

**Malawi Stock Exchange (MSE) trading activity**

The Malawi All Share Index (MASI) gained by 0.13% to close the week at 28,364.98 points from 28,328.66 points recorded in the previous week, due to share price gains in ICON, MPICO, NBM, NBS and NITL which outweighed a marginal share price loss in ILLOVO. There were no price movements in the rest of the companies registered on the MSE. A total of 1,009,160 shares were traded at a consideration of K41.15m in 56 trades compared to 1,824,932 shares traded at a consideration of K53.68m in 51 trades in the previous week. This represents a decrease of 44.70% in traded volume and a decrease of 23.33% in traded value. The year-to-date return on the MASI stands at -6.24% compared to -4.34% in a corresponding period in 2019 (Source: MSE).

**Corporate news**

| Published financial results for 2019 |                |          |                |
|--------------------------------------|----------------|----------|----------------|
|                                      | 2019 PAT (K'b) | Movement | 2018 PAT (K'b) |
| FDH Bank Ltd                         | 7.846          | 32%      | 5.965          |
| First Discount House Ltd             | 2.241          | 99%      | 1.125          |

**Annual General Meeting**

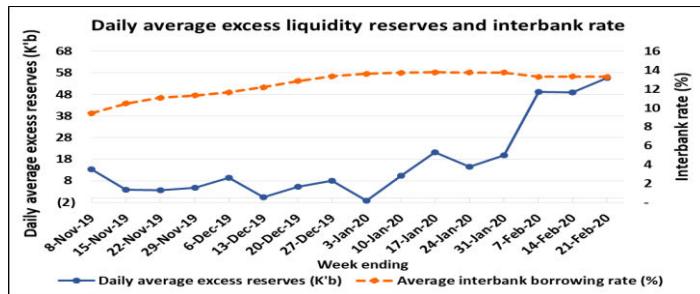
| Company | Date      | Time     | Venue                  |
|---------|-----------|----------|------------------------|
| ILLOVO  | 27-Feb-20 | 14.30hrs | Ryalls Hotel, Blantyre |

**Government securities**

As planned, Government raised K5.41b from an auction for Treasury Bills (TB) during the week compared to K8.41b raised in the previous week. The auction registered a rejection rate of 82.49%. In the coming week's TB auction, Government plans to raise K8.42b. There was also an auction for a 5-year Treasury Note (TN) in the week under review, during which K31.36b was raised, bringing the total amount raised from auctions of TBs and TNs during the week to K36.77b. The TN auction registered a rejection rate of 3.54%. The all-type average TB yield decreased to 8.79% from 9.36% in the previous week as yields on all three tenors decreased: - 91-day yield decreased to 8.25% from 8.58%; 182-day yield decreased to 8.48% from 9.50%, and 364-day yield decreased to 9.65% from 10.00% in the previous week. The 5-year TN attracted an average yield of 15.55% during the week's auction, up from 14.50% on 4<sup>th</sup> December 2019. Total maturities of securities for the week amounted to K3.52b, thereby resulting in a net withdrawal of K33.25b from the market compared to a net injection of K8.72b in the previous week (Source: RBM).

**Interbank market activity**

Liquidity levels increased in the market during the week, with daily excess reserves averaging K55.72b from an average of K48.96b in the previous week. Consequently, borrowing on the interbank market decreased to an average of K6.38b per day from K6.70b per day in the previous week and the average interbank borrowing rate decreased to 13.31% from 13.33%. Borrowing on the Lombard Facility amounted to K34.35b during the week, a decrease of about 41% from K58.14b in the preceding week. The Lombard rate was constant at 13.90% (Source: RBM).


**Foreign exchange market developments**

The Kwacha depreciated marginally by 0.01% against USD during the week, but appreciated against GBP, ZAR and EUR by 1.16%, 1.45% and 0.40%, respectively. The RBM indicative MWK/USD mid-rate closed the week at K736.5803 per dollar compared to K736.5198 per dollar as at the close of the previous week. Gross official foreign exchange reserves were last recorded at USD846.55m (4.05 months of import cover) on 31<sup>st</sup> December 2019, an increase from USD603.82m (2.89 months of import cover) recorded on 30<sup>th</sup> November 2019 (Source: RBM).

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| Stock market                                      |                      |              |                    |
|---|----------------------|--------------|--------------------|
|   | 21-Feb-20            | % Δ          | 14-Jan-20          |
| MASI  | 28,364.98            | 0.13%        | 28,328.66          |
| DSI   | 22,795.19            | 0.14%        | 22,762.42          |
| FSI   | 3,046.35             | 0.00%        | 3,046.35           |
| Traded volume                                     | 1,009,160            | -44.70%      | 1,824,932          |
| Number of trades                                  | 56                   | 9.80%        | 51                 |
| Value of shares traded (K'm)                      | 41.15                | -23.33%      | 53.68              |
| Market capitalisation (K'm)                       | 1,339,272.52         | 0.13%        | 1,337,588.88       |
| Gainers   | Current price (K)    | % Δ          | Previous price (K) |
| ICON  | 10.49                | 0.10%        | 10.48              |
| MPICO   | 22.00                | 0.05%        | 21.99              |
| NBM   | 525.02               | 0.002%       | 525.01             |
| NBS   | 16.00                | 0.63%        | 15.90              |
| NITL  | 89.89                | 12.35%       | 80.01              |
| Losers  | Current price (K)    | % Δ          | Previous price (K) |
| ILLOVO  | 130.00               | -0.04%       | 130.05             |
| Projected maturities                              |                      |              |                    |
| Week ending                                       | 14-Feb-20            | 21-Feb-20    | Feb-20             |
| TBs, PNIs & TNs (K'm)                             | 17,130               | 3,515        | 35,761             |
| OMO (K'm)   | 0                    | 0            | 25,672             |
| Treasury Note auctions                            |                      |              |                    |
| Date  | 18-Feb-20            | 4-Feb-20     | 21-Jan-20          |
| Tenor   | 5 Years              | 10 Years     | 3 Years            |
| Coupon rate                                       | 10.50%               | 15.50%       | 9.00%              |
| Amount offered - cost value (K'b)                 | 31.36                | 8.13         | 29.37              |
| Applied for - face value (K'b)                    | 38.02                | 0.00         | 35.77              |
| Allotted - face value (K'b)                       | 36.61                | 0.00         | 22.07              |
| Allotted - cost value (K'b)                       | 31.36                | 0.00         | 20.34              |
| Allotted - weighted average ytm                   | 15.55%               |              | 13.27%             |
| Treasury Bill auctions                            |                      |              |                    |
| Auction date                                      | 18-Feb-20            | % pts Δ      | 11-Feb-20          |
| Amount offered - cost value (K'm)                 | 5,415.00             | -35.65%      | 8,415.00           |
| Applied - cost value (K'm)                        | 30,924.68            | -12.63%      | 35,393.33          |
| Allotted - cost value (K'm)                       | 5,414.83             | -35.65%      | 8,414.57           |
| Overall rejection rate                            | 82.49%               | 6.26         | 76.23%             |
| 91 days yield                                     | 8.25%                | -0.33        | 8.58%              |
| 182 days yield                                    | 8.48%                | -1.02        | 9.50%              |
| 364 days yield                                    | 9.65%                | -0.35        | 10.00%             |
| All-type yield                                    | 8.79%                | -0.57        | 9.36%              |
| Current yields for Treasury Notes                 |                      |              |                    |
| Tenor   | Last auction's yield | Last auction | Next auction       |
| 2-year  | 12.27%               | 17-Dec-19    | TBA                |
| 3-year  | 13.27%               | 21-Jan-20    | TBA                |
| 5-year  | 15.55%               | 18-Feb-20    | TBA                |
| 7-year  | 17.36%               | 7-Jan-20     | TBA                |
| 10-year   | 17.47%               | 4-Feb-20     | TBA                |
| Reference rate                                    |                      |              |                    |
| Rate  | Feb-20               | % pts Δ      | Jan-20             |
|   | 13.40%               | 0.30         | 13.10%             |
| Inflation rate                                    |                      |              |                    |
| Rate  | Jan-20               | % pts Δ      | Dec-19             |
|   | 11.1%                | -0.4         | 11.5%              |
| RBM indicative mid exchange rates                 |                      |              |                    |
|   | 21-Feb-20            | % Δ          | 14-Feb-20          |
| USD   | 736.5803             | 0.01%        | 736.5198           |
| GBP   | 949.5993             | -1.16%       | 960.7164           |
| ZAR   | 48.7089              | -1.45%       | 49.4256            |
| EUR   | 794.8438             | -0.40%       | 798.0192           |
| Gross official foreign exchange reserves position |                      |              |                    |
|   | 31-Dec-19            | 30-Nov-19    | 31-Oct-19          |
| Reserves (USD'm)                                  | 846.55               | 603.82       | 601.80             |
| Import cover (months)                             | 4.05                 | 2.89         | 2.88               |

(Sources: MSE, RBM, NSO)

**Inflation**

Year-on-year headline inflation rate marginally decreased to 11.1% in January 2020 from 11.5% in December 2019 as a decrease in year-on-year food inflation rate to 17.6% from 19.3% outweighed an increase in year-on-year non-food inflation rate to 5.1% from 4.9% during the period (Source: NSO).

