Weekly market update – 9th February 2024

Foreign exchange market developments

During the week, the Kwacha depreciated against the USD but appreciated against the GBP, EUR, and ZAR, as indicated by TT exchange rates in the table below:

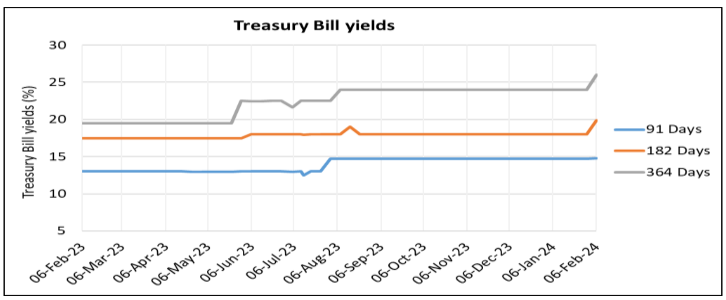
Closing TT middle exchange rates as at the end of the week				
Currency	9-Feb-24		% Δ	2-Feb-24
USD	1698.7853	↓	0.14%	1696.3262
GBP	2211.5405	↑	-0.56%	2224.0415
EUR	1880.8021	↑	-1.01%	1899.8981
ZAR	91.9884	↑	-1.55%	93.4389
Opening foreign exchange bureaux middle rates as at the end of the week				
Currency	9-Feb-24		% Δ	2-Feb-24
USD	1924.2708	↓	0.08%	1922.7083
GBP	2390.0000	↓	0.49%	2378.3333
EUR	2083.2292	↓	0.51%	2072.6042
ZAR	103.7708	↓	0.38%	103.3750

Foreign exchange reserves position			
	31-Dec-23	30-Nov-23	31-Oct-23
Gross official foreign exchange reserves (USD'm)	242.58	165.20	179.33
Gross offical reserves import cover (months)	0.97	0.66	0.72
Benchmark import cover for official reserves (months)	3.00	3.00	3.00
Private sector foreign exchange reserves (USD'm)	433.01	413.20	396.88
Private sector reserves import cover (months)	1.73	1.65	1.59
Total economy foreign exchange reserves (USD'm)	675.59	578.40	576.21
Total economy import cover (months)	2.70	2.31	2.31

Data source: Reserve Bank of Malawi (RBM)

Government securities

The Government raised K34.30b from auction of Treasury Bills and K0.78b from auction of a 10-year Treasury Note during the week. Maturities of Government securities for the week amounted to K16.15b and maturities of OMO repos amounted to K17.97b. These transactions resulted in a net withdrawal of K0.96b from the market, compared to a net injection of K2.04b in the previous week (Source: RBM).



Treasury Bill auctions				
Auction date	6-Feb-24		% pts Δ	30-Jan-24
Amount offered -cost value (K'm)	13,158.00	↑	36.42%	9,645.00
Applied - cost value (K'm)	39,554.09	↑	33077.39%	119.22
Alloted - cost value (K'm)	34,304.25	↑	28673.91%	119.22
Overall rejection rate	13.27%	↑	13.27	0.00%
91 days yield	14.8048%	↑	0.1048%	14.7000%
182 days yield	19.8751%	↑	1.8751%	18.0000%
364 days yield	25.9994%	↑	1.9994%	24.0000%
All-type yield	20.2264%	↑	1.3264%	18.9000%

Treasury Note and Bond auctions			
Auction date	6-Feb-24	30-Jan-24	25-Jan-24
Tenors	10 yr TN	5 yr TN	10 yr TN
Coupon rate	15.00%	12.50%	15.00%
Amount offered -cost value (K'b)	39.73	45.41	
Total applied - cost value (K'b)	0.79	5.52	8.09
Total allotted - cost value (K'b)	0.78	5.52	8.09
Allotted - weighted average ytm	33.00%	30.00%	33.00%

Current yields for Treasury Notes and Bonds			
Tenor	Last auction's yield	Last auction	Next auction
2-year TN	26.75%	18-Jan-24	26-Mar-24
3-year TN	28.00%	05-Jan-24	20-Feb-24
5-year TN	30.00%	30-Jan-24	05-Mar-24
5-year Development Bond	28.00%	28-Nov-23	TBA
7-year TN	32.00%	05-Jan-24	27-Feb-24
7-Year Development Bond	32.00%	16-Jan-24	TBA
10-year TN	33.00%	06-Feb-24	TBA
10-year Development Bond	23.35%	26-Apr-22	TBA

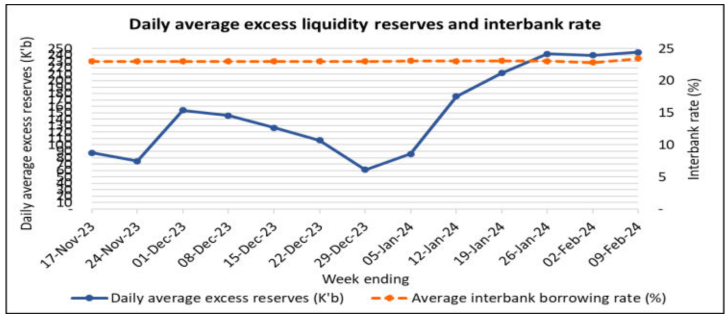
Upcoming auctions of Treasury Notes and Bonds			
Auction date	Tenor (years)	Amount (K'b)	Last auction's coupon rate
20-Feb-24	3-year TN	45.41	11.00%
27-Feb-24	7-year TN	49.95	13.50%
05-Mar-24	5-year TN	48.33	12.50%
12-Mar-24	3-year TN	53.41	11.00%
26-Mar-24	2-year TN	60.22	10.00%

Projected maturities			
Week ending	9-Feb-24	16-Feb-24	23-Feb-24
TBs, PNs & TNs (K'm)	16,152	19,596	88,328
OMO repos (K'm)	17,973	31,203	0
OMO reverse repos (K'm)	0	0	0

Data source: RBM

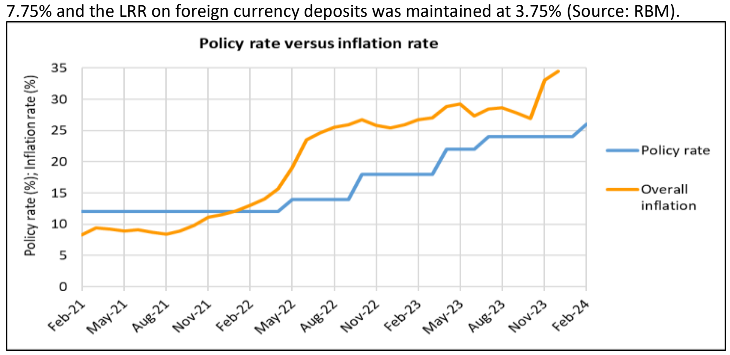
Market liquidity and interbank market activity

Average daily excess liquidity reserves increased to K244.48b during the week from K239.53b in the previous week. Daily average interbank borrowing decreased to K22.82b from K30.99b. Borrowing on the Lombard facility amounted to K45.0b during the week, decreasing from K175.0b in the previous week. The average interbank borrowing rate increased to 23.42% from 22.83%. The Lombard rate remained fixed at 24.20% (Source: RBM).



Monetary policy

The Monetary Policy Committee (MPC) held its first meeting of 2024 on 31st January and 1st February 2024 during which they decided to raise the Policy rate by 200 basis points from 24.0% to 26.0%. The decision was intended to counter inflationary pressures and restore price stability. Lombard rate was maintained at 20 basis points above the Policy rate (26.2%), the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits was maintained at 7.75% and the LRR on foreign currency deposits was maintained at 3.75% (Source: RBM).



Market Reference Rate				
	Feb-24		% pts Δ	Jan-24
Rate	24.90%	↑	1.30	23.60%
Inflation Rate				
	Dec-23		% pts Δ	Nov-23
Rate	34.5%	↑	1.40	33.1%

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) registered a loss of -0.53% to close the week at 115,033.98 points from 115,644.01 points in the previous. The market traded 6,756,528 shares at a consideration of K417.62m in 229 trades, compared to 3,131,933 shares traded at a consideration of K417.21m in 198 trades in the previous week. The year-to-date return on MASI stood at 3.68% as at the end of the week compared to 12.70% for the same period in 2023 (Source: MSE).

Stock market trading activity				
	09-Feb-24		% Δ	02-Feb-24
MASI	115,033.98	↓	-0.53%	115,644.01
DSI	86,113.05	↓	-0.29%	86,359.86
FSI	20,746.56	↓	-1.79%	21,124.59
Traded volume	6,756,528	↑	115.73%	3,131,933
Number of trades	229	↑	15.66%	198
Value of shares traded (K'm)	417.62	↑	0.10%	417.21
Market capitalisation (K'm)	6,225,393.50	↓	-0.54%	6,259,012.47
Gainers	**Closing price (K)**		**% Δ**	**Opening price (K)**
ILLOVO	1350.02	↑	0.001%	1350.01
NBM	2101.75	↑	0.001%	2101.72
NITL	411.45	↑	0.005%	411.43
Losers	**Closing price (K)**		**% Δ**	**Opening price (K)**
FMBCH	415.00	↓	-1.81%	422.63
MPICO	14.75	↓	-0.94%	14.89
NICO	200.00	↓	-2.13%	204.36
TNM	15.00	↓	-6.25%	16.00

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