



## Zimbabwe Stocks May Advance 31% in 2010, RenCap Says (Update 1)

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By Janice Kew

Jan. 29 (Bloomberg) -- Zimbabwe's stock market capitalization will increase by 31 percent this year as the political environment stabilizes and corporate earnings improve, Renaissance Capital said.

Shares listed on the exchange may be worth \$5.5 billion at the end of the year, up from \$4.2 billion at the end of 2009, the Moscow-based brokerage wrote in a research report today. The shares rose fourfold last year from RenCap's estimate for market value, just before the central bank shut down the bourse for three months after alleging some traders were involved in fraud.

The exchange resumed trading in U.S. dollars on Feb. 19, a week after a new coalition government was sworn in under a power-sharing agreement between President [Robert Mugabe](#) and opposition leader [Morgan Tsvangirai](#). The world's fastest-shrinking economy stabilized and inflation, estimated at 89.7 sextillion percent in January 2009 by the Cato Institute, slowed.

Zimbabwe replaced the local currency with the U.S. dollar and South Africa's rand to bring inflation down to an average 7 percent last year. The economy expanded 4.7 for the year and may accelerate to 7 percent growth this year.

"We remain positive on economic prospects for 2010," analysts led by [Harare](#)-based [Dzika Danha](#) wrote. "We regard management strategy, cost-containment strategies and capital adequacy as crucial in identifying stocks we think will perform strongly."

### 'Investors Overweight'

Rencap recommends investors are "overweight" Zimbabwe's biggest companies in the first six months of the year, moving "down the liquidity curve in the second half, following recapitalization efforts by mid-tier" companies.

Mugabe's party wants Western nations to lift sanctions against its senior members before it makes concessions in talks aimed at saving a coalition government with the former opposition. Tsvangirai's MDC has insisted that Mugabe fire central bank Governor [Gideon Gono](#) and Attorney General Johannes Tomana, saying their appointments were unconstitutional. The MDC is also demanding the power to appoint some regional governors and wants Mugabe to swear in [Roy Bennett](#), currently on trial for terrorism-related charges, as deputy agriculture minister.

South African President [Jacob Zuma](#) on Nov. 25 appointed a three-person team to help facilitate political talks in Zimbabwe. Zuma said Jan. 11 that issues hampering the resolution of a political crisis in Zimbabwe are "resolveable."

### Spur Investment

"The signing and ratification of the Bilateral Investment Promotion and Protection Agreement between Zimbabwe and South Africa in December 2009 should spur increased foreign direct investment inflows, particularly from South African corporates," the analysts said.

There is a 10 percent probability of the market value increasing 37 percent to \$5.75 billion by the end of 2010, and a 60 percent chance that it will reach \$5.5 billion, Renaissance said. Under its "bear scenario," the value of listed stocks may rise 13 percent to \$4.75 billion.

Econet Wireless Holdings Ltd., the country's biggest mobile-phone operator, **Delta Corp.**, Zimbabwe's largest beer and beverages maker, and **Aico Africa Ltd.**, a cotton producer and processor, are among Renaissance's top 10 picks.

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