

# BODIVA

— SGM R, SA —



## 2018

QUARTERLY MARKET REPORT  
IV QUARTER

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## SUMMARY

- In Q4 the market participants only traded in bonds;
- Compared to the same period over the previous year, the trade value decreased by 59.83%, from \$ 1.581 to \$ 635.40<sup>1</sup> million;
- 1,132 trades were completed, an increase of 16.82% over the same period over the previous year in which there were only 969 trades;
- Of the total trades, only 13 were inter-dealer, with October and December having 5 trades each, and in November only 3;
- Of the traded value, about 89.4% refers to securities with residual maturities of less than 2 years;
- US dollar linked Treasury bonds (OT-TX) represented approximately 83.26% of the amount traded, an increase of about 7% compared to the previous quarter;
- Fixed rate treasury bonds (OT-NR) represented around 10.52%, and treasury bills (BT) accounted for 5.86% of the traded value. On the other hand, Corporate bonds represented only 0.36%;
- BFA, SBA and BAI<sup>2</sup> accounted for approximately 82.58% of the traded value, with 32.91%, 28.21% and 21.45% respectively;
- Securities traded on the secondary market represented, on average, about 0.80% of the public debt securities;
- The main players in the secondary market are brokers, representing 51.1% of the traded value, followed by institutional investors with 40.5%, and retail investors with only 8.4%;
- In the period under review, 594 individual accounts were opened at CEVAMA (Angola's CSD), reaching a total of 6,934 accounts opened in 2018;
- The amount under custody at CEVAMA was \$ 2.04 billion;
- 1132 trades were settled, corresponding to \$ 203 million.

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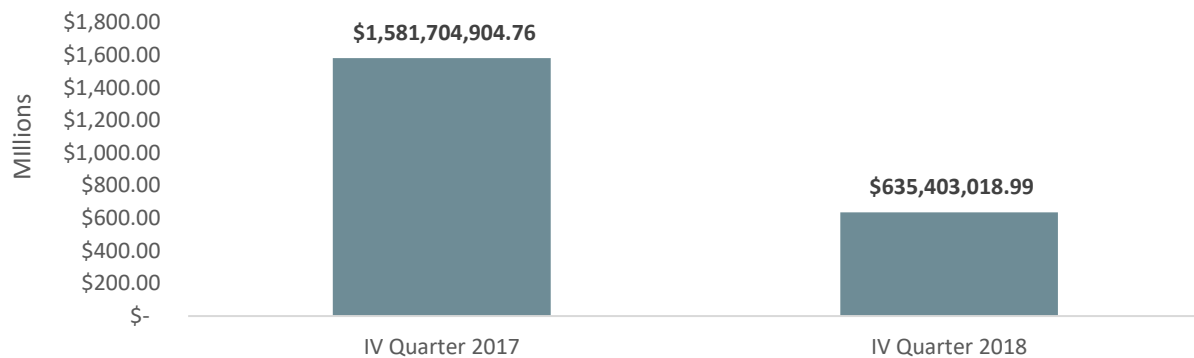
<sup>1</sup> Exchange Rate: 308.607, as of 2019/12/28

<sup>2</sup> BFA – Banco de Fomento de Angola; SBA – Standard Bank Angola; BAI – Banco Angolano de Investimentos

## TRADING

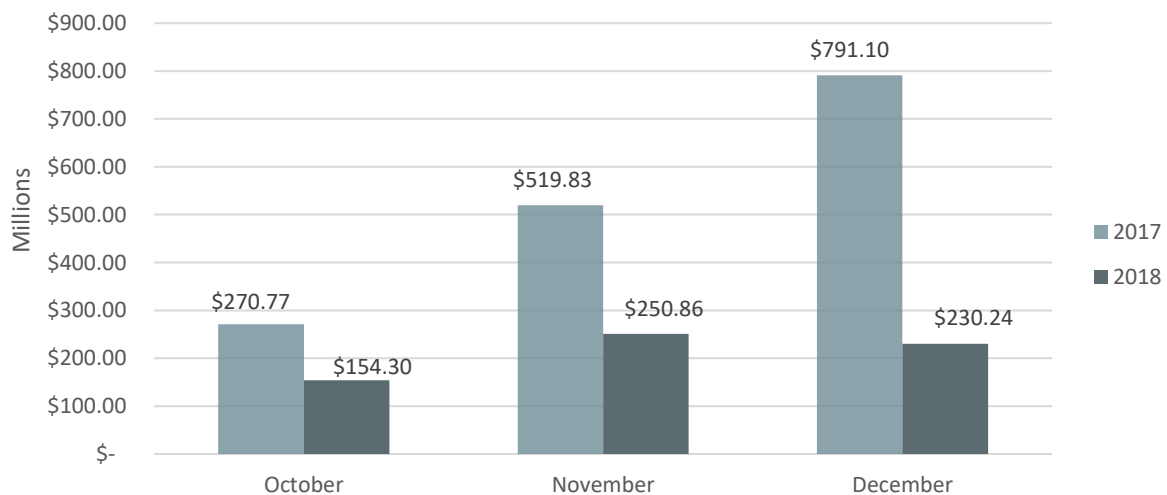
### TRADING EVOLUTION

During the fourth quarter of 2018, 1,132 trades were completed on the regulated markets under BODIVA management, totalling \$ 635,403,018, a decrease of 59.83% over the same period in the previous year.



Graph 1 – Traded Amount

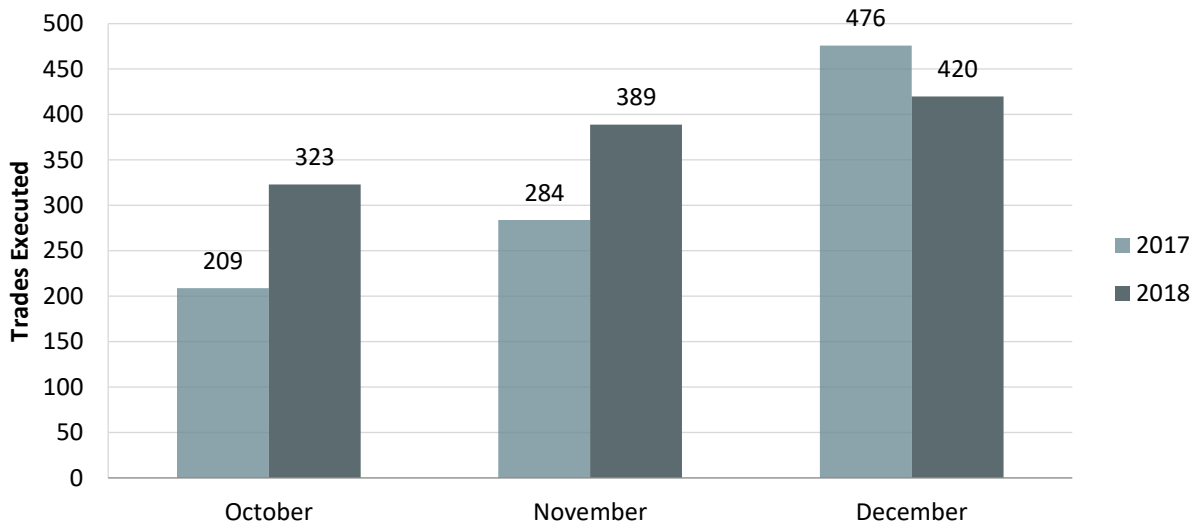
The average monthly traded value was \$ 211,80 million, with November having the highest trading value, \$ 250,86 million. The following graph illustrates the monthly progress:



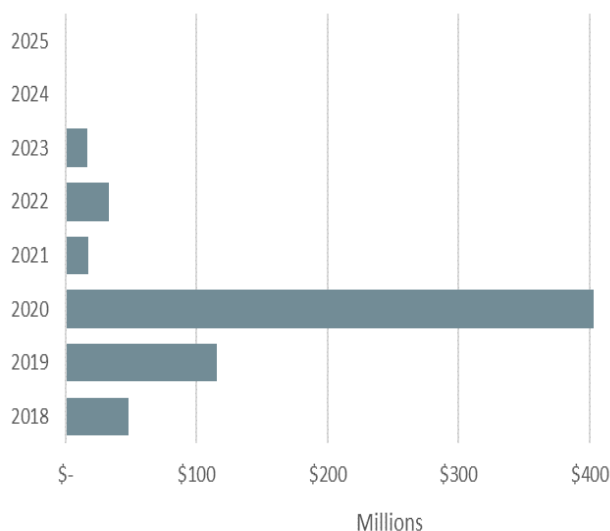
Graph 2 – Monthly Traded Value

The number of executed trades in relation to the same period increased by 16.8%, from 969 to 1,132 trades. The monthly average was 377 trades.

2017	2018	Var (%)	Monthly Average
969	1,132	16.8%	377



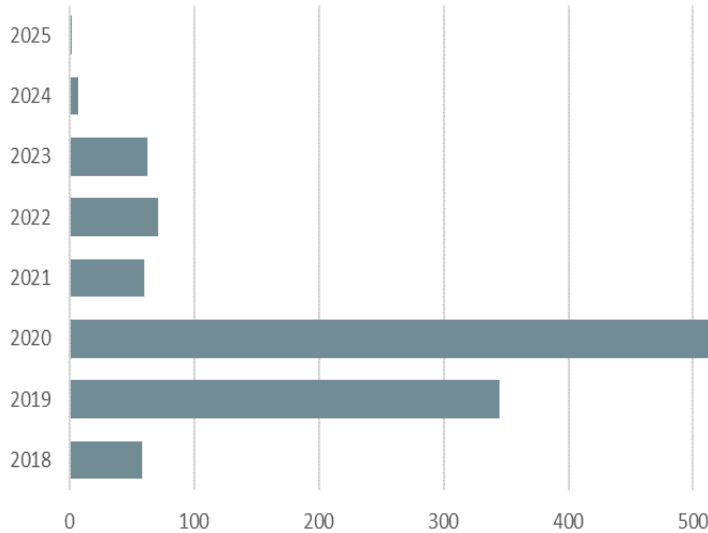
Graph 3 – Monthly Trades



Graph 4 – Traded Amount by maturity year

Comparing with the previous periods, in terms of residual maturities of traded securities, **there has been an increasing trend on trading of securities with residual maturities of less than 2 years.**

**Securities with residual maturity of up to 2020 represented 89.49% of the traded value.**



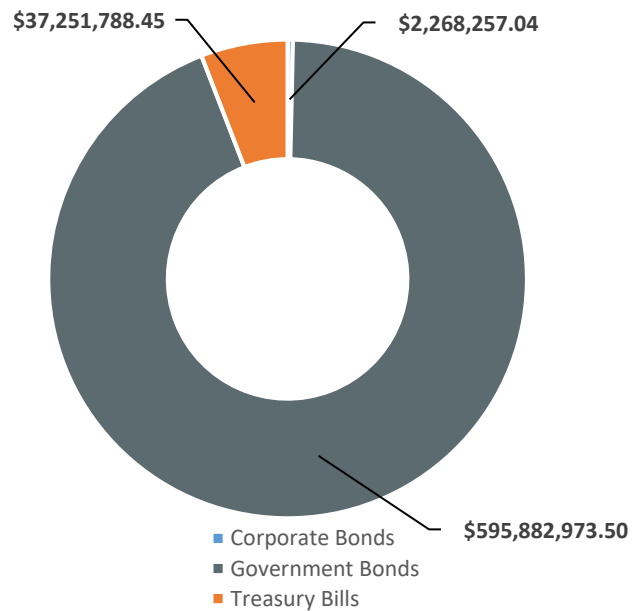
The volume of trades is also concentrated in the shorter maturities, with special emphasis for the year 2020.

As a result, the trades executed in securities with maturities of 2018, 2019 and 2020 accounted for 5.12%, 30.48% and 46.38% respectively, representing a total of approximately 81.98% of the executed trades.

Graph 5 – Volume of Trades per maturity year

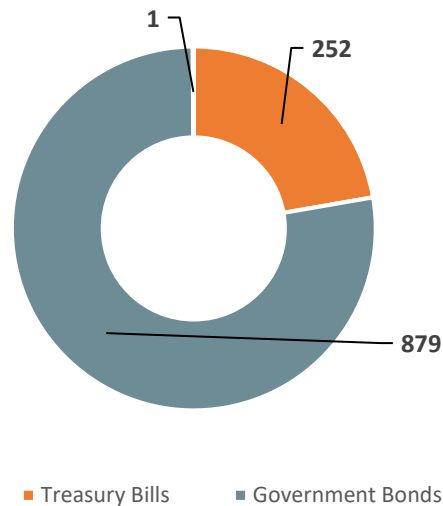
Regarding the traded value by security type, the majority was represented by treasury bonds (93.78%), followed by treasury bills (5.86%).

On the other hand, corporate bond trading represented only (0.36%) of the total traded value as it can be seen on the Graph 6.

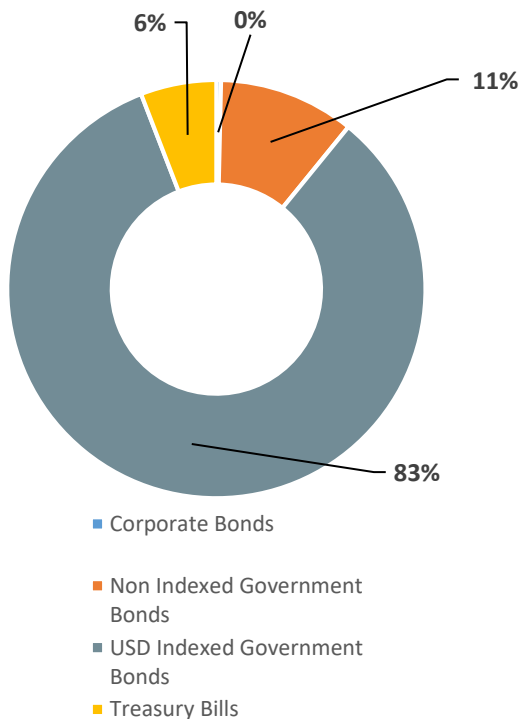


Graph 6 – Traded Value per Instrument Category

**Treasury Bonds represented approximately 77.65% of the volume of trades.** Although Treasury bills represent only 5.86% of the volume traded, they accounted for 22.26% of the traded value. Corporate bonds, with only one (1) trade accounted for only 0.09%, as evidenced by Graph 7.



Graph 7 – Volume of Trades per Instrument Category



Graph 8 – Trading per Instrument Category

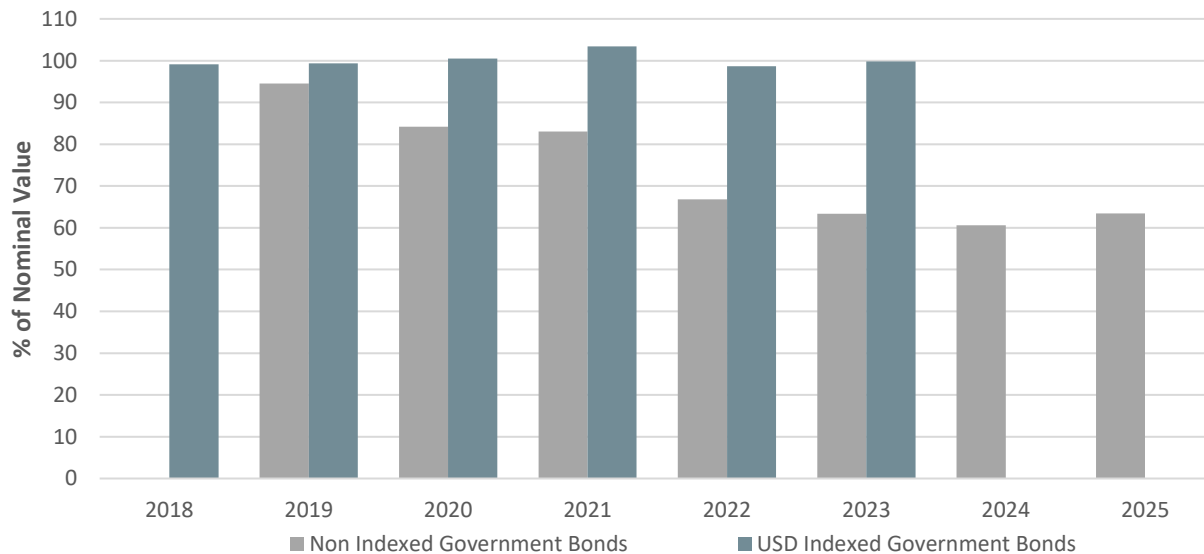
Regarding the characteristics of the most traded securities, **US dollar linked Treasury Bonds accounted for 83.26% of the traded amount.**

Thus, despite the greater predictability of the exchange rate, **investors continue to favour trading of instruments that hedge against devaluation of the national currency (kwanza).**

PRICE ANALYSIS

In terms of the pricing practiced for each year of maturity, the negative correlation between maturity and discount rates was maintained, with the spread between short-term and OT-NR long-term securities being approximately 32.9%. This may indicate that the market perceives long-term securities as being riskier, with liquidity risk being the most predominant factor. The following table shows the average price of securities according to the maturity years.

Instrument Category	2018	2019	2020	2021	2022	2023	2024	2025
USD Linked Government Bonds	99.15	99.38	100.50	103.42	98.63	99.82		
Fixed Rate Government Bonds		94.55	84.17	83.06	66.81	63.34	60.63	63.40



Graph 9 – Average Price per Maturity Year

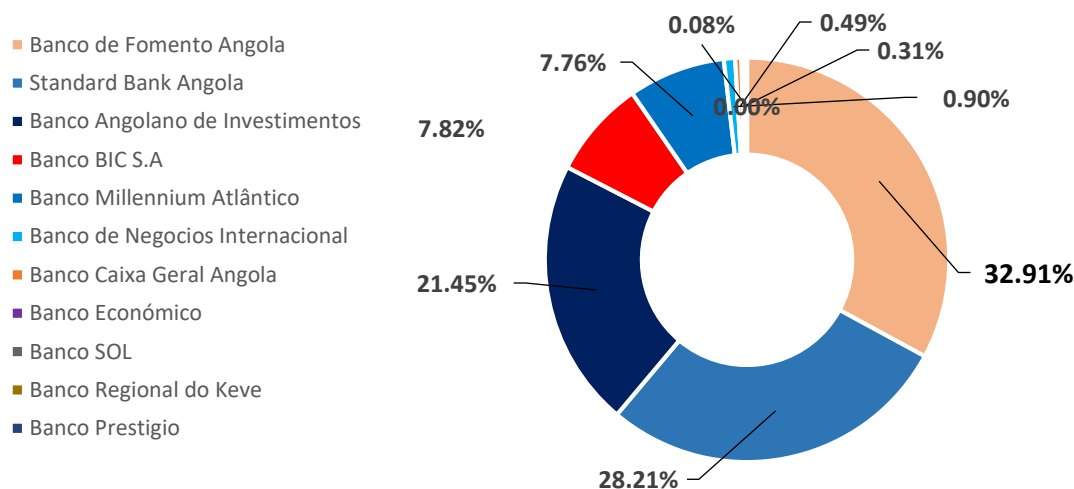


## BROKERS PERFORMANCE

With respect to trading members performance, from the 18 BODIVA members only 10 contributed to the traded value. Particular emphasis is placed on Banco Fomento Angola (BFA), Standard Bank Angola (SBA) and Banco Angolano de Investimentos (BAI), which stood at the top three places and whose transactions accounted for about 82.5% of the market.

Ranking	Broker	2017		2018	
		Traded Amount	Market Share	Traded Amount	Market Share
1	Banco de Fomento Angola	\$ 1,246,749,550.13	39.41%	\$ 416,783,711.94	32.91%
2	Standard Bank Angola	\$ 1,024,239,270.03	32.38%	\$ 357,244,380.91	28.21%
3	Banco Angolano de Investimentos	\$ 235,599,584.01	7.45%	\$ 271,623,708.67	21.45%
4	Banco BIC S.A	\$ 203,669,421.55	6.44%	\$ 99,027,546.39	7.82%
5	Banco Millennium Atlântico	\$ 271,214,653.47	8.57%	\$ 98,267,142.29	7.76%
6	Banco de Negocios Internacional	\$ 122,713,095.04	3.88%	\$ 11,412,687.18	0.90%
7	Banco Caixa Geral Angola	\$ -	0.00%	\$ 6,245,774.68	0.49%
8	Banco Económico	\$ 16,131,410.89	0.51%	\$ 3,933,967.80	0.31%
9	Banco SOL	\$ 6,235,115.31	NA	\$ 949,975.19	0.08%
10	Banco Regional do Keve	\$ 12,253,695.01	0.39%	\$ 780,628.85	0.06%
11	Banco Prestigio	\$ 24,604,014.08	0.78%	\$ -	0.00%
<b>Totals</b>		<b>\$ 3,163,409,809.52</b>	<b>100%</b>	<b>\$ 1,266,269,523.90</b>	<b>100%</b>

1. Traded amount double counted.

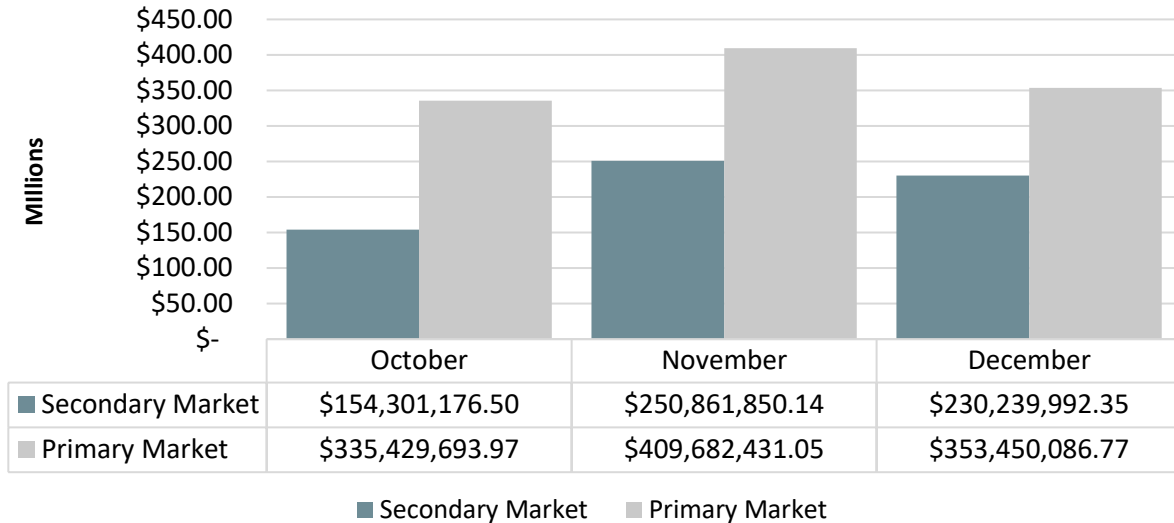


Graph 10 – Traded amount by brokers

BFA continues to lead the market, with a traded value of \$416,7 million, however its market share decreased from 39.41% to 32.91%. SBA saw its market share decline from 32.38% to 28.21%, although its traded value was \$ 357,2 million. BAI increased exponentially its traded value and saw its market share increase from 7.45% to 21.45%.

COMPARATIVE ANALYSIS: PRIMARY VS SECONDARY MARKET

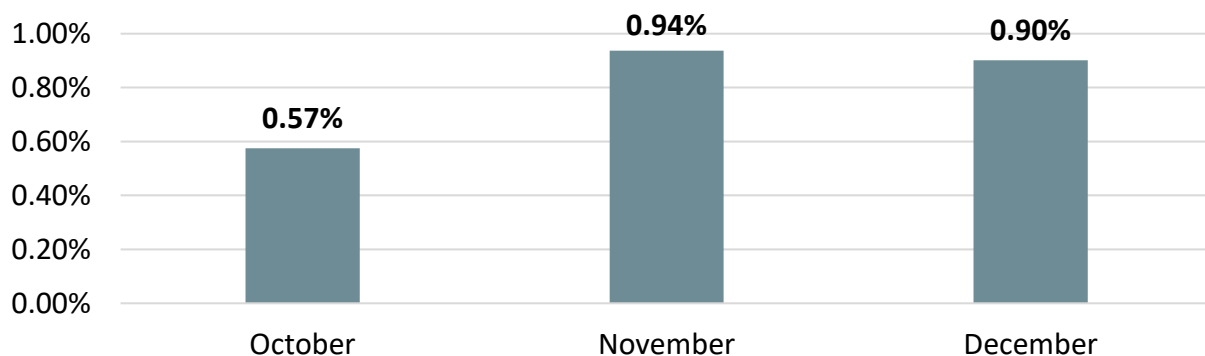
In the period under review, issues in the public debt primary market reached \$ 1,09 billion, while in the secondary market the total traded value was \$ 635,40 million.



Graph 11 – Traded value in Secondary Market vs. Issued Amount in Public Debt Primary Market

The traded value on the secondary market accounted for only 57.8% of the total issuance in the primary market, which represents a negative change compared to the previous quarter, which represented 66%.

When comparing the traded value in the secondary market with the public debt stock, which averaged \$ 26,38 billion, we can observe that, on average, the secondary market represented about 0.80% of the public debt stock. The following graph illustrates the weight of traded value in secondary market on domestic public debt:



Graph 12 – Weight of the amount traded in secondary market on internal public debt

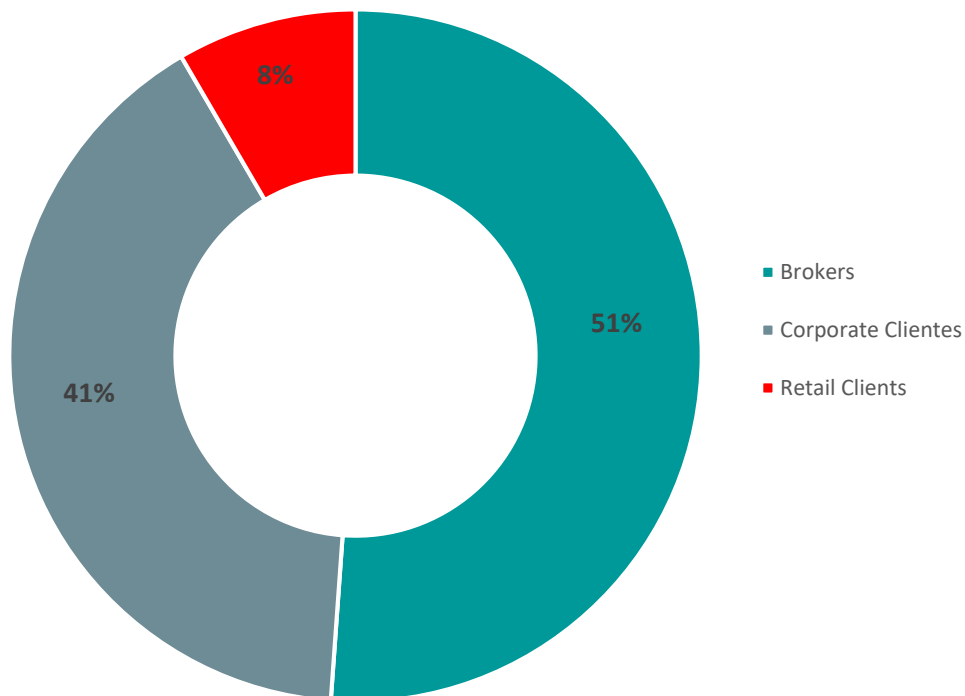
## ULTIMATE BENEFICIARIES ANALYSIS

### MAIN PLAYERS

Regarding the ultimate beneficiaries of the executed trades during the fourth quarter of 2018, there is a prevalence of brokers and corporate clients, which account respectively for 51% and 40% of the traded value. Retail investors represented only 8%.

Final Committee	Traded Amount	%
Brokers	\$ 649,891,605.79	51.1%
Corporate Clientes	\$ 514,181,921.49	40.5%
Retail Clients	\$ 106,732,510.70	8.4%
<b>Total Geral</b>	<b>\$ 1,270,806,037.98</b>	<b>100%</b>

The analysis is illustrated in the following chart:



Graph 13 – Weight of final committees

When analysing buying transactions, it is verified that the brokers represent 58.1% of the total amount, and corporate and retail investors represent only 29.9% and 12.0%, respectively.

Final Committee	Traded Amount (buy)	%
Brokers	\$ 369,330,048.13	58.1%
Corporate Clientes	\$ 190,038,361.06	29.9%
Retail Clients	\$ 76,034,609.80	12.0%
<b>Total</b>	<b>\$ 635,403,018.99</b>	<b>100%</b>

Regarding to selling transactions, corporate clients accounted for 51.0% of the total amount, followed by brokers and retail clients representing 44.2% and 4.8%, respectively:

Final Committee	Traded Amount (sell)	%
Brokers	\$ 280,561,557.66	44.2%
Corporate Clientes	\$ 324,143,560.43	51.0%
Retail Clients	\$ 30,697,900.89	4.8%
<b>Total</b>	<b>\$ 635,403,018.99</b>	<b>100%</b>

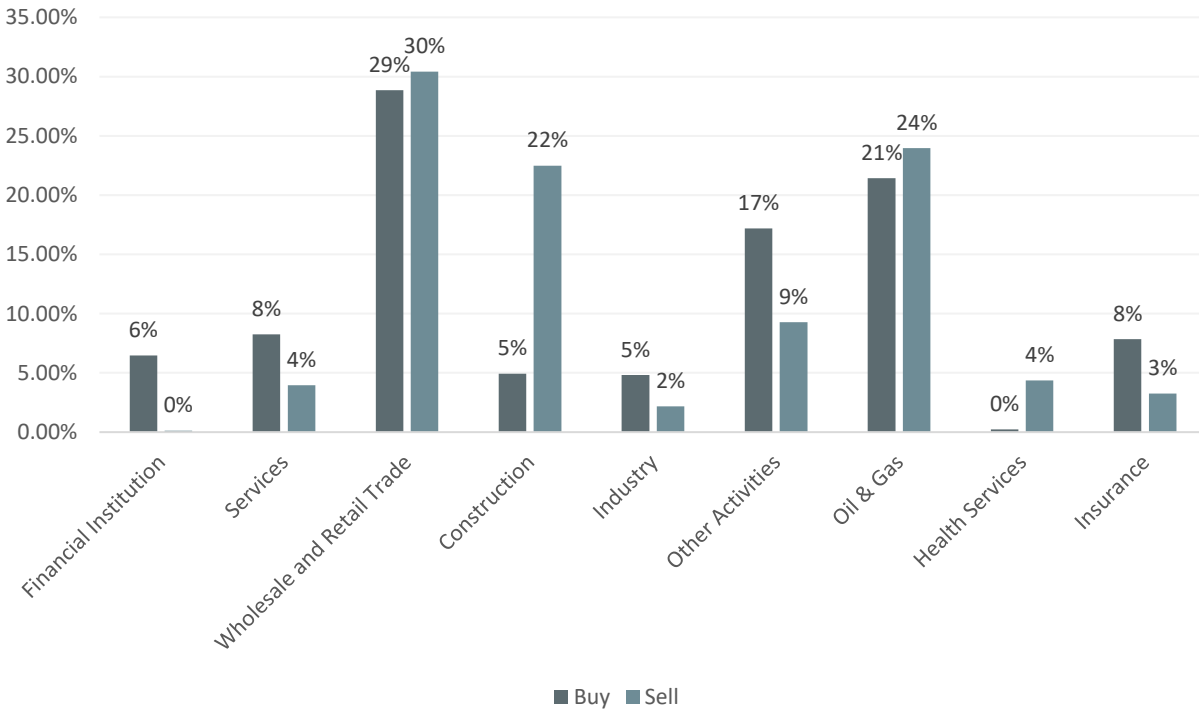
Regarding to the number of trades and the buying or selling position of the ultimate beneficiaries, the trend in terms of the traded amount is confirmed, that is, the brokers favour the selling position to the detriment of the buying position.

On the other hand, the corporate and retail clients present opposite behaviour, privileging the buying position.

Final Committee	Buy	Sell
Brokers	267	853
Corporate Clientes	196	184
Retail Clients	669	95
<b>Total</b>	<b>1132</b>	<b>1132</b>

When analysing the data from a sectorial perspective, we find that the Wholesale and Retail companies were the ones that traded the most in the buying position with a total of \$ 27,2 million.

**In terms of the selling positions, the Wholesale and Retail clients trade held the lead with \$ 27,7 million, followed by the Oil and Gas sector with \$ 21,8 million and the Construction sector with \$ 20,4 million.**

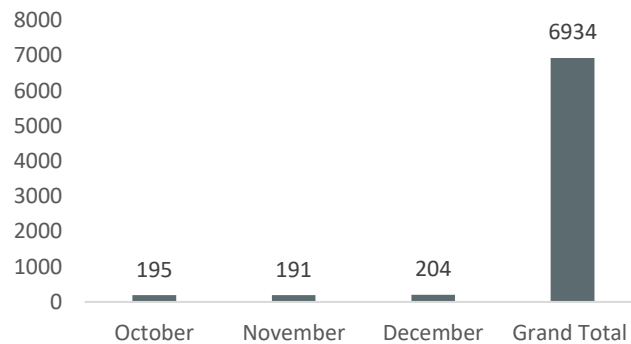


Graph 14 - Weight of companies by sector of activity

## CLEARING & SETTLEMENT

### ACCOUNTS

During the fourth quarter of 2018, 590 segregated accounts were opened. In that period, December had the largest number of new registrations. As a result, 2018 closed with a total of 6934 active accounts, which includes the members' own portfolio accounts, issuer accounts, settlement accounts and individual registration accounts.

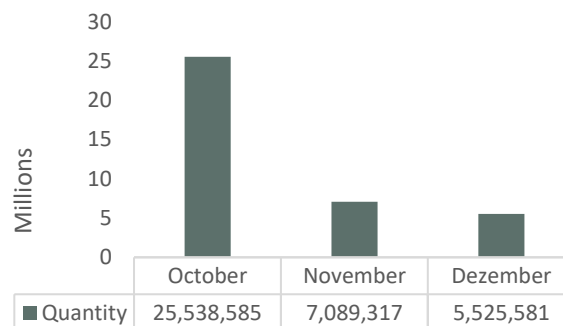


Graph 15 – Evolution of open accounts

## SECURITIES UNDER CUSTODY

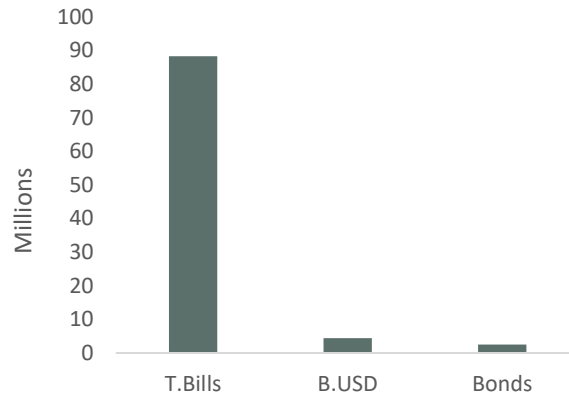
### Public Debt

In the fourth quarter, 38,153,483 treasury securities were deposited, of which 36,276,703 are Treasury Bills and 1,876,780 Government Bonds, which represents a value of 36,276,703,000.00 AOA (USD 117,549,838.47) and 111,422,368,669.68 AOA (USD 361,049,388.61) respectively.



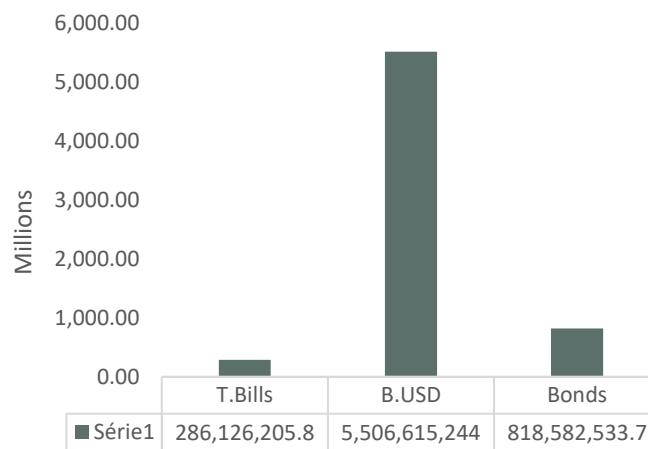
Graph 16 – Custody

In terms of Public Debt, BODIVA has 308.613,16 securities under custody, of which 93% correspond to a Treasury Bills and the remainder to Government Bonds.



Graph 17 – Typology and quantity

The securities under custody accounted for USD 6,611,323,983.95<sup>3</sup>, from which 96% is represented by Government Bonds linked to USD exchange rate as suggested by the Graph.



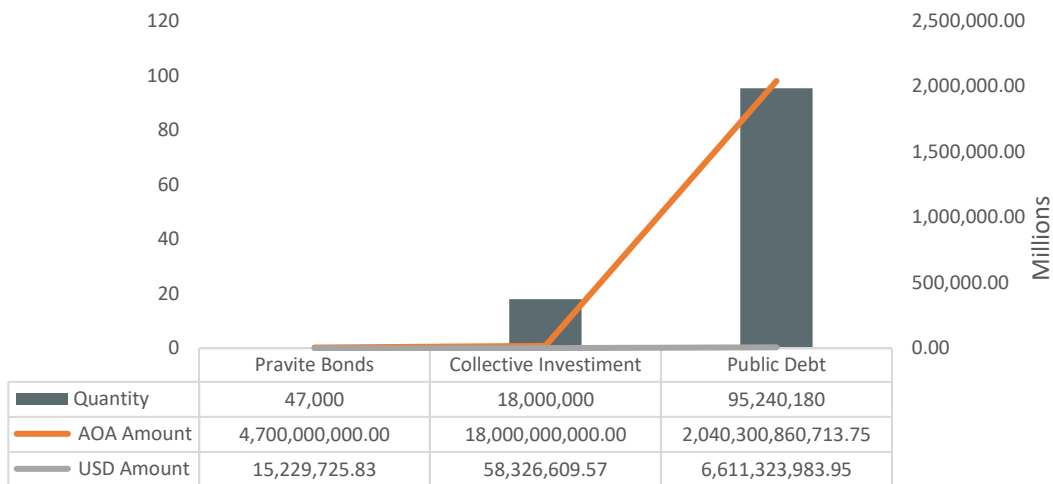
Graph 18 – Value and typology

<sup>3</sup> Exchange rate: 308.607 as of 2019/12/28

Corporate Issues

With Standard Bank Angola's Corporate Bonds, which were integrated in November, Central Securities Depository (CEVAMA) registered an increase of USD 15,229,725.83 in the custody amount, representing 0.23% of the total amount under custody.

The shares of the Collective Investment Scheme promoted by Banco de Fomento Angola (BFA) amounted to USD 58,326,609.57, which represents 0.87% of the USD 6,684,880,319.35 held in custody.



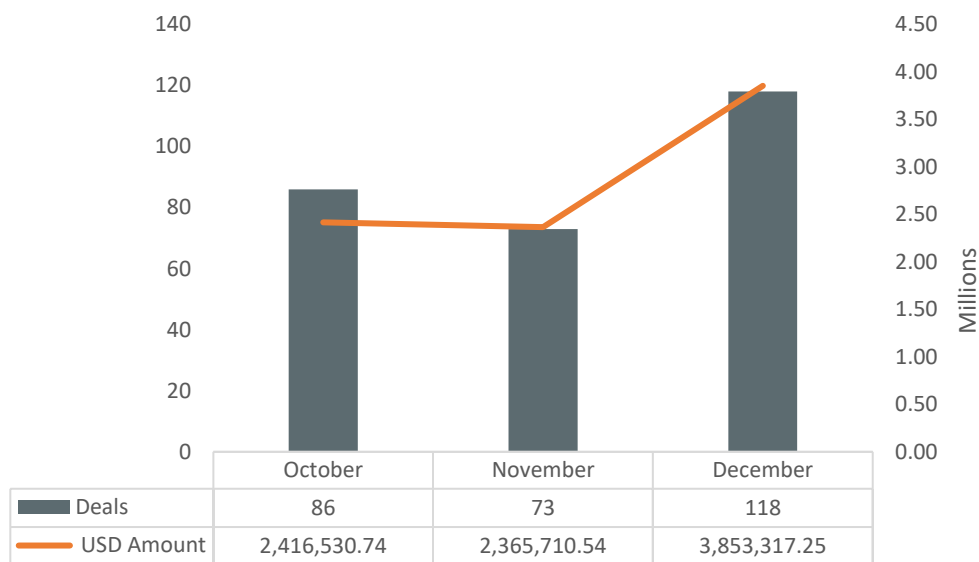
Graph 19 – Market and typology of custody



## SETTLEMENT

### Primary Market – “Portal do Investidor<sup>4</sup>”

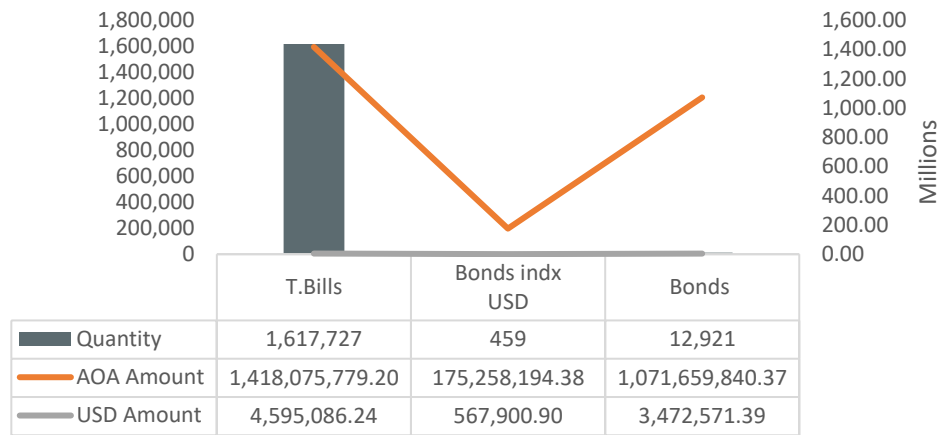
During the last quarter of the year, 277 deals were settled, totaling USD 8,635,558.54.



Graph 20 – Number of deals and amount

Regarding the typology of Security, Treasury Bills had better adherence of investors, resulting in a investment of USD 4.595.086,24, corresponding to 53% of the amount settled in the quarter.

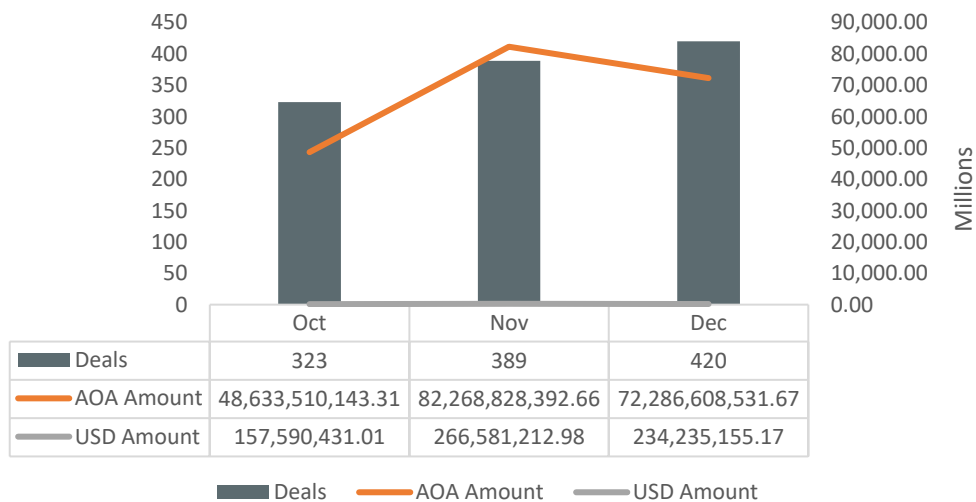
<sup>4</sup> The Angolan Treasury places treasury bonds directly to the public through the “Portal do Investidor”, which allow retail investors to acquire treasury bonds online through a website.



Graph 21 – Primary market negotiation per Typology

## Secondary market

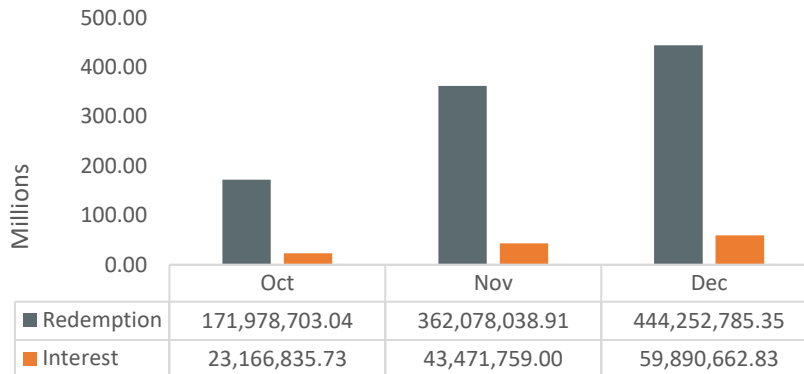
During the third quarter, 1132 deals were settled, which corresponds to over 203 billion Kwanzas.



Graph 22 – Secondary market

## EVENTS

In the period from October to December, 265 income distribution events were processed, including 208 coupon payments and 51 redemptions, totaling 76,808,462 securities and USD1,104,838,784.86, as shown in the graph.



Graph 23 – Events

## RELEVANT FACTS

### A. Market Development:

- i. BODIVA launched the Corporate Bond Exchange Market ("MBOP"), with the admission to trading of bonds issued by Standard Bank Angola S.A. The inaugural session was held on December 14 and was attended by the Minister of Finance, Dr. Archer Mangueira, members of BODIVA board and several market participants.

### B. Market Laws and Regulation:

- I. **The following Instructions of the Capital Markets Commission were published in December;**
  - a. **Instrução N.º 003/CMC/12-18** – Information Disclosure on Regulated Market Trading;
  - b. **Instrução N.º 004/CMC/12-18** – Information Disclosure on Collective Investment Schemes;
  - c. **Instrução N.º 005/CMC/12-18** – Information Disclosure on Management Companies of Collective Investment Schemes.
- II. On December 18, BODIVA published its Rule No. 2/18 – Exchange Market.