

ALTERNATE VIEW

IS DAWN ABOUT TO BREAK?

A number of events have taken place in Southern Africa recently that may be worth examining for a common thread, rather than viewed in isolation.

Back in August Angola held elections; the ruling MPLA party won, but lost ground to the opposition Unita party, whose share of seats rose from 32 to 51. Joao Lourenco, the country's defence minister, replaced President dos Santos, who stepped down after 38 years in power. Interestingly Lourenco had distanced himself from dos Santos ahead of the election. Lourenco promised to restructure and revive an economy overly dependent on oil, and has not ruled out deals with the IMF or World Bank; both being "Western" institutions.

Another pledge Lourenco made to voters ahead of the election was to clean up Angola's endemic graft and tackle corruption. He has remained true to his word; days ago he sacked his predecessor's daughter, Isabel dos Santos, as state oil chief, along with a number of other directors. The daughter was the public face of President dos Santos's business interests, and is reputedly Africa's richest woman, with a stake estimated at \$3.3bn(Source: The Guardian).

This week was also marked by a coup in Zimbabwe; details remain sketchy at this point; however two things seem fairly clear. The Army have claimed it was an operation to remove "criminals" surrounding Mugabe. Perhaps a more precise reading would be it has been an "operation to rid Zimbabwe of supporters of Grace Mugabe," commonly referred to as G40, and by definition prevent Grace Mugabe from becoming President at some point in the future.

Currently negotiations are underway for Mugabe to step down and a transitional government put in place until elections can be held. Many seem loath to accept this has in effect been an operation to remove both Mugabe and his wife. Zimbabweans have been short changed; their economy has halved in size in less than two decades, they have no reserves and hyperinflation.

What is becoming apparent is this move has been months in the planning; what precipitated the move to act now was Mugabe's recent decision to fire his deputy and ally Emerson Mnangagwa, ostensibly upon the insistence of his wife. China appears to have been kept in the loop, with the Chief of the Army returning from a trip to the country days before the coup; as were Angola and opposition parties. If that be the case; it is a real slap in the face for South Africa, however more worrying is the fact our intelligence networks appear to have missed it completely, questions must be asked and answers found, embarrassing as they may be for some.

Those with a logical mind can see where this is going; South Africa; and we have not escaped a few intriguing events ourselves in the past few days. The NEC met over the weekend with the upcoming ANC conference being top of the agenda. In a blow to President Zuma the NEC decided not – as of yet anyway – to dissolve the ANC's

Eastern Cape structure, supporters of Deputy President Ramaphosa and scene of the “chair throwing ceremony” last month.

In an even bigger setback for the President; Mpumalanga chairman David Mabuza, part of the Dlamini-Zuma (NDZ), ticket, departed from his previous position, and spoke out against dissolving the Eastern Cape structure. Is he perhaps feeling a draught, better still a wind?

There are many political pundits saying the Eastern Cape is the pivot upon which the outcome of the December conference hinges; if Mpumalanga “change their minds” as well, then the NDZ ticket and by definition the status quo remaining, appear to be a pipe dream.

Read in conjunction; it may be the “winds of change” are starting to sweep through Southern Africa; people are becoming increasingly poor and tired of seeing their country’s economies underachieve for a multitude of reasons, none of which require highlighting here.

There may also be a geo-political component to the Zimbabwe situation as well; China have investments there; should Angola tap the World Bank and IMF for loans, China may have felt the need to stabilise Zimbabwe for their own political needs. Mugabe may well be hanging on in anticipation SADC and possibly other African countries come to his aid; that may not be the wisest of choices for anyone foolish enough to get sucked in.

The investment implications could not be more stark; investors have driven Rand hedges to levels of extreme overvaluation; many domestic counters to levels where private equity and management teams must be sharpening their pencils with a view to buying and delisting. Zimbabwean assets are dirt cheap; domestic counters with interests in the country must be looking on with hopes for a revival in fortunes after years of disappointment.

I leave you to draw your own conclusions.

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About the Author, Nigel Dunn

After graduating with a B Com Honours, Nigel moved into stockbroking close on three decades ago. He has been a registered member of the South African Institute of Stockbrokers since 1994.

He started his career in 1987 advising individuals, moved to research, company specific and of a strategic nature, before settling in fund management, both for private clients and pension funds. He was a partner of Anderson Wilson, subsequently acquired by Standard Bank, where he became a director of Standard Equities.

Thereafter he moved to Investec Securities where he managed funds for private clients, family trusts and helped on the corporate broking desk.

Most recently he has been managing discretionary funds for clients, proprietary trading in addition to generating his own corporate research. Of late he has started to write articles of a market related nature intended to stimulate thought and debate.