

MSE trading activity

The Malawi All Share Index (MASI) gained by 0.23% to close the week at 30808.06 from 30736.95 the previous week, due to share price increases in MPICO and NICO. 383,591 shares exchanged hands during the week compared to 257,683 the previous week, representing an increase of 48.86%. Year to date return on the MASI stands at 42.64% (same period in 2017:20.00%). There was no trade on the listed government securities (*Source: MSE*).

Expected movement in profit for the half year ended 30th June 2018 compared to the previous corresponding period

Company	2017 H1 PAT (K'b)	Expected movement	Projected 2018 H1 PAT (K'b)
MPICO	2.80	↑ 40%	3.92
NBS	(1.14)	↑ 140%	0.45
NICO	4.30	↑ 24%	5.33
NITL	1.01	↑ 35%	1.36
STD	8.16	↓ -40%	4.90
TNM	4.75	↑ 40%	6.65

Foreign exchange market developments

During the week, Kwacha was steady against USD, appreciated against ZAR and depreciated against GBP and EUR. Gross official foreign exchange reserves increased to USD740.12m (3.54 months of imports) as at 2nd July 2018 from USD712.97m (3.41 months of imports) recorded on 22nd June 2018 (*Source: RBM*). The increase in official forex reserves was mainly on account of purchases from the market by RBM as forex supply increased due to the ongoing tobacco auction sales. As at the end of week 13 of the tobacco auctions on 5th July 2018, USD219.88m had been realised from tobacco sales, compared to USD172.39m realised during a corresponding period in 2017. Exchange rate stability is expected to continue in the short to medium term as foreign exchange inflows continue during the Tobacco market season.

Treasury Bill market

Government raised a total of K2.09b through the Treasury Bill auction conducted during the week, a decrease of 77.88% when compared to K9.45b raised in the previous week. The auction registered a rejection rate of 78.09% against total application of K9.54b. The average yield was steady at 14.50% (*Source: RBM*). Looking forward, Treasury Bill yields are expected to remain stable in the short term following the recent decision by the Monetary Policy Committee (MPC) to maintain the policy rate at 16%. In the medium term, however, if inflation remains relatively low, the yields could decline.

Interbank market activity

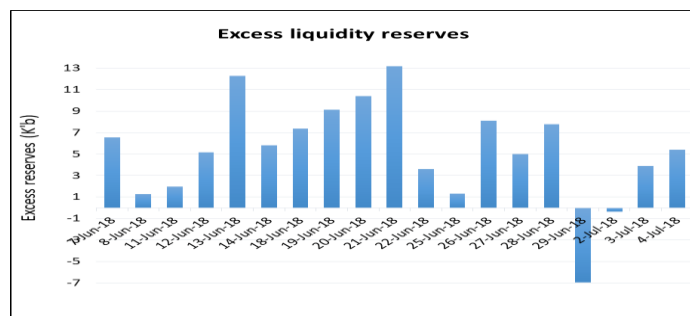
Liquidity decreased during the week, with excess reserves declining by 90.12% to a daily average of K0.51b from K5.16b the previous week. Consequently, the total amount accessed on the Lombard Facility increased to K37.44b from K27.56b accessed during the previous week. The daily average volume traded on the interbank market increased to K7.34b from K4.07b the previous week. The average overnight interbank rate increased to 15.56% from 14.97%. RBM mopped up K6.72b from the market through Open Market Operations (OMO) compared to K39.58b the previous week (*Source: RBM*).

Monetary policy rate maintained at 16%

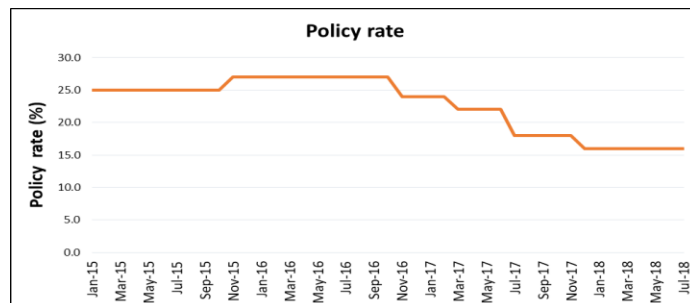
At their meeting held on 3rd and 4th July 2018, the Monetary Policy Committee (MPC) decided to maintain the Policy rate at 16.00%, the Liquidity reserve requirement (LRR) at 7.50% and the Lombard rate at 200 basis points above the Policy rate. In coming up with this decision, the Committee observed that inflation remained elevated in the first half of 2018 and that risks are expected to persist in the near-term. The decision was, therefore, aimed at containing inflation risks and supporting disinflation towards the medium term objective of 5.00%. The RBM will complement this policy stance with consistent mop-up operations to maintain tight liquidity conditions in the market (*Source: RBM*). Interest rate stability is expected to continue following this decision.

Stock market indices				
5-Jul-18				
MASI	30,808.06	↑	0.23%	29-Jun-18
DSI	20,098.30	↑	0.32%	20033.47
FSI	8,237.82	→	0.00%	8237.82
Market capitalisation (K' b)	1,365.58	↓	-0.38%	1,370.74
Gainers				
MPICO	19.50	↑	0.26%	19.45
NICO	49.00	↑	6.52%	46.00
Losers				
None				
Treasury Bill auctions				
Auctions held on 26, 27, 28 and 29 June 2018				
Auction held on 3 July 2018				
Tenor (days)			% Δ	
91	14.00%	→	0.00	14.00%
182	14.50%	→	0.00	14.50%
364	15.00%	→	0.00	15.00%
All-type	14.50%	→	0.00	14.50%
Overall rejection (K' m)	7,452.00	↓	-2483900.00%	0.30
Allotted (K' m)	2,091.40	↓	-77.86%	9,445.30
Projected maturities				
Week ending	6-Jul-18	13-Jul-18		Jul-18
TBs, PNs & TNs	2,438	23,428		44,387
OMO	63,567	609		59,634
Inflation				
Month	May-18		% pts Δ	Apr-18
Rate	8.90%	↓	-0.80	9.70%
Cumulative tobacco sales as at 5th July 2018 (week 13)				
Year	2018		% Δ	2017
Volume (Kg)	126,879,048	↑	44.22%	87,978,788
Value (USD)	219,884,847	↑	27.55%	172,388,235
Average price (USD/Kg)	1.73	↓	-11.73%	1.96
% of GDP	4.75	↑	27.55%	3.72
RBM indicative mid exchange rates				
Currency	5-Jul-18		% Δ	29-Jun-18
USD	725.7646	→	0.00%	725.7646
GBP	960.2591	↓	0.87%	951.9854
ZAR	52.9029	↑	-0.11%	52.9589
EUR	848.7091	↓	0.35%	845.7335
Gross official foreign exchange reserve position				
Reserves (USD'm)	2-Jul-18	29-Jun-18		22-Jun-18
Import cover (months)	3.54	3.48		3.41

(Sources: MSE, RBM, NSO, TCC)



(Source: RBM)



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