

### Malawi Stock Exchange (MSE) trading activity

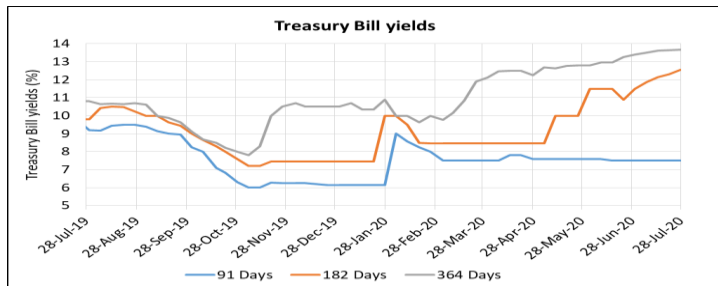
The Malawi All Share Index (MASI) registered a gain of 1.59% to close the week at 29,851.63 points from 29,385.17 points in the previous week due to share price gains in AIRTEL (9.51%), FMBCH (2.00%), ICON (11.40%) and ILLOVO (0.53%) which outweighed share price losses in MPICO (-12.46%), NBS (-0.05%) and TNM (-0.17%). There was no share price movement for the rest of the counters. The market traded 1,914,260 shares at a consideration of K95.14m in 46 trades compared to 57,509,992 shares traded at a consideration of K1.53b in 81 trades during the previous week. This represents decreases of 96.67% in traded volume and of 91.11% in traded value. The year-to-date return on MASI stands at -1.32% compared to 1.48% in the same period in 2019 (Source: MSE).

### Corporate news

- FDH Bank Plc announced results of its Initial Public Offering which opened on 29<sup>th</sup> June 2020 and closed on 17<sup>th</sup> July 2020. All the 1,380,206,250 shares offered (representing 20% of the company's shareholding) were fully subscribed. FDH will be subsequently listed on MSE on 3<sup>rd</sup> August 2020 (Source: FDH).
- NBS Bank Plc posted a profit after tax of K2.84b in the half year ended 30<sup>th</sup> June 2020, compared to K1.41b recorded in the previous corresponding period, representing an increase of 102% (Source: NBS).
- Airtel Malawi Plc declared final dividend of K13.75b, representing K1.25 per share, in respect of the financial year ended 31<sup>st</sup> December, 2019. The dividend will be payable on 28<sup>th</sup> August, 2020 to the company's registered shareholders as at 14<sup>th</sup> August, 2020 (Source: Airtel).

### Government securities

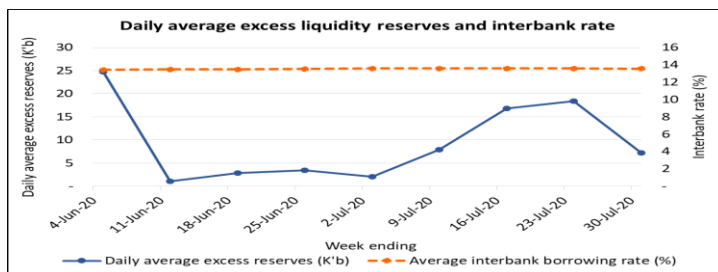
Government raised K7.40b during the week's auction for Treasury Bills (TBs) compared to K7.55b raised in the previous week. The auction registered no rejection rate. The all-type average TB yield increased to 11.24% from 11.15% in the previous week as the 182-day and 364-day yields increased to 12.54% and 13.67%, respectively, from 12.30% and 13.64% in the previous week. The 91-day yield was stable at 7.50% over the past two weeks (Source: RBM).



There was no auction for Treasury notes during the week. Maturities of Government securities for the week amounted to K3.28b, resulting in a net withdrawal of K4.12b from the market compared to a net withdrawal of K26.47b in the previous week (Source: RBM).

### Market liquidity and interbank market activity

Liquidity levels decreased during the week. Average daily excess liquidity reserves decreased to K7.19b from K18.44b recorded in the previous week. Borrowing on the interbank market decreased to an average of K10.45b per day from K16.95b per day in the previous week, while the average interbank borrowing rate slightly decreased to 13.56% from 13.57%. Borrowing on the Lombard Facility increased to an average of K15.77b per day during the week from K9.58b per day in the preceding week at a fixed rate of 13.70% (Source: RBM).



### Foreign exchange market developments

The Kwacha appreciated by 0.74% against USD to close the week at K735.00 per USD. The Kwacha, however, depreciated against GBP, EUR and ZAR by 3.39%, 2.85% and 0.06%, respectively, during the week. Gross official forex reserves were last recorded at USD662.98m (3.17 months of import cover) on 31<sup>st</sup> May 2020, an increase of 8.66% from USD610.13m (2.92 months of import cover) on 30<sup>th</sup> April 2020 (Source: RBM). As at the end of week 14 of 2020 marketing season on 24<sup>th</sup> July 2020, Tobacco had raked in USD140.92m compared to USD170.56m for the same period in 2019, representing a year-on-year decrease in value of 17.38%. Tobacco sales volumes so far have amounted to 92.73m kg, lower than 114.60m kg as at week 14 in 2019. However, average prices have been higher for 2020 (K1.52/kg) compared to 2019 (K1.49/kg) (Source: AHL).

Stock market				
	31-Jul-20	% Δ		24-Jul-20
MASI	29,851.63	↑	1.59%	29,385.17
DSI	25,360.04	↑	1.58%	24,964.41
FSI	1,535.30	↑	1.64%	1,510.53
Traded volume	1,914,260	↓	-96.67%	57,509,992
Number of trades	46	↓	-43.21%	81
Value of shares traded (K'm)	95.14	↓	-91.11%	1,070.06
Market capitalisation (K'm)	1,550,744.90	↑	1.57%	1,526,766.94
Gainers				
	Closing price (K)	% Δ		Opening price (K)
AIRTEL	22.00	↑	9.51%	20.09
FMBCH	25.50	↑	2.00%	25.00
ICON	12.70	↑	11.40%	11.40
ILLOVO	94.50	↑	0.53%	94.00
Losers				
	Closing price (K)	% Δ		Opening price (K)
MPICO	21.00	↓	-12.46%	23.99
NBS	19.49	↓	-0.05%	19.50
TNM	23.95	↓	-0.17%	23.99
Treasury Bill auctions				
Auction date	28-Jul-20	% pts Δ		21-Jul-20
Amount offered - cost value (K'm)	11,188.00			
Applied - cost value (K'm)	7,395.74	↓	-2.04%	7,550.00
Allotted - cost value (K'm)	7,395.74	↓	-2.04%	7,550.00
Overall rejection rate	0.00%	→	0.00	0.00%
91 days yield	7.50%	→	0.00%	7.50%
182 days yield	12.54%	↑	1.99%	12.30%
364 days yield	13.67%	↑	0.22%	13.64%
All-type yield	11.24%	↑	0.82%	11.15%
Treasury Note auctions				
Auction date	21-Jul-20	30-Jun-20	16 & 19 June 2020	
Tenors	5 years	2, 3 & 5 years	2, 3, 5 & 7 years	
Coupon rate	12.50%	10%, 11% & 12.5%	10%, 11%, 12.5% & 13.5%	
Amount offered - cost value (K'b)	28.23			
Total applied - cost value (K'b)	44.01	24.99		50.74
Total allotted - cost value (K'b)	28.26	24.99		42.26
Allotted - weighted average ytm	19.82%	15.8%, 18% & 19.93%		16.25%, 18%, 20% & 24%
Current yields for Treasury Notes				
Tenor	Last auction's yield	Last auction		Next auction
2-year	15.80%	30-Jun-20		tba
3-year	18.00%	30-Jun-20		tba
5-year	19.82%	21-Jul-20		tba
7-year	21.00%	19-Jun-20		tba
10-year	21.70%	21-Apr-20		tba
Projected maturities				
Week ending	31-Jul-20	7-Aug-20		14-Aug-20
TBs, PNs & TNs (K'm)	3,275	434		3,575
OMO (K'm)	0	0		0
Reference rate				
Rate	Jul-20	% pts Δ		Jun-20
	13.40%	→	0.00	13.40%
Inflation rate				
Rate	Jun-20	% pts Δ		May-20
	8.5%	↓	-0.2	8.7%
Cumulative tobacco sales (Week 14)				
Year	2020	% Δ		2019
Volume (Kg)	92,725,784.00	↓	-19.09%	114,602,313.00
Value (USD)	140,923,736.28	↓	-17.38%	170,563,458.59
Average price (USD/Kg)	1.52	↑	2.01%	1.49
Indicative opening mid exchange rates				
	31-Jul-20	% Δ		24-Jul-20
USD	735.0038	↑	-0.74%	740.4905
GBP	975.1550	↓	3.39%	943.1627
EUR	883.6229	↓	2.85%	859.1171
ZAR	44.3397	↓	0.06%	44.3150
Gross official foreign exchange reserves position				
	31-May-20	30-Apr-20		31-Mar-20
Reserves (USD'm)	662.98	610.13		730.17
Import cover (months)	3.17	2.92		3.49

Sources: MSE, RBM, NSO, AHL

### Monetary policy

The Monetary Policy Committee (MPC) held its third meeting of 2020 on 30<sup>th</sup> and 31<sup>st</sup> July. During the meeting, the MPC maintained the Policy rate at 13.5%, the Lombard rate at 13.7% and the Liquidity Reserve Requirement (LRR) on both local currency and foreign currency deposits at 3.75%. In arriving at this decision, the MPC noted that economic outlook points to low growth prospects of 1.9% in 2020 due to negative effects of the COVID-19 pandemic. The Committee also noted that although inflation developments were favourable in the first half of the year, risks going forward remain elevated. The policy stance was, therefore, considered appropriate to contain the impending inflationary pressures whilst at the same time providing space for supporting recovery of the economy, in the wake of the COVID-19 pandemic (Source: RBM). The Policy rate has been steady at 13.5% since May 2019.

### COVID-19 update

Total confirmed cases of COVID-19 in Malawi increased to 3,981 as at 31<sup>st</sup> July 2020 from 3,386 as at 24<sup>th</sup> July 2020. The country continues to register a rise in the transmission of the disease. So far, 1,807 have recovered while 109 have died from the disease. Globally, total confirmed cases of COVID-19 were more than 17.40m, with 10.19m recoveries and 675k deaths (Source: Johns Hopkins University and Medicine).

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