Weekly update – 18th January 2019

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 0.05% during the week to close at 28,848.15 points from 28,861.64 points registered in the previous week. The loss was on account of a share price drop in TNM which offset a price gain in NBM. The volume of shares traded on the market decreased by 21.78% to 13,202,913 from 16,879,222 the previous week, while the value of the traded shares more than doubled to K1.16b from K0.50b the previous week. The year-to-date return on the MASI stands at -0.47% compared to 1.74% recorded during the corresponding period in 2018. There were no trades on the listed bond market - no bond on MSE has ever been traded since its listing *(Source: MSE)*.

Government securities auctions

A total of K22.36b was raised through auctions for Treasury Bills (TB) and a 7-year Treasury Note (TN), compared to K46.67b raised the previous week. Applications for TBs during the week amounted K28.92b but K20.52b was allotted, resulting in a 29.02% rejection. The 7-year TN attracted an application of K2.53b (cost value: K1.84b), which was allotted at a weighted average yield to maturity (YTM) of 24.00% (*Source: RBM*).

Yields for the 91-day and 182-day TB decreased to 11.21% and 13.00% from 11.42% and 13.01%, respectively, whereas the yield for the 364-day TB was stable at 14.00% (*Source: RBM*). Consequently, the all-type (average) TB yield decreased to 12.74% from 12.81% the previous week. Looking forward, yields on short term securities could continue to face a downward pressure as the authorities focus on longer term borrowing and possible impact from interest rate capping bill which is expected be tabled during the next parliamentary sitting beginning mid February 2019.

Interbank market activity

Liquidity levels in the market decreased during the week, with excess liquidity reserves averaging K25.13b per day compared to an average of K28.92b per day in the previous week. The average overnight interbank rate decreased to 12.81% from 14.01% for the previous week. The volume traded on the interbank market increased by 36.46% to a daily average of K4.24b from K3.11b per day the previous week. There was no access to the Lombard Facility during the week compared to K0.10b that was accessed the previous week at the Lombard rate of 18.00%. No Open Market Operations (OMOs) were conducted by RBM during the week as was the case during the previous week *(Source: RBM)*.

Foreign exchange market developments

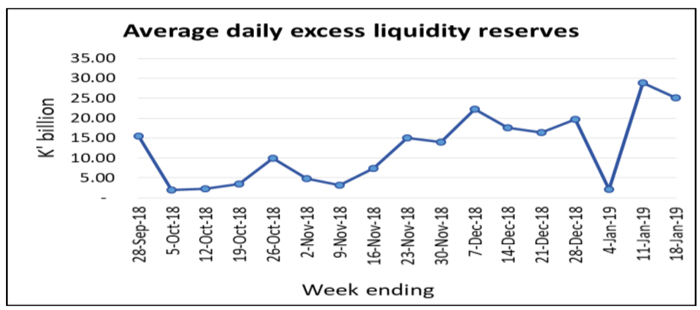
The Kwacha appreciated against USD and EUR during the week but depreciated against GBP and ZAR. The indicative middle rate for USD/MWK closed the week at 729.1068. Gross official forex reserves stood at USD755.22m (3.61 months of import cover) on 31st December 2018, an increase of 19.65% from USD631.21m (3.04 months of import cover) reported on 30th November 2018 (*Source: RBM*).

Inflation

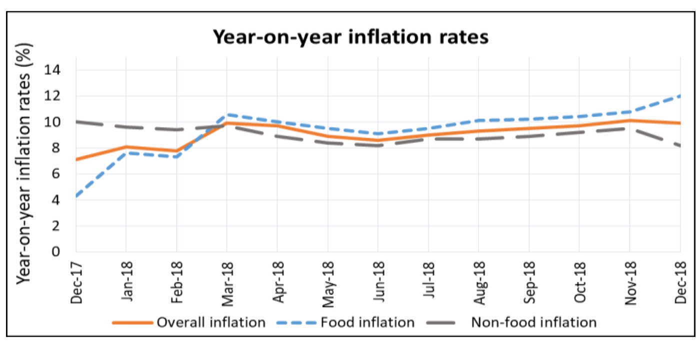
Year-on-year headline inflation rate decreased to 9.9% in December 2018 from 10.1% the previous month on account of a decrease in year-on-year non-food inflation to 8.2% from 9.5%, largely driven by a downward revision in fuel prices during the month to K923.50, K949.60 and K781.80 from K990.30, K990.40 and K785.00 per litre of Petrol, Diesel and Paraffin, respectively (*Source: MERA*). Year-on-year food inflation, however, rose to 12.0% from 10.8% the previous month on account of the lean season (*Source: NSO*).

Stock market			
	18-Jan-19	% Δ	11-Jan-19
MASI	28,848.15	-0.05%	28,861.64
DSI	21,194.64	-0.06%	21,206.93
FSI	5,265.12	0.00%	5,265.12
Traded volume	13,202,913	-21.78%	16,879,222
Number of trades	24	-54.72%	53
Value of shares traded (K'b)	1.16	129.27%	0.50
Market capitalisation (K'b)	1,290.90	0.91%	1,279.30
Gainers	**Current price (K)**	**% Δ**	**Previous price (K)**
NBM	312.71	0.00%	312.70
Losers	**Current price (K)**	**% Δ**	**Previous price (K)**
TNM	28.45	-0.21%	28.51
Treasury Bill auctions			
Week ending	**18-Jan-19**	**% pts Δ**	**11-Jan-19**
91 days yield	11.21%	-0.21	11.42%
182 days yield	13.00%	-0.01	13.01%
364 days yield	14.00%	0.00	14.00%
All-type yield	12.74%	-0.07	12.81%
Applied - cost value (K'm)	28,915.00	-42.40%	50,196.18
Alloted - cost value (K'm)	20,523.95	-48.10%	39,543.04
Overall rejection rate	29.02%	7.80	21.22%
Treasury Note auctions			
Week ending	**18-Jan-19**	**11-Jan-19**	**4-Jan-19**
Tenor	7 Years	7 Years	7 Years
Applied for - face value (K'b)	2.53	9.84	7.62
Allotted- face value (K'b)	2.53	9.84	7.62
Allotted - cost value (K'b)	1.84	7.12	5.50
Allotted - weighted average ytm	24.00%	24.00%	24.00%
Upcoming Treasury Note auctions			
Tenor	**Auction date**	**Settlement date**	**Current yield**
2 years	29-Jan-19	31-Jan-19	15.32%
3 years	26-Feb-19	28-Feb-19	20.00%
5 years	26-Mar-19	28-Mar-19	20.50%
7 years	23-Apr-19	25-Apr-19	24.00%
Week ending	**18-Jan-19**	**11-Jan-19**	**Jan-19**
TBs, PNs & TNs (K'm)	30,963	17,880	78,973
OMO (K'm)	20,197	31,062	72,311
Inflation			
	Dec-18	**% pts Δ**	**Nov-18**
Rate	9.90%	-0.20	10.10%
RBM indicative mid exchange rates			
	18-Jan-19	**% Δ**	**11-Jan-19**
USD	729.1068	-0.01%	729.1757
GBP	946.0890	1.65%	930.7199
ZAR	53.1198	0.57%	52.8212
EUR	830.3797	-1.22%	840.5937
Gross official foreign exchange reserves position			
	31-Dec-18	**30-Nov-18**	**31-Oct-18**
Reserves (USD'm)	755.22	631.21	669.92
Import cover (months)	3.61	3.04	3.20

(Sources: MSE, RBM, NSO, TCC)



(Source: RBM)



(Source: NSO)