

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) registered a gain of 2.41% to close the week at 29,007.83 points from 28,326.28 points in the previous week due to share price increases in AIRTEL (8.57%), NBS (0.06%), STANDARD (3.95%) and TNM (5.95) which outweighed losses in NITL (-0.01%), OMU (-12.00%) and PCL (-0.02%). The rest of the counters registered no share price movement. The market also registered significant increases in the volume of shares traded to 24,986,095 and value of traded shares to K642.76m during the week compared to the previous week's volume of 1,519,420 and value of K49.98m. The year-to-date return on MASI stands at -4.11% compared to 2.37% in the same period in 2019 (Source: MSE).

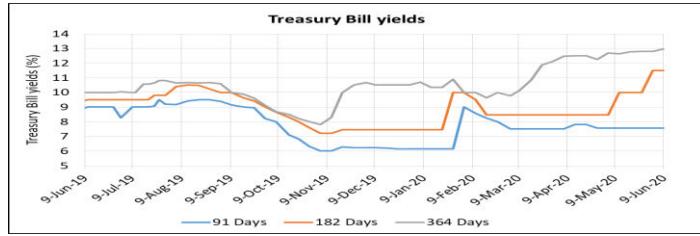
Corporate news

Expected profit after tax for the half year ending 30th June 2020:

- Standard Bank Plc: at least 50% higher than K8.09b reported in the same period in 2019.
- NBS Bank Plc: at least 50% higher than K1.41b reported in the same period in 2019.
- Telecom Networks Malawi Plc: at least 20% lower than K6.71b reported in 2019.

Government securities

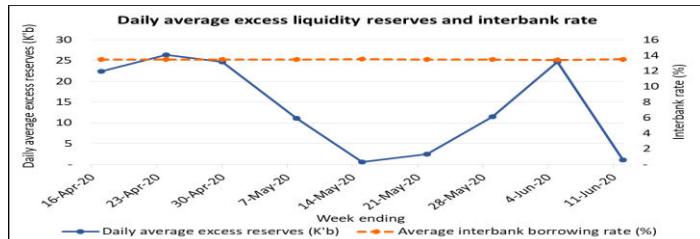
Government raised K2.77b during the week's auction for Treasury Bills (TB) as planned, compared to K9.77b raised in the previous week. The TB auction registered a rejection rate of 56.33%. The all-type average TB yield increased to 10.67% from 10.63% in the previous week due to an increase in the 364-day yield to 12.96% from 12.80% and a marginal increase in the 91-day yield to 7.5800% from 7.5791%. The 182-day yield decreased to 11.48% during the week from 11.50% in the previous week (Source: RBM).



There was no auction for Treasury Notes (TNs) during the week. In the previous week, the Government raised K91.59b from auctions of 2-year, 3-year and 7-year TNs. Maturities of Government securities for the week amounted to K4.04b, thereby resulting in a net injection of K1.27b into the market compared to a net withdrawal of K99.69b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Liquidity levels decreased during the week, with average daily excess reserves decreasing to K1.90b from K24.72b recorded in the previous week. Consequently, borrowing on the interbank market increased to an average of K14.63b per day from K9.16b per day in the previous week, and the average interbank borrowing rate increased to 13.49% from 13.42%. Borrowing on the Lombard Facility increased to an average of K18.71b per day during the week from K13.86b per day in the preceding week at a fixed rate of 13.70% (Source: RBM).


Foreign exchange market developments

The Kwacha depreciated by 0.03% against USD to close the week at K737.0659 for per USD. The Kwacha, however, appreciated against GBP, EUR and ZAR by 0.48%, 0.61% and 1.76%, respectively. Gross official foreign exchange reserves were last recorded at USD579.40m (2.80 months of import cover) on 30th April 2020, a decrease of 20.65% from USD730.17m (3.49 months of import cover) on 31st March 2020 (Source: RBM). We expect an improvement in forex reserves in the ensuing months emanating from increased inflows from tobacco sales. As at the end of week 7 of 2020 marketing season on 8th June 2020, the tobacco market had raked in USD62.34m compared to USD62.89m for the same period in 2019, representing a year-on-year decrease in value of 0.87%. Tobacco sales volumes so far have amounted to 41.10m kg, lower than 44.77m kg for a corresponding period in 2019. However, average prices have been higher for 2020 (K1.52/kg) compared to 2019 (K1.40/kg) (Source: AHL).

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| Stock market | | | |
|---|----------------------|--------------|-------------------|
| | Closing price (K) | % Δ | Opening price (K) |
| MASI | 29,007.83 | 2.41% | 28,326.28 |
| DSI | 24,424.77 | 2.68% | 23,786.62 |
| FSI | 1,758.26 | -2.06% | 1,795.33 |
| Traded volume | 24,986,095 | 1544.45% | 1,519,420 |
| Number of trades | 92 | 46.03% | 63 |
| Value of shares traded (K'm) | 642.76 | 1186.11% | 49.98 |
| Market capitalisation (K'm) | 1,506,683.96 | 2.23% | 1,473,877.63 |
| Gainers | Closing price (K) | % Δ | Opening price (K) |
| AIRTEL | 19.00 | 8.57% | 17.50 |
| NBS | 17.50 | 0.06% | 17.49 |
| STANDARD | 790.00 | 3.95% | 760.00 |
| TNM | 23.31 | 5.95% | 22.00 |
| Losers | Closing price (K) | % Δ | Opening price (K) |
| NITL | 94.99 | -0.01% | 95.00 |
| OMU | 2,199.99 | -12.00% | 2,499.95 |
| PCL | 1399.77 | -0.02% | 1400.00 |
| Treasury Bill auctions | | | |
| Auction date | 9-Jun-20 | % pts Δ | 2-Jun-20 |
| Amount offered -cost value (K'm) | 2,769.00 | 56.53% | 1,769.00 |
| Applied - cost value (K'm) | 6,341.22 | -35.12% | 9,773.37 |
| Allotted - cost value (K'm) | 2,769.05 | -71.67% | 9,773.37 |
| Overall rejection rate | 56.33% | 56.33 | 0.00% |
| 91 days yield | 7.5800% | 0.01% | 7.5791% |
| 182 days yield | 11.4822% | -0.15% | 11.5000% |
| 364 days yield | 12.9551% | 1.18% | 12.8036% |
| All-type yield | 10.6724% | 0.42% | 10.6276% |
| Treasury Note auctions | | | |
| Date | 2-Jun-20 | 2-Jun-20 | 2-Jun-20 |
| Tenor | 2 Years | 3 Years | 7 Years |
| Coupon rate | 10.00% | 11.00% | 13.50% |
| Applied - cost value (K'b) | 29.97 | 14.76 | 46.86 |
| Allotted - cost value (K'b) | 29.97 | 14.76 | 46.86 |
| Allotted - weighted average ytm | 14.30% | 15.15% | 19.91% |
| Current yields for Treasury Notes | | | |
| Tenor | Last auction's yield | Last auction | Next auction |
| 2-year | 14.30% | 2-Jun-20 | tba |
| 3-year | 15.15% | 2-Jun-20 | 16-Jun-20 |
| 5-year | 18.47% | 5-May-20 | tba |
| 7-year | 19.91% | 2-Jun-20 | tba |
| 10-year | 21.70% | 21-Apr-20 | Tba |
| Upcoming Treasury Note auctions | | | |
| Auction date | Tenor | Amount (K'b) | Coupon rate |
| 16-Jun-20 | 3 | 27.48 | 11.00% |
| Projected maturities | | | |
| Week ending | 12-Jun-20 | 19-Jun-20 | 19-Jun-20 |
| TBs, PNs & TNs (K'm) | 4,042 | 2,586 | 3,558 |
| OMO (K'm) | 0 | 0 | 0 |
| Reference rate | | | |
| Rate | Jun-20 | % pts Δ | May-20 |
| | 13.40% | 0.10 | 13.30% |
| Inflation rate | | | |
| Rate | Apr-20 | % pts Δ | Mar-20 |
| | 9.4% | -0.4 | 9.8% |
| Cumulative tobacco sales (Week 7) | | | |
| Year | 2020 | % Δ | 2019 |
| Volume (Kg) | 41,099,956.00 | -8.19% | 44,767,897.00 |
| Value (USD) | 62,340,982.00 | -0.87% | 62,888,800.25 |
| Average price (USD/Kg) | 1.52 | 8.57% | 1.40 |
| Indicative opening mid exchange rates | | | |
| USD | 12-Jun-20 | % Δ | 5-Jun-20 |
| | 737.0659 | -0.03% | 736.8159 |
| GBP | 927.8186 | -0.48% | 932.2932 |
| EUR | 833.2530 | -0.61% | 838.3464 |
| ZAR | 43.0668 | -1.76% | 43.8364 |
| Gross official foreign exchange reserves position | | | |
| | 30-Apr-20 | 31-Mar-20 | 29-Feb-20 |
| Reserves (USD'm) | 579.40 | 730.17 | 785.31 |
| Import cover (months) | 2.80 | 3.49 | 3.76 |

Sources: MSE, RBM, NSO, AHL

COVID-19 update

Countries continue to ease movement restrictions in an effort to stimulate economic recovery. Economic growth outlook for 2020 remains gloomy, with IMF projecting a global contraction of 3%, worse than during the 2008-09 global financial crisis. Significant recovery (5.8%) is expected in 2021 subject to fading of the pandemic in the second half of 2020. There is, however, an indication that full recovery could take a long time. The RBM projects a real GDP growth rate of 1.9% for 2020, down from the projection of 5.5% prior to COVID-19. RBM's projected growth rate for 2021 is 4.5%. As at 12th June 2020, total confirmed cases of COVID-19 globally were more than 7.55m, with 3.56m recoveries and 422k deaths. In Malawi COVID-19 cases increased to 481 as at 12th June 2020 from 409 cases as at 7th June 2020. So far, 55 have recovered while 4 have died from the disease in Malawi (Source: Johns Hopkins University and Medicine).