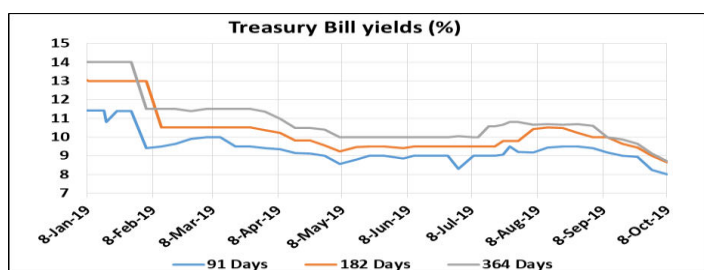


Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) gained by 0.31% to close the week at 29,714.95 points from 29,622.74 points the previous week due to share price gains in ICON and NBM. There was no price movement in the rest of the companies registered on the MSE. A total of 20,273,202 shares were traded at a consideration of K267.96m compared to 24,846,367 shares traded in the previous week at a consideration of K283.66m. This represents a drop of 18.41% and 5.53% in traded volume and value, respectively. The year-to-date return on the MASI stands at 2.52% compared to 45.82% in the same period in 2018 (Source: MSE).

Government securities

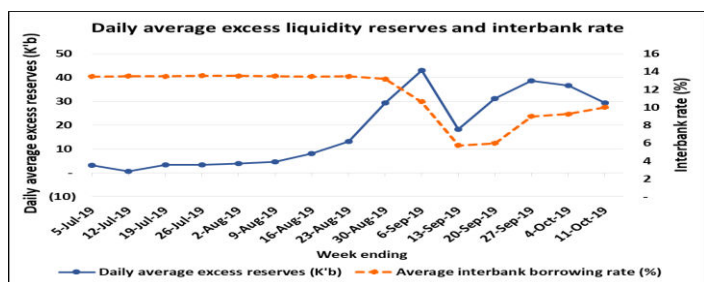
Government raised the planned amount of K4.09b from a Treasury Bill (TB) auction during the week against total applications of K19.09b, representing a rejection rate of 78.56%. There was also an auction for a 2-year Treasury Note (TN) during which the planned amount of K15.87b was raised at an average yield of 10.12%. This brings the total amount raised from auctions of Government securities during the week to K19.96b. There were no open market operations (OMOs) during the week. Maturities for the week amounted to K12.81b, thereby resulting in a net withdrawal of K7.62b from the market, compared to a net injection of K45.78b in the previous week. The all-type average TB yield decreased to 8.45% from 8.79% in the preceding week; the 91-day, 182-day and 364-day yields decreased to 8.00%, 8.65% and 8.69%, respectively, from 8.23%, 9.00% and 9.12% (Source: RBM).



(Source: RBM)

Interbank market activity

Liquidity levels decreased during the week as excess liquidity reserves decreased to an average of K29.32b per day from K36.67b per day in the previous week. Consequently, borrowing on the interbank market increased to K19.80b from K5.00b in the previous week and the average interbank borrowing rate increased to 10.00% from 9.25%. There was no borrowing on the Lombard facility during the week compared to K2.90b that was accessed in the previous week at a fixed rate of 13.90% (Source: RBM).



(Source: RBM)

Foreign exchange market developments

The Kwacha was stable against USD but marginally depreciated against all the other major trading currencies during the week. Gross official forex reserves remain high and stood at USD705.68m (3.37 months of import cover) on 30th August 2019, a slight increase from USD704.14m (3.37 months of import cover) recorded on 31st July 2019 (Source: RBM). The forex reserves are expected to support the stability of the Kwacha in the short term. In the medium term, however, the Kwacha could face a seasonal depreciation pressure, albeit minimal, as forex reserves decline following the closure of tobacco sales on 27th September 2019. During the 2019 agricultural season, Malawi has realised K237.00m from tobacco sales compared to K337.50m in 2018, representing a 29.78% decrease owing to both lower prices and lower traded volumes (Source: TC).

Stock market				
	11-Oct-19	% Δ	4-Oct-19	
MASI	29,714.95	↑ 0.31%	29,622.74	
DSI	22,887.66	↑ 0.36%	22,804.47	
FSI	4,272.58	↓ 0.00%	4,272.58	
Traded volume	20,273,202	↓ -18.41%	24,846,367	
Number of trades	49	↓ -22.22%	63	
Value of shares traded (K'm)	267.96	↓ -5.53%	283.66	
Market capitalisation (K'm)	1,402,291.62	↑ 0.31%	1,397,997.87	
Gainers	Current price (K)	% Δ	Previous price (K)	
ICON	10.50	↑ 0.10%	10.49	
NBM	400.01	↑ 2.30%	391.00	
Losers	Current price (K)	% Δ	Previous price (K)	
None				
Projected maturities				
Week ending	4-Oct-19	11-Oct-19	Oct-19	
TBs, PNs & TNs (K'm)	10,335	5,087	63,124	
OMO (K'm)	42,072	7,724	55,198	
Treasury Note auctions				
Date	8-Oct-19	26-Sep-19	10-Sep-19	
Tenor	2 Years	5 Years	10 Years	
Coupon rate	8.00%	10.00%	15.50%	
Amount offered - cost value (K'b)	15.87	11.37	529.00%	
Applied for - face value (K'b)	65.48	64.91	25.50	
Allotted - face value (K'b)	16.49	12.37	5.98	
Allotted - cost value (K'b)	15.87	11.37	5.29	
Allotted - weighted average ytm	10.12%	14.00%	18.04%	
Treasury Bill auctions				
Auction date	8-Oct-19	% pts Δ	1-Oct-19	
Amount offered - cost value (K'm)	4,092.00	↓ -14.71%	4,798.00	
Applied - cost value (K'm)	19,087.73	↓ -30.81%	27,585.68	
Allotted - cost value (K'm)	4,092.84	↓ -14.69%	4,797.65	
Overall rejection rate	78.56%	↓ -4.05	82.61%	
91 days yield	8.00%	↓ -0.23	8.23%	
182 days yield	8.65%	↓ -0.35	9.00%	
364 days yield	8.69%	↓ -0.43	9.12%	
All-type yield	8.45%	↓ -0.34	8.79%	
Current yields for Treasury Notes				
Tenor	Current yield	Last auction	Next auction	
2-year	10.12%	8-Oct-19	TBA	
3-year	13.87%	29-Aug-19	TBA	
5-year	14.00%	26-Sep-19	TBA	
7-year	17.00%	13-Jul-19	21-Oct-19	
10-year	18.04%	10-Sep-19	TBA	
Upcoming Treasury Note auctions				
Auction date	Tenor	Amount (K'b)	Last coupon rate	
21-Oct-19	7 years	8.99	14.00%	
Reference rate				
Rate	Oct-19	% pts Δ	Sep-19	
	12.00%	↓ -1.40	13.40%	
Inflation				
Rate	Aug-19	% pts Δ	Jul-19	
	9.50%	↑ 0.20	9.30%	
Cumulative tobacco sales as at end of 2019 season versus end of 2018 season				
	Final 2019	% Δ	Final 2018	
Volume (Kg' million)	165.70	↓ -17.97%	202.00	
Value (USD' million)	237.00	↓ -29.78%	337.50	
Average price (USD/Kg)	1.43	↓ -14.37%	1.67	
RBM indicative mid exchange rates				
	11-Oct-19	% Δ	4-Oct-19	
USD	734.4495	↓ 0.00%	734.4495	
GBP	914.6100	↓ 0.87%	906.7514	
ZAR	48.8662	↓ 0.71%	48.5234	
EUR	808.9227	↓ 0.37%	805.9114	
Gross official foreign exchange reserves position				
	30-Aug-19	31-Jul-19	30-Jun-19	
Reserves (USD'm)	705.68	704.14	765.82	
Import cover (months)	3.37	3.37	3.66	

(Sources: MSE, RBM, NSO)

Reference rate

Following a decrease in TB yields and interbank rates, the Reference rate for commercial banks was revalued downwards to 12.00% on 3rd October 2019, from 13.40% in September 2019. Banks adopted the Reference rate as a basis for lending rates charged on loans on 3rd September 2019. The Reference rate, which is subject to review on a monthly basis, is calculated as a weighted average of the Lombard rate, Overnight interbank rate, All-type Treasury Bill yield and Savings deposit rate.

Disclaimer: The views expressed in this report are those of the author 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 the author, 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.