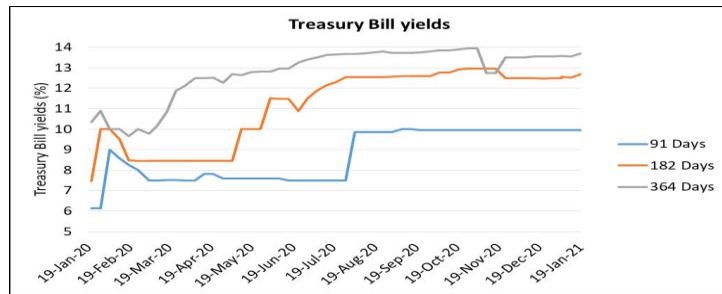


Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 0.08% to close the week at 32,986.31 points from 33,011.20 points in the previous week due to share price losses in ICON, NBS and TNM. The rest of the counters registered no share price movement. The year-to-date return on MASI stands at 1.83% compared to -2.38% for the same period in 2020 (Source: MSE).

Government securities

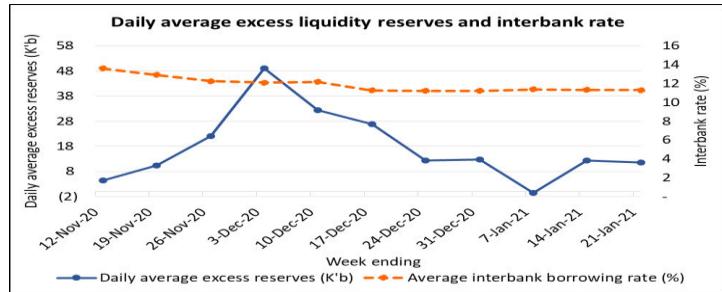
Government raised K9.14b during the week's auction for Treasury Bills (TBs) compared to K53.32b raised in the previous week. The auction registered no rejection on the submitted bids. The all-type average TB yield increased to 12.12% from 12.00% in the previous week due to increases in the 182-day and 364-day yields to 12.70% and 13.70%, respectively, from 12.50% and 13.55% in the previous week. The 91-day yield was stable at 9.95% (Source: RBM).



During the week, Government also raised K53.28b through 2-year, 3-year and 5-year Treasury note (TN) auctions at average yields of 16.50%, 18.56% and 19.97%, respectively. Maturities of Government securities for the week amounted to K15.92b. There were also OMO reverse repo auctions of K28.70b and maturities of K21.41 during the week, resulting in a net withdrawal of K39.21b from the market, compared to a net withdrawal of K64.94b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Average daily excess liquidity reserves decreased to K11.49b from K12.30b recorded the previous week. Interbank borrowing increased to an average of K11.38b per day from K6.96b per day in the previous week. The average interbank borrowing rate slightly increased to 11.37% from 11.30% in the previous week. Borrowing on the Lombard Facility decreased to K21.70b from K165.48b in the previous week, at a fixed rate of 12.20% (Source: RBM).


Foreign exchange market developments

The Kwacha remained stable against the USD as it closed the week at K771.2035 per USD. The Kwacha, however, depreciated against GBP, EUR and ZAR by 0.47%, 0.14% and 1.50%, respectively. Gross official forex reserves were last recorded at USD574.26m (2.75 months of import cover) on 31st December 2020 from USD584.89m (2.80 months of import cover) recorded on 30th November 2020 (Source: RBM).

COVID-19 update

Cumulative confirmed COVID-19 cases in Malawi stood at 16,049 as at 21st January 2021. The country continues to register high levels of daily new infections in the second wave which has forced Government to enforce strict preventive measures which among others include closure of schools for three weeks, a curfew from 9pm to 5am, mandatory wearing of masks in public places and closure of markets by 5pm. So far, 6,314 people have recovered while 396 have died from the disease (Source: Ministry of Health).

Globally, total confirmed cases of COVID-19 amounted to 97.90m infections, with recoveries of more than 53.93m and 2.10m deaths as at 22nd January 2021 (Source: Johns Hopkins University and Medicine). Britain extended its travel ban to all southern African countries including Malawi amid concern over a variant of COVID-19 linked to the countries. The rollout of vaccines for COVID-19 is expected to control the pandemic.

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| Stock market | | | | |
|---|-----------------------------|--------------|-----------------------------|--|
| | 22-Jan-21 | % Δ | 14-Jan-21 | |
| MASI | 32,986.31 | ↓ -0.08% | 33,011.20 | |
| DSI | 28,091.11 | ↓ -0.08% | 28,113.26 | |
| FSI | 1,609.62 | ↑ 0.00% | 1,609.62 | |
| Market capitalisation (K'm) | 1,792,263.22 | ↓ -0.07% | 1,793,597.18 | |
| Gainers | Closing price (K) | % Δ | Opening price (K) | |
| None | | | | |
| Losers | Closing price (K) | % Δ | Opening price (K) | |
| ICON | 12.24 | ↓ -0.24% | 12.27 | |
| NBS | 20.49 | ↓ -0.05% | 20.50 | |
| TNM | 19.39 | ↓ -0.05% | 19.50 | |
| Treasury Bill auctions | | | | |
| Auction date | 19-Jan-21 | % pts Δ | 12-Jan-21 | |
| Amount offered -cost value (K'm) | 22,280.00 | ↑ 68.92% | 13,190.00 | |
| Applied - cost value (K'm) | 9,127.50 | ↓ -82.88% | 53,320.87 | |
| Allotted - cost value (K'm) | 9,136.06 | ↓ -82.87% | 53,320.87 | |
| Overall rejection rate | 0.0% | 0.0% | 0.0% | |
| 91 days yield | 9.95% | ↑ 0.00% | 9.95% | |
| 182 days yield | 12.70% | ↑ 1.56% | 12.50% | |
| 364 days yield | 13.70% | ↑ 1.09% | 13.55% | |
| All-type yield | 12.12% | ↑ 0.95% | 12.00% | |
| Treasury Note auctions | | | | |
| Auction date | 19-Jan-21 | 12-Jan-21 | 8-Jan-21 | |
| Tenors | 2, 3, 5 & 7 years | 7 years | 3, 5, 7 & 10 years | |
| Coupon rate | 10%, 11%, 12.5% & 13.5% | 13.50% | 11%, 12.5%, 13.5% & 15% | |
| Amount offered -cost value (K'b) | | 30.16 | | |
| Total applied - cost value (K'b) | 55.58 | 1.45 | 19.99 | |
| Total allotted - cost value (K'b) | 53.28 | 1.45 | 19.99 | |
| Allotted - weighted average ytm | 16.5%, 18.56%, 19.97% & 20% | 20.00% | 18.43%, 19.95%, 20% & 22.5% | |
| Current yields for Treasury Notes | | | | |
| Tenor | Last auction's yield | Last auction | Next auction | |
| 2-year | 16.50% | 19-Jan-21 | TBA | |
| 3-year | 18.56% | 19-Jan-21 | 2-Feb-21 | |
| 5-year | 19.97% | 19-Jan-21 | TBA | |
| 7-year | 20.00% | 19-Jan-21 | TBA | |
| 10-year | 22.50% | 8-Jan-21 | 16-Feb-21 | |
| Upcoming Treasury Note auctions | | | | |
| Auction date | Tenor | Amount (K'b) | Previous coupon rate | |
| 2-Feb-21 | 3 | 47.76 | 11.00% | |
| 16-Feb-21 | 10 | 10.64 | 15.00% | |
| Projected maturities | | | | |
| Week ending | 22-Jan-21 | 29-Jan-21 | 5-Feb-21 | |
| TBs, PNs & TNs (K'm) | 15,919 | 15,550 | 34,981 | |
| OMO repos (K'm) | 0 | 0 | 0 | |
| OMO reverse repos (K'm) | 21,408 | 7,028 | 0 | |
| Reference rate | | | | |
| Rate | Jan-21 | % pts Δ | Dec-20 | |
| | 12.10% | ↓ -0.20 | 12.30% | |
| Inflation rate | | | | |
| Rate | Dec-20 | % pts Δ | Nov-20 | |
| | 7.6% | ↑ 0.3 | 7.3% | |
| Indicative opening mid exchange rates | | | | |
| USD | 22-Jan-21 | % Δ | 14-Jan-21 | |
| | 771.2035 | ↑ 0.00% | 771.2035 | |
| GBP | 1056.1632 | ↓ 0.47% | 1051.2275 | |
| EUR | 938.3233 | ↓ 0.14% | 937.0123 | |
| ZAR | 51.3342 | ↓ 1.50% | 50.5760 | |
| Gross official foreign exchange reserves position | | | | |
| 31-Dec-20 | 30-Nov-20 | 31-Oct-20 | | |
| Reserves (USD'm) | 574.26 | 584.89 | 635.05 | |
| Import cover (months) | 2.75 | 2.80 | 3.04 | |

Sources: MSE, RBM, NSO, AHL

December 2020 inflation

The year-on-year headline inflation rate stood at 7.6% in December 2020 from 7.3% in November 2020 and compared to 11.5% in December 2019. Food inflation rate stood at 10.5% in December 2020 from 10.4% in November 2020 and 19.3% in December 2019 while non-food inflation rate stood at 4.9% in December 2020 from 4.4% in November 2020 and 4.9% in December 2019 (Source: NSO).

