **Diário Económico\***

Sanlam, Africa's largest company in the non-banking financial sector, and with a presence in the Mozambican market, and Allianz, one of the global leaders in insurance and asset management, have decided to combine operations on the African continent with the aim of building the largest pan-African non-banking financial services entity.

The two brands are joining forces to act together in 29 African countries - Namibia will be added at a later stage and South Africa is excluded from the partnership - creating a joint venture (JV) with an estimated combined equity value of 2 billion euros (33 billion South African rand).

"Aligned with our ambition to be a pan-African leader in financial services, this joint venture also robust our leadership in multiple key markets fundamental to our Africa strategy, building quality and scale where it matters." Having Allianz as a partner "will add tremendous value to our business," said Sanlam group CEO Paul Harratty.

Bringing together technical expertise from both, leveraging synergies, and leveraging innovative insurance solutions, the joint venture will focus mainly on the multinational client segment, with Life and Non-Life insurance offerings, also aiming to increase insurance penetration and financial inclusion in African markets with the highest growth potential.

"In line with the strategy to expand our leadership position in scale and new partnership models, Allianz is excited about the possibility of accelerating its growth in this important region by partnering with an undisputed market leader. Sanlam's capabilities extend our local reach and market penetration, and JV enables us to establish leading positions in key growth markets for Allianz," added Christopher Townsend, Member of the Board of Directors of Allianz SE.

Besides being subject to obtaining the necessary regulatory authorizations in several jurisdictions, the company resulting from this agreement has not yet been named, which will be announced in due course. According to a statement on Sanlam's website, the new entity will be chaired on a rotating basis, every two years, by representatives of both partners.

\*Economic, Financial and Business Information Portal

## Post of the Month



Carlyle Partners is an insurance advisory brokerage specialized in Health, Life and Pensions, licensed under the Insurance Supervision Institute of Mozambique (ISSM).

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