

MASI gains

Activity on the Malawi Stock Exchange significantly improved week-on-week, with total value traded at K7,498.37m, a 21,904.87% increase from K34.08m recorded the previous week. The Malawi All Share Index (MASI) gained by 1.45% to close the week at 23062.14 points due to share price increases in FMBCH, NICO and TNM. A total of 233,930,412 shares were traded during the week compared to 2,462,103 shares transacted the previous week. Year to date return on the MASI stands at 6.78% (2017: 2.02%) (Source: MSE).

Kwacha exchange rate movements

During the week, the Kwacha marginally depreciated against the USD but appreciated against other major trading currencies. Gross official reserves decreased to USD698.51m (3.34 months of imports) as at 22nd February 2018 from USD714.68m (3.42 months of imports) recorded on 16th February 2018 (Source: RBM). We expect the kwacha to remain broadly stable in the short to medium term. However, the monetary authorities' efforts to keep the Kwacha stable will continue to exert pressure on foreign reserves.

Government securities

The Malawi Government raised K4.85b at the Treasury Bill auction held on 20th February 2018, representing a decline of 33.64% from K7.31b raised at the previous week's auction. The average yield was broadly steady at 14.50%. The auction registered a rejection of 0.89% (Source: RBM). Looking forward, we expect TB yields to remain firm in the short term. In the medium term, yields on government securities could face a downward pressure as the authorities look for cheaper funds.

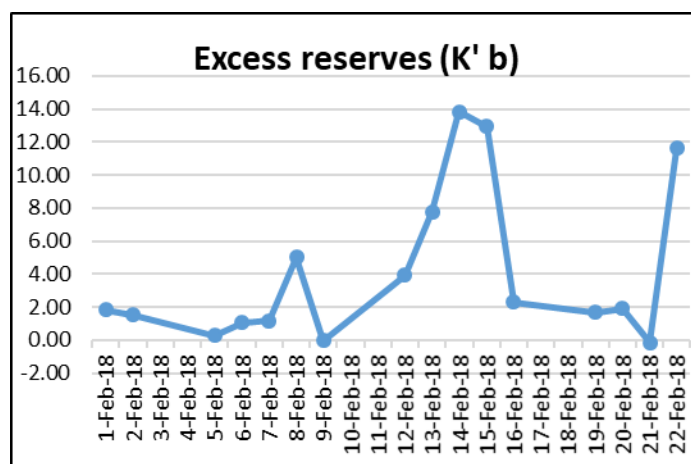
The 3 billion 3-year Treasury Note on offer during the week was fully subscribed at an average yield of 18.53% at the second auction held on 22nd February 2018. At the initial auction for the Note held on 20th February 2018, no amount was allotted. (Source: RBM).

Interbank market

Liquidity decreased to a daily average of K3.47b from K7.69b the previous week. The average overnight interbank rate decreased to 14.24% from 15.81% the preceding week. The daily average volume traded on the interbank market decreased to K6.81b from K7.08b the previous week. Access to the Lombard Facility increased to K10.02b from K1.30b. RBM mopped up K11.39b from the system through OMOS (Source: RBM). We expect liquidity conditions to remain subdued in the short to medium term as the authorities intensify mop up operations to keep inflation on the declining trend.

Stock market indices			
	23-Feb-18	% Δ	16-Feb-18
MASI	23062.14	↑ 1.45%	22731.98
DSI	17425.92	↑ 1.73%	17129.91
FSI	3706.12	↑ 0.13%	3701.15
Market capitalisation (K' b)	10,822.09	↑ 0.14%	10,807.47
Deals	32	↑ 23.08%	26
Value of shares traded (K' m)	7,498.37	↑ 21904.87%	34.08
Gainers			
	Current price (K)	% Δ	Previous price (K)
FMBCH	70.70	↑ 0.14%	70.60
NICO	42.00	↑ 16.67%	36.00
TNM	18.81	↑ 4.50%	18.00
Losers			
None			
Treasury Bill yields			
Tenor (days)	20-Feb-18	% pts Δ	13-Feb-18
91	13.9958%	↓ -0.0041%	13.9999%
182	14.5000%	↔ 0.0000%	14.5000%
364	15.0000%	↔ 0.0000%	15.0000%
All-type	14.4986%	↓ -0.0014%	14.5000%
Overall rejection rate	0.89%	↓ -0.03%	0.92%
Alloted (K' b)	4.85	↓ -33.64%	7.31
Expected maturities			
Week ending	23-Feb-18	2-Mar-18	Feb-18
TBs, PNs & TNs	5,092	5,871	62,062
OMO	24,187	13,693	74,236
Inflation			
Month	Dec-17	% pts Δ	Nov-17
Rate	7.10%	↓ -0.60%	7.70%
RBM indicative exchange rates			
Currency	23-Feb-18	% Δ	16-Feb-18
USD	725.70	↓ 0.03%	725.48
GBP	1012.20	↑ -1.32%	1025.75
ZAR	62.09	↑ -1.01%	62.73
EUR	892.68	↑ -1.95%	910.48
Gross official foreign exchange reserve position			
	22-Feb-18	16-Feb-18	9-Feb-18
Reserves (USD'm)	698.51	714.68	709.17
Import cover (months)	3.34	3.42	3.39

(Sources: MSE, RBM, NSO)



(Source: RBM)

Disclaimer: The views expressed in this report are those of the authors and are based on information believed but not warranted to be correct. Any views or information, whilst given in good faith, are not necessarily the views of CDH Investment Bank (CDHIB) and are given with an express disclaimer of responsibility and no right of action shall arise against any of the authors, CDHIB, its directors or its employees either directly or indirectly out of any views, advice or information. The information presented are for information purposes only and does not constitute and should not be construed as investment advice or recommendation. The statistics have been obtained from third party data sources. We believe these sources to be reliable but cannot guarantee their accuracy or completeness. Recipients of this report shall be solely responsible for making their own independent appraisal and investigation into all matters herein.