

Malawi Stock Exchange (MSE) trading activity

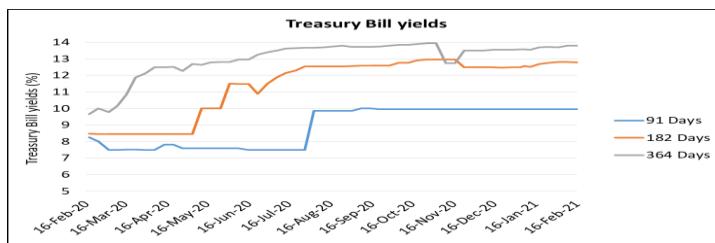
The Malawi All Share Index (MASI) registered a gain of 0.01% to close the week at 32,733.47 points from 32,731.80 points in the previous week due to share price gains in AIRTEL (0.04%) and SUNBIRD (0.01%) which outweighed a loss in MPICO (-0.05%). The year-to-date return on MASI stands at 1.05% compared to -6.24% for the same period in 2020 (Source: MSE).

Corporate news

National Bank of Malawi Plc (NBM) completed the acquisition of a 51% controlling stake in Akiba Commercial Bank Plc (ACB) in Tanzania for a consideration of USD7.31m through a share subscription. The acquisition which is in line with NBM's strategic plan for regional expansion, is expected to bring about growth in business for both NBM and ACB (Source: MSE).

Government securities

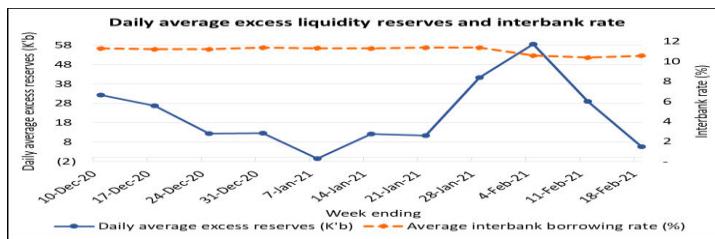
Government raised K3.65b during the week's auction for Treasury Bills (TBs) compared to K23.31b raised in the previous week, representing a decrease of 84.36% in the amount raised through TBs compared to the previous week. The auction registered a rejection rate of 32.50% on the submitted bids. The all-type average TB yield slightly decreased to 12.18% from 12.19% in the previous week due to a decrease in the 182-day yield to 12.79% from 12.80%, while the 91-day and 364-day yields were stable at 9.96% and 13.80%, respectively (Source: RBM). Overall, TB yields have steadily increased over the past year as shown in the chart below.



During the week, K7.58b was also raised by Government through auction of a 10-year Treasury note (TN) at an average yield of 22.50%. This brings the total amount raised during the week through auctions of Treasury securities to K11.23b. Maturities of Government securities for the week amounted to K4.73b and OMO reverse repo maturities during the week amounted to K9.78b, resulting in a net withdrawal of K16.28b from the market, compared to a net withdrawal of K59.2b in the previous week (Source: RBM).

Market liquidity and interbank market activity

The average daily excess liquidity reserves decreased to K5.64b from K29.09b recorded in the previous week. Interbank borrowing for the week amounted to K24.05b, up from K22.05b in the previous week. Accordingly, the average interbank borrowing rate increased to 10.57% from 10.38%. Borrowing on the Lombard Facility during the week amounted to K51.80b compared to K500.00m in the previous week, at the fixed rate of 12.20% (Source: RBM).


Foreign exchange market developments

The Kwacha depreciated by 0.39% against the USD to close the week at K777.2127 per USD. The Kwacha also depreciated against GBP, EUR and ZAR by 1.70%, 0.14% and 0.87%, respectively. Gross official forex reserves were last recorded at USD502.98m (2.41 months of import cover) on 31st January 2021 from USD574.26m (2.75 months of import cover) recorded on 31st December 2020 (Source: RBM). The reserves are below the recommended minimum of 3 months of import cover. The situation is expected to prevail until the onset of the 2021 tobacco marketing campaign.

COVID-19 update

Cumulative confirmed COVID-19 cases in Malawi stood at 30,277 as at 19th February 2021, out of which 12,819 were active. There has been a decrease in daily new infections in recent weeks in the second wave of the disease in the country. Government has since announced reopening of schools from 22nd February 2021. So far, 16,251 people have recovered while 997 have died from the disease (Source: Ministry of Health). Globally, total confirmed cases of COVID-19 amounted to 110.43m, with recoveries of more than 62.22m and 2.44m deaths as at 19th February 2021 (Source: Johns Hopkins University and Medicine).

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.

Stock market				
	19-Feb-21		% Δ	12-Feb-21
MASI	32,733.47	↑	0.01%	32,731.80
DSI	27,862.74	↑	0.01%	27,861.25
FSI	1,613.96	↑	0.00%	1,613.96
Market capitalisation (K'm)	1,779,251.84	↑	0.01%	1,779,162.20
Gainers	Closing price (K)	% Δ	Opening price (K)	
AIRTEL	27.99	↑	0.04%	27.98
SUNBIRD	90.00	↑	0.01%	89.99
Losers	Closing price (K)	% Δ	Opening price (K)	
MPICO	20.93	↓	-0.05%	20.94
Treasury Bill auctions				
	16-Feb-21		% pts Δ	9-Feb-21
Amount offered - cost value (K'm)	9,417.00	↑	0.00%	9,417.00
Applied - cost value (K'm)	5,400.23	↓	-81.14%	28,628.65
Allotted - cost value (K'm)	3,645.25	↓	-84.36%	23,306.91
Overall rejection rate	32.50%	↑	13.91	18.59%
91 days yield	9.96%	↑	0.00%	9.96%
182 days yield	12.79%	↓	-0.07%	12.80%
364 days yield	13.80%	↑	0.00%	13.80%
All-type yield	12.18%	↓	-0.03%	12.19%
Treasury Note auctions				
	16-Feb-21		9-Feb-21	2-Feb-21
Auction date				
Tenors	10 years		2, 5 & 7 years	3 years
Coupon rate	15.00%		10%, 12.5% & 13.5%	11.00%
Amount offered - cost value (K'b)	10.64			47.76
Total applied - cost value (K'b)	8.15		24.69	16.35
Total allotted - cost value (K'b)	7.58		24.69	16.35
Allotted - weighted average ytm	22.50%		16.55%, 19.97% & 20.5%	18.66%
Current yields for Treasury Notes				
Tenor	Last auction's yield	Last auction	Next auction	
2-year	16.50%	9-Feb-21	TBA	
3-year	18.66%	2-Feb-21	TBA	
5-year	19.97%	9-Feb-21	TBA	
7-year	20.50%	9-Feb-21	TBA	
10-year	22.50%	16-Feb-21	TBA	
Projected maturities				
	Week ending	19-Feb-21	26-Feb-21	5-Mar-21
TBs, PNs & TNs (K'm)	4,727	11,398	16,727	
OMO repos (K'm)	0	0	0	
OMO reverse repos (K'm)	9,781	70,535	0	
Reference rate				
	Feb-21		% pts Δ	Jan-21
Rate	12.00%	↓	-0.10	12.10%
Inflation rate				
	Jan-21		% pts Δ	Dec-20
Rate	7.76	↑	0.1	7.6%
Indicative opening mid exchange rates				
	19-Feb-21		% Δ	12-Feb-21
USD	777.2127	↓	0.39%	774.1693
GBP	1086.3102	↓	1.70%	1068.1214
EUR	940.0388	↓	0.14%	938.6803
ZAR	53.3690	↓	0.87%	52.9072
Gross official foreign exchange reserves position				
	31-Jan-21		31-Dec-20	30-Nov-20
Reserves (USD'm)	502.98		574.26	584.89
Import cover (months)	2.41		2.75	2.80

Sources: MSE, RBM, NSO, AHL

January 2021 inflation

The year-on-year headline inflation rate stood at 7.7% in January 2021 from 7.6% in December 2020 and compared to 11.1% in January 2020. Food inflation rate stood at 9.7% in January 2021, down from 10.5% in December 2020 and 17.6% in January 2020, while non-food inflation rate stood at 5.6% in January 2021, up from 4.9% in December 2020 and 5.1% in January 2020 (Source: NSO).

