

MASI gains

The Malawi All Share Index (MASI) gained by 1.48% to close the week at 23402.46 points due to share price increases in NICO and TNM which offset a K0.01 share price loss in STANDARD. Total value traded decreased by 97.77% to K167.10m from K7,498.37m recorded the previous week. A total of 9,221,902 shares were traded during the week compared to 233,930,412 shares transacted the previous week. Year to date return on the MASI stands at 8.35% (2017: 2.64%) (Source: MSE).

2-year Treasury note listed on MSE

A 2-year five billion Treasury note was listed on the Malawi Stock Exchange (MSE) on Monday, 26th February 2018. The TN has a coupon rate of 10.00% payable semi-annually and closed the week trading at a bid price of 86.8287 (Source: MSE).

Treasury bills

The Malawi Government raised a total of K33.02b through ordinary and tap Treasury Bill auctions during the week, compared to K4.85b raised the previous week. The average yield marginally decreased to 14.49% from 14.50% the preceding week. The auctions registered an aggregate rejection rate of 1.68% (Source: RBM). Looking forward, we expect TB yields to remain steady in the short term. In the medium term, yields on government securities could face a downward pressure as the authorities look for cheaper funds.

Interbank market

Liquidity increased to a daily average of K8.76b from K3.47b the previous week. The average overnight interbank rate decreased to 13.80% from 14.24% the preceding week. The daily average volume traded on the interbank market increased to K6.90b from K6.81b the previous week. No bank accessed the Lombard Facility during the week. RBM mopped up K21.83b from the system through OMOS (Source: RBM). We expect the RBM to intensify mop up operations in the near term to reduce the impact of excess liquidity on inflation.

Kwacha exchange rate movements

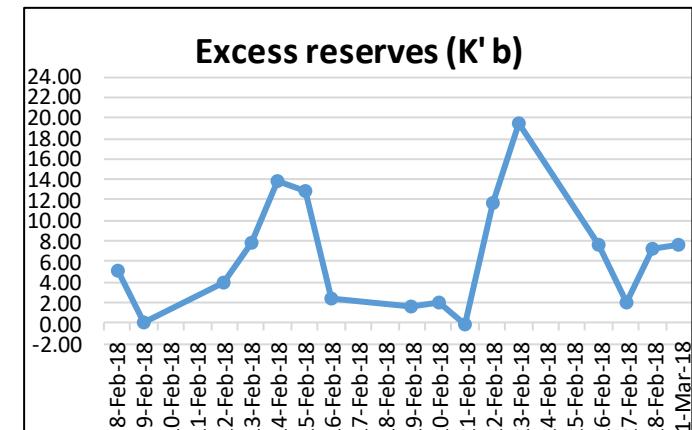
During the week, the Kwacha appreciated against the EUR, GBP and ZAR while remaining steady against the USD. Gross official reserves dropped to USD692.41m (3.31 months of imports) as at 28th February 2018 from USD698.51m (3.34 months of imports) recorded on 23rd February 2018 (Source: RBM). We expect the kwacha to remain broadly stable in the short to medium term, and the monetary authorities' efforts to keep the Kwacha stable to continue exerting pressure on foreign reserves.

Inflation up

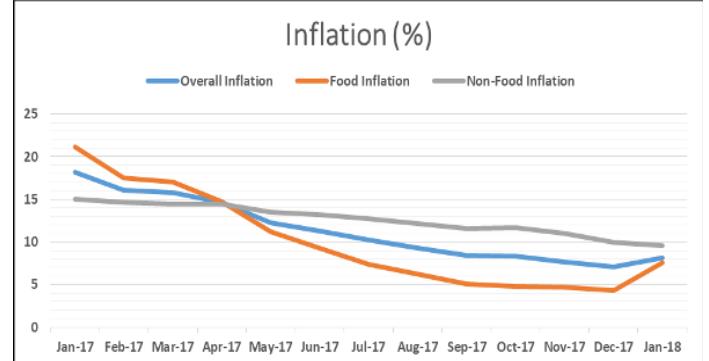
The National Statistical Office (NSO) released inflation statistics for January 2018. Headline inflation rate (year-on-year) increased to 8.1% from 7.1% recorded in December 2017 due to an increase in food inflation. The NSO announced that beginning January 2018 it would be releasing month-on-month inflation as opposed to year-on-year inflation. Month-on-month inflation rate for January 2018 stands at 4.5%. The NSO also announced the revision of inflation weights. The weight for food now stands at 45.2% (Source: NSO).

| Stock market indices | | | |
|--|--------------------------|------------|---------------------------|
| | 2-Mar-18 | % Δ | 23-Feb-18 |
| MASI | 23402.46 | ↑ 1.48% | 23062.14 |
| DSI | 17735.99 | ↑ 1.78% | 17425.92 |
| FSI | 3706.12 | ➡ 0.00% | 3706.12 |
| Market capitalisation (K' b) | 10,837.16 | ↑ 0.14% | 10,822.09 |
| Deals | 34 | ↑ 6.25% | 32 |
| Value of shares traded (K' m) | 167.10 | ↓ -97.77% | 7,498.37 |
| Gainers | Current price (K) | % Δ | Previous price (K) |
| NICO | 45.00 | ↑ 7.14% | 42.00 |
| TNM | 20.00 | ↑ 6.33% | 18.81 |
| Losers | Current price (K) | % Δ | Previous price (K) |
| STANDARD | 609.99 | ↓ -0.002% | 610.00 |
| Treasury Bill yields | | | |
| Tenor (days) | 26 Feb to 2 Mar 2018 | % pts Δ | 20-Feb-18 |
| 91 | 13.9798% | ↓ -0.0160% | 13.9958% |
| 182 | 14.5000% | ➡ 0.0000% | 14.5000% |
| 364 | 15.0000% | ➡ 0.0000% | 15.0000% |
| All-type | 14.4933% | ↓ -0.0053% | 14.4986% |
| Overall rejection rate | 1.68% | ↑ 0.79% | 0.89% |
| Allotted (K' b) | 33.02 | ↑ 580.92% | 4.85 |
| Expected maturities | | | |
| Week ending | 2-Mar-18 | 9-Mar-18 | Mar-18 |
| TBs, PN's & TNs | 53,237 | 43,719 | 55,757 |
| OMO | 38,216 | 20,864 | 90,684 |
| Inflation | | | |
| Month | Jan-18 | % pts Δ | Dec-17 |
| Rate | 8.10% | ↑ 1.00% | 7.10% |
| RBM indicative exchange rates | | | |
| Currency | 2-Mar-18 | % Δ | 23-Feb-18 |
| USD | 725.70 | ➡ 0.00% | 725.70 |
| GBP | 1000.37 | ↑ -1.17% | 1012.20 |
| ZAR | 61.16 | ↑ -1.50% | 62.09 |
| EUR | 891.23 | ↑ -0.16% | 892.68 |
| Gross official foreign exchange reserve position | | | |
| | 28-Feb-18 | 23-Feb-18 | 16-Feb-18 |
| Reserves (USD'm) | 692.41 | 698.51 | 714.68 |
| Import cover (months) | 3.31 | 3.34 | 3.42 |

(Sources: MSE, RBM, NSO)



(Source: RBM)



(Source: NSO)

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