

Malawi Stock Exchange (MSE) trading activity

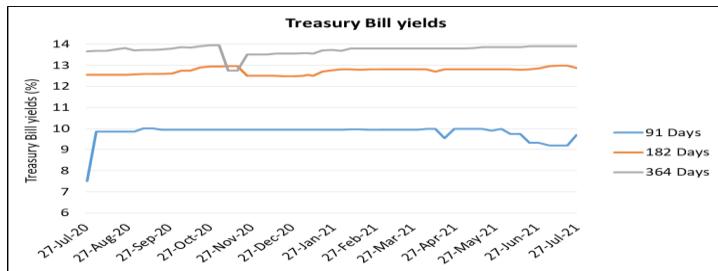
The Malawi All Share Index (MASI) registered a gain of 1.21% to close the week at 36,496.03 points from 36,060.68 points in the previous week due to share price gains in ILOVO (15.00%), NBM (0.002%), PCL (8.34%) and TNM (0.06%) which offset share price losses in NBS (-0.08%) and OMU (-4.11%). The market traded 3,668,688 shares at a consideration of K75.66m in 48 trades during the week, compared to 14,248,219 shares traded at a consideration of K739.50m in 94 trades in the previous week. The year-to-date return on MASI stands at 12.67% compared to -1.40% for the same period in 2020 (Source: MSE).

Corporate announcement

FDH Bank Plc reported to have registered a profit after tax (PAT) of K4.550 billion for the six months ended 30th June 2021, up by 41.17% from a PAT of K3.223 billion achieved over a similar period in 2020. Net interest income was reported to have gone up by 70% on the back of an increase in loans & other interest-bearing assets. Interest expense went up by 31% reflecting growth of the bank's deposits. Non-interest income decreased by 18% mainly due to slowing down of business because of the COVID-19 pandemic 2021.

Government securities

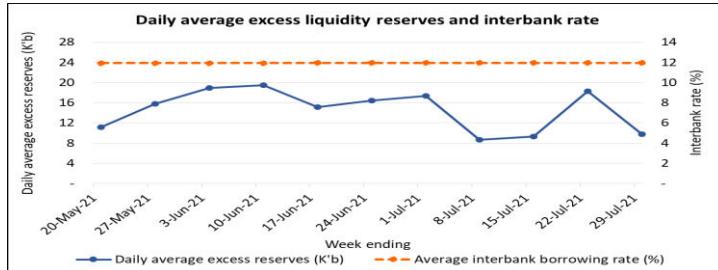
Government raised K7.87b during the week's auction for Treasury Bills (TBs) compared to K3.53b raised in the previous week. The auction registered no rejection on the submitted bids. The all-type average TB yield increased to 12.1604% from 12.0300% in the previous week, due to increases in the 91-day and 364-day yields to 9.7000% and 13.9045%, respectively, from 9.2000% and 13.9000% in the previous week. The 182-day yield decreased to 12.8766% from 12.9900% in the previous week (Source: RBM).



During the week, Government also raised K4.94b through auction of a 7-year Treasury Note, bringing the total amount raised in auctions of Treasury securities to K12.81b. Maturities of Government securities and OMO reverse repos amounted to K8.69b and K55.97b, respectively, and there was an outright purchase of securities of K45.56b during the week. This resulted in a net withdrawal of K14.53b from the market, compared to a net injection into the market of K12.49b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Average daily excess liquidity reserves decreased to K9.76b from K18.29b recorded in the previous week. Daily Interbank borrowing averaged K9.76b as compared to K13.26b in the previous week. The average interbank borrowing rate was stable at 11.96% as per the previous week. Borrowing on the Lombard Facility averaged K25.92b per day, decreasing from an average of K32.37b per day in the previous week. The Lombard rate was stable at 12.20% as previously set by the RBM (Source: RBM).


Foreign exchange market developments

The Kwacha depreciated by 0.51% against the USD to K818.7123 per USD as at 29th July 2021 from K814.5275 as at 22nd July 2021. The Kwacha also depreciated against GBP and EUR by 0.38% and 1.56%, respectively. It, however, appreciated against ZAR by 1.22%. Gross official forex reserves were last recorded at USD424.99m (1.70 months of import cover) on the 30th June 2021 from USD443.25m (1.77 months of import cover) recorded on 31st May 2021 (Source: RBM). The reserves were below the recommended minimum of 3 months of import cover. In the fifteenth week of 2021 marketing season, as at 29th July, the tobacco market had cumulatively raked in USD182.41m compared to USD147.12m as at 29th July 2020 (Source: AHL).

COVID-19 update

Cumulative confirmed COVID-19 cases in Malawi stood at 51,809 as at 30th July 2021, out of which 12,270 were reported to be active. The 7-day average of daily infections decreased to 649 during the week from 716 in the previous week. So far, 37,693 people have recovered while 1,614 have died from the disease. The first and second doses of the Oxford-AstraZeneca vaccine were reported to have been administered to 447,525 and 133,032 people, respectively, representing 2.40% and 0.71% of the total Malawi population (18.63m in 2019). The vaccination program resumed during the week after the country received 192,000 doses of AstraZeneca on Saturday, 24th July 2021. Additional 119,200 doses of AstraZeneca and 302,400 doses of Johnson & Johnson vaccines are expected within the next few weeks. Further 360,000 doses of AstraZeneca are scheduled to arrive end August or early September while 372,000 doses of Pfizer vaccine will arrive before end September (Source: Ministry of Health). Globally, total confirmed cases of COVID-19 amounted to 197,57m, with recoveries of more than 178.54m and 4.21m deaths as at 30th July 2021 (Source: Johns Hopkins University and Medicine).

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Stock market			
30-Jul-21		% Δ	23-Jul-21
MASI	36,496.03	1.21%	36,060.68
DSI	29,749.56	1.35%	29,353.47
FSI	3,479.97	-0.32%	3,491.10
Traded volume	3,668,688	-74.25%	14,248,219
Number of trades	48	-84.94%	94
Value of shares traded (K'm)	75.66	-89.77%	739.50
Market capitalisation (K'm)	1,985,468.03	1.14%	1,963,079.16
Gainers	Closing price (K)	% Δ	Opening price (K)
ILLOVO	126.51	15.00%	110.01
NBM	650.11	0.002%	650.10
PCL	1300.00	8.34%	1199.93
TNM	16.01	0.06%	16.00
Losers	Closing price (K)	% Δ	Opening price (K)
NBS	26.35	-0.08%	26.37
OMU	2,100.00	-4.11%	2,190.00
Treasury Bill auctions			
Auction date	27-Jul-21	% pts Δ	20-Jul-21
Amount offered - cost value (K'm)	19,738.00	0.00%	19,738.00
Applied - cost value (K'm)	7,874.14	78.46%	4,412.22
Allotted - cost value (K'm)	7,874.14	122.79%	3,534.27
Overall rejection rate	0.00%	-19.50	19.90%
91 days yield	9.7000%	0.500%	9.2000%
182 days yield	12.8766%	-0.11%	12.9900%
364 days yield	13.9045%	0.00%	13.9000%
All-type yield	12.1604%	0.13%	12.0300%
Treasury Note auctions			
Auction date	27-Jul-21	2 years	30-Jun-21
Tenors	7 years	2 years	3 & 10 years
Coupon rate	13.50%	10.00%	11.00% & 15.00%
Amount offered - cost value (K'b)	30.37	40.72	
Total applied - cost value (K'b)	4.94	16.69	20.14
Total allotted - cost value (K'b)	4.94	15.36	20.09
Allotted - weighted average ytm	21.36%	16.63%	19.00% & 22.54%
Current yields for Treasury Notes			
Tenor	Last auction's yield	Last auction	Next auction
2-year	16.63%	13-Jul-21	14-Sep-21
3-year	19.00%	30-Jun-21	3-Aug-21
5-year	20.00%	28-Jun-21	31-Aug-21
7-year	21.36%	27-Jul-21	TBA
10-year	22.54%	30-Jun-21	17-Aug-21
Upcoming Treasury Note auctions			
Auction date	Tenor	Amount (K'b)	Last coupon rate
3-Aug-21	3	37.55	11.00%
17-Aug-21	10 year infrastructure bond	20.00	15.00%
31-Aug-21	5	41.92	12.50%
14-Sep-21	2	24.20	10.00%
28-Sep-21	10	16.34	15.00%
Projected maturities			
Week ending	30-Jul-21	6-Aug-21	13-Aug-21
TBs, PN's & OMO repos (K'm)	8,688	12,642	16,704
OMO repos (K'm)	0	0	0
OMO reverse repos (K'm)	55,970	35,876	
Reference rate			
Rate	Jul-21	% pts Δ	Jun-21
	12.20%	0.00	12.20%
Inflation rate			
Rate	Jun-21	% pts Δ	May-21
	9.1%	0.2	8.9%
Cumulative tobacco sales			
Date	29-Jul-21	% Δ	29-Jul-20
Volume (Kg)	111,977,623.00	15.76%	96,733,124.00
Value (USD)	182,413,927.90	23.99%	147,120,959.29
Average price (USD/Kg)	1.63	7.24%	1.52
Closing mid exchange rates			
USD	29-Jul-21	% Δ	22-Jul-21
181.87123	0.51%	814.5275	
GBP	1207.4301	0.38%	1202.9006
EUR	1045.1031	1.56%	1029.0630
ZAR	59.8091	-1.22%	60.5480
Gross official foreign exchange reserves position			
Reserves (USD'm)	30-Jun-21	31-May-21	30-Apr-21
424.99	443.25	392.01	
Import cover (months)	1.70*	1.77*	1.88

* US\$250.0m import requirement per month is used in the calculations from May 2021 while US\$209.0m is used in the preceding months.

Sources: MSE, RBM, NSO, AHL

Monetary Policy

The Monetary Policy Committee held its third meeting of 2021 on 29th and 30th July, during which they maintained the Policy rate at 12.0%, the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75% and the Lombard rate at 20 basis points above the Policy rate (12.2%). The decision considered the need to contain inflationary pressures and support economic recovery from the impact of the COVID-19 pandemic. Projected annual average inflation rate for 2021 was revised upwards to 8.8% from the projection of 8.4% during the second MPC in April 2021. The revision is attributed to an increase in the non-food inflation forecast, partly reflecting the impact of imported inflation and the pass-through of the Kwacha depreciation in the second quarter of 2021 (Source: RBM).

