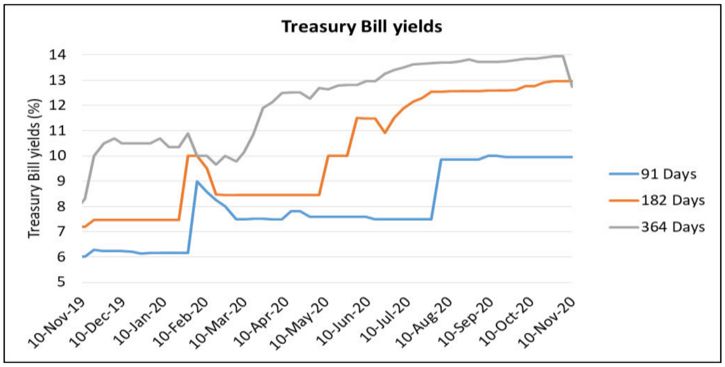
Weekly update – 13th November 2020

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 0.15% to close the week at 30,959.17 points from 31,007.06 points in the previous week due to share price losses in MPICO (-3.93%), NBM(-0.002%), NBS (-0.24%) and TNM (-0.21%). There were no price changes in the rest of the counters. The market traded a total of 3,052,884 shares at a consideration of K73.84m in 66 trades compared to a total of 2,130,572 shares traded in the previous week at a consideration of K1.65b in 42 trades. This represents an increase of 43.29% in traded volume and a decrease of 95.53% in traded value over the week. The year-to-date return on MASI stands at 2.34% compared to 3.82% for the same period in 2019 (Source: MSE).

Government securities

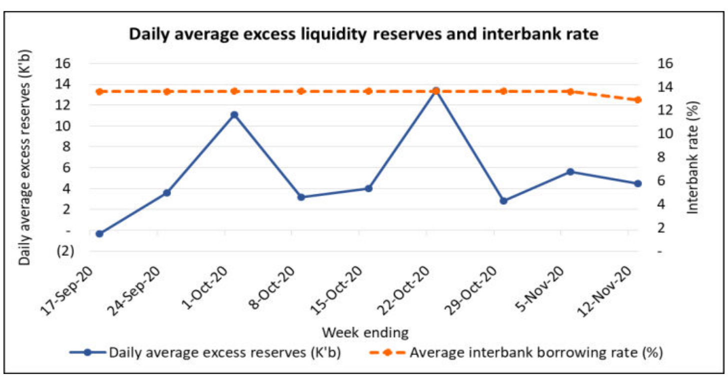
Government raised K2.93b during the week's auction for Treasury Bills (TBs) compared to K1.93b raised in the previous week, representing an increase of 51.68%. The auction registered no rejection on the submitted bids. The all-type average TB yield decreased to 11.88% from 12.28% in the previous week due to a decrease in the 364-day yield to 12.75% from 13.94%, while the 91-day and 182-day yields were stable at 9.95% and 12.95%, respectively. This follows a reduction in the Monetary Policy Rate to 12.00% from 13.50% on 6th November 2020 (Source: RBM).



Maturities of Government securities for the week amounted to K6.05b and the RBM injected K34.63b into the market through open market operation (OMO) reverse repos. This resulted in a net injection of K37.75b into the market compared to a net injection of K5.30b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Average daily excess liquidity reserves decreased to K4.49b from K5.63b recorded in the previous week. Interbank borrowing for the week decreased to K2.60b from K12.60b in the previous week while the average interbank borrowing rate decreased to 12.90% from 13.61% in the previous week. Borrowing on the Lombard Facility increased to an average of K69.82b per day from K60.49b per day in the previous week. The Lombard rate decreased to an average of 13.40% during the week from 13.70% in the preceding week, after the Monetary Policy Committee's decision to reduce the Lombard rate to 12.20% from 13.70% on 6th November 2020 (Source: RBM).



Foreign exchange market developments

The Kwacha depreciated by 0.39% to close the week at K758.3002 against the USD. It also depreciated against GBP, EUR and ZAR by 0.42%, 0.32% and 0.85%, respectively. Gross official forex reserves were last reported at USD635.05m (3.04 months of import cover) on 31st October 2020, representing an increase of 16.10% from USD546.99m (2.62 months of import cover) on 30th September 2020 (Source: RBM).

Stock market			
	13-Nov-20	% Δ	6-Nov-20
MASI	30,959.17	-0.15%	31,007.06
DSI	26,480.93	-0.16%	26,523.55
FSI	1,362.39	0.00%	1,362.39
Traded volume	3,052,884	43.29%	2,130,572
Number of trades	66	57.14%	42
Value of shares traded (K'm)	73.84	-95.53%	1,650.54
Market capitalisation (K'm)	1,682,591.40	-0.15%	1,685,157.85
Gainers	**Closing price (K)**	**% Δ**	**Opening price (K)**
None			
Losers	**Closing price (K)**	**% Δ**	**Opening price (K)**
MPICO	22.99	-3.93%	23.93
NBM	617.69	-0.002%	617.70
NBS	20.95	-0.24%	21.00
TNM	19.46	-0.21%	19.50
Treasury Bill auctions			
Auction date	**10-Nov-20**	**% pts Δ**	**3-Nov-20**
Amount offered -cost value (K'm)	15,127.00	0.00%	15,127.00
Applied - cost value (K'm)	2,929.35	51.68%	1,931.25
Alloted - cost value (K'm)	2,929.35	51.68%	1,931.25
Overall rejection rate	0.00%	0.00	0.00%
91 days yield	9.95%	0.00%	9.95%
182 days yield	12.95%	0.01%	12.95%
364 days yield	12.75%	-8.58%	13.94%
All-type yield	11.88%	-3.25%	12.28%
Treasury Note auctions			
Auction date	**10-Nov-20**	**20-Oct-20**	**6-Oct-20**
Tenors	7 years	5 years	3 years
Coupon rate	13.50%	12.50%	11.00%
Amount offered -cost value (K'b)	30.76	20.25	35.74
Total applied - cost value (K'b)	2.03	11.20	13.03
Total allotted - cost value (K'b)	2.02	3.32	12.20
Allotted - weighted average ytm	19.95%	19.95%	18.47%
Current yields for Treasury Notes			
Tenor	**Last auction's yield**	**Last auction**	**Next auction**
2- year	16.46%	4-Aug-20	19-Jan-21
3-year	18.47%	6-Oct-20	24-Nov-20
5-year	19.95%	20-Oct-20	22-Dec-20
7-year	19.95%	10-Nov-20	5-Jan-21
10-year	22.14%	15-Sep-20	8-Dec-20
Upcoming Treasury Note auctions			
Auction date	**Tenor**	**Amount (K'b)**	**Previous coupon rate**
24-Nov-20	3	32.76	11.00%
8-Dec-20	10	10.64	15.00%
22-Dec-20	5	24.17	12.50%
5-Jan-21	7	30.16	13.50%
19-Jan-21	2	42.52	10.00%
2-Feb-21	3	47.76	11.00%
16-Feb-21	10	10.64	15.00%
OMO reverse repos - 13 November 2020			
Tenor	**Applied (K'm)**	**Alloted (K'm)**	**Average yield**
31 days	13,440	5,940	11.15%
60 days	41,690	22,690	11.51%
90 days	7,500	6,000	12.00%
Total	**62,630**	**34,630**	
Projected maturities			
Week ending	**13-Nov-20**	**20-Nov-20**	**27-Nov-20**
TBs, PNs & TNs (K'm)	6,047	9,357	14,377
OMO (K'm)	0	0	0
Reference rate			
	Nov-20	**% pts Δ**	**Oct-20**
Rate	13.60%	0.00	13.60%
Inflation rate			
	Sep-20	**% pts Δ**	**Aug-20**
Rate	7.1%	-0.5	7.6%
Indicative opening mid exchange rates			
	13-Nov-20	**% Δ**	**6-Nov-20**
USD	758.3002	0.39%	755.3315
GBP	995.1932	0.42%	991.0705
EUR	895.1734	0.32%	892.3486
ZAR	48.4624	0.85%	48.0555
Gross official foreign exchange reserves position			
	31-Oct-20	**30-Sep-20**	**31-Aug-20**
Reserves (USD'm)	635.05	546.99	642.86
Import cover (months)	3.04	2.62	3.08

Sources: MSE, RBM, NSO, AHL

COVID-19 update

Cumulative confirmed COVID-19 cases in Malawi stood at 5,962 on 13th November 2020. The country continues to register low levels of daily new infections and the economy continues to open. So far, 5,372 people have recovered while 185 have died from the disease. The total number of active cases is 405. Globally, total confirmed cases of COVID-19 amounted to 52.90m, with more than 34.24m recoveries and 1.30m deaths as at 13th November 2020 (Source: Johns Hopkins University and Medicine). Countries in Europe and the United States of America continue to register a rise in new infections in the second wave of the COVID-19 pandemic. Consequently, most countries in the Eurozone have reinstated some measures, including lockdowns. However, there are growing prospects of an effective vaccine.

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