INVESTMENT BANK

Weekly update – 21st September 2018

Malawi Stock Exchange trading activity

The Malawi All Share Index (MASI) gained by 0.46% to close the week at 32,433.12 from 32,285.56 the previous week on account of share price gains in BHL and TNM which outweighed share price losses in FMBCH and NBS. The volume of shares traded on the market increased by more than threefold to 17,460,419 from 4,040,274 the previous week. Consequently, there was a significant increase in the value of the shares traded from K154.61m the previous week to K1.93b. The year-to-date return on the MASI stands at 50.17%, slightly more than 50.12% for the corresponding period in 2017. There were no trades on the listed bond market (Source: MSE).

Foreign exchange market developments

The Kwacha depreciated against most major trading currencies during the week, but remained stable against the USD. Gross official foreign exchange reserves increased to USD743.28m (3.56 months of import cover) as at 19th September 2018 from USD740.77m (3.54 months of import cover) recorded the previous week on 14th September 2018 (Source: RBM). Exchange rate stability is expected to continue in the short to medium term, backed by continued supply of foreign exchange from this year's tobacco auction market. As at the end of week 23 of the tobacco auctions on 14th September 2018, USD332.19m had been realised compared to USD212.51m during a corresponding period in 2017, representing a 56.31% increase (Source: TCC).

Government securities market

Government raised a total of K3.22b through Treasury Bill auctions conducted during the week compared to K3.23b raised in the previous week, representing a marginal drop of 0.11%. The auction registered a rejection rate of 79.33%. The average yield increased to 14.49% from 14.47% the previous week due to an increase in the 91-days yield to 13.98% from 13.91%, while the 182-days and 364-days yields remained stable at 14.50% and 15.00%, respectively (Source: RBM). Treasury Bill yields are expected to remain stable as no policy rate changes are anticipated in the near term. However, persistent inflation risks threaten continued stability of interest rates in general in the medium to long term.

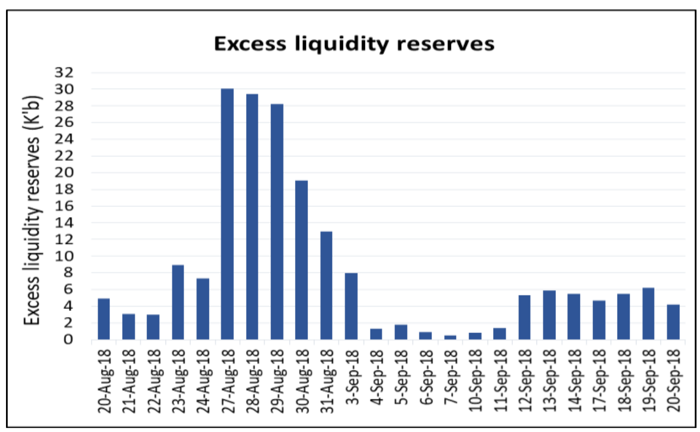
The auction for a 2 year Treasury note which was previously conducted on 6th September, 2018 was reopened on 20th September 2018 during which K7.87b was raised at a weighted average yield of 18.61% (Source: RBM).

Interbank market activity

Liquidity levels increased by 86.77% during the week, with excess reserves reaching a daily average of K5.22b from K2.80b the previous week. Consequently, the total amount accessed from the Lombard Facility decreased by 53.36% to K28.28b compared to K60.64b accessed during the previous week. The Lombard rate remained fixed at 18.00%. The daily average volume traded on the interbank market increased to K13.23b from K4.98b the previous week. The average overnight interbank rate marginally dropped to 15.07% from 15.08% the previous week. There were no Open Market Operations (OMO) by RBM during the week (Source: RBM).

Stock market				
	21-Sep-18		% Δ	14-Sep-18
MASI	32,433.12	↑	0.46%	32,285.56
DSI	21,581.81	↑	0.65%	21,443.49
FSI	8,235.84	↓	-0.01%	8,236.83
Traded volume	17,460,419	↑	332.16%	4,040,274
Number of trades	56	↓	-9.68%	62
Value of shares traded (K' m)	1,930.13	↑	1148.43%	154.61
Market capitalisation (K' b)	1,437.62	↑	0.46%	1,431.07
Gainers	**Current price (K)**		**% Δ**	**Previous price (K)**
BHL	10.65	↑	22.41%	8.70
TNM	29.00	↑	1.75%	28.50
Losers	**Current price (K)**		**% Δ**	**Previous price (K)**
FMBCH	159.96	↓	-0.01%	159.98
NBS	8.98	↓	-0.22%	9.00
Treasury Bill auctions				
	18-Sep-18		% pts Δ	11-Sep-18
91 days yield	13.98%	↑	0.07	13.91%
182 days yield	14.50%	→	0.00	14.50%
364 days yield	15.00%	→	0.00	15.00%
All-type yield	14.49%	↑	0.02	14.47%
Alloted - cost value (K' m)	3,222.91	↓	-0.11%	3,226.33
Overall rejection rate	79.33%	↑	25.12	54.22%
Treassury Note auctions				
	20-Sep-18		6-Sep-18	3-Sep-18
Tenor	2 Years		2 Years	2 Years
Applied for - face value (K'b)	8.58		3.75	31.67
Allotted- face value (K'b)	8.58		3.75	25.17
Allotted - cost value (K'b)	7.87		3.40	23.03
Allotted - weighted average ytm	18.61%		18.84%	18.25%
Projected maturities				
Week ending	14-Sep-18		21-Sep-18	Sep-18
TBs, PNs & TNs	4,890		3,552	21,494
OMO	6,038		20,233	92,437
Inflation				
	Jul-18		% pts Δ	Jun-18
Rate	9.00%	↑	0.40	8.60%
Cumulative tobacco sales as at 14th September 2018 (week 23)				
	2018		% Δ	2017
Volume (Kg)	197,234,371	↑	85.13%	106,536,815
Value (USD)	332,187,516	↑	56.31%	212,514,063
Average price (USD/Kg)	1.68	↓	-15.58%	1.99
% of GDP	7.17	↑	56.31%	4.59
RBM indicative mid exchange rates				
	21-Sep-18		% Δ	14-Sep-18
USD	726.3329	↓	0.02%	726.1535
GBP	963.9890	↓	1.21%	952.4955
ZAR	50.8149	↓	3.29%	49.1987
EUR	855.8381	↓	0.79%	849.0913
Gross official foreign exchange reserves position				
	19-Sep-18		14-Sep-18	7-Sep-18
Reserves (USD'm)	743.28		740.77	745.49
Import cover (months)	3.56		3.54	3.57

(Sources: MSE, RBM, NSO, TCC)



(Source: RBM)

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