INVESTMENT BANK

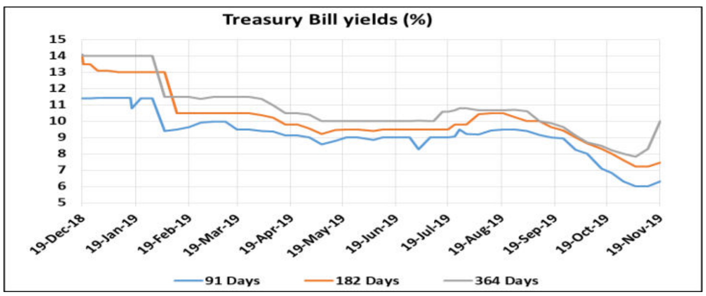
Weekly update – 22nd November 2019

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 1.53% to close the week at 29,629.37 points from 30,091.23 points recorded in the previous week due to share price losses in ILLOVO and NBM. There was no price movement in the rest of the companies registered on the MSE. A total of 1,734,274 shares were traded at a consideration of K62.47m compared to 42,696,893 shares traded in the previous week at a consideration of K687.04m. This week's trading activity represents a decrease of 95.94% in volume and a decrease of 90.91% in value. The year-to-date return on the MASI stands at 2.23% compared to 24.41% recorded for the corresponding period in 2018 *(Source: MSE)*.

Government securities

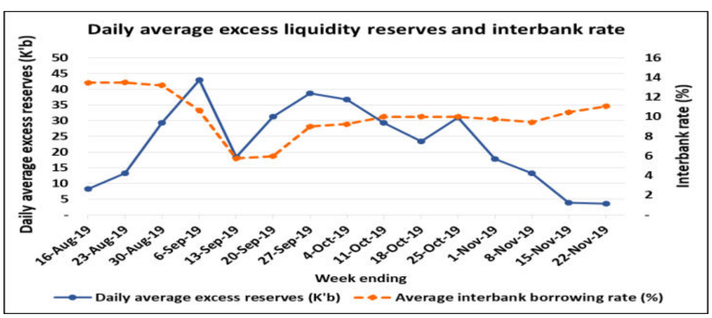
Government raised K8.42b from this week's Treasury bill (TB) auction held on 19th November 2019, against an offered amount of K8.88b. This represents an undersubscription of 5%. The full application amount was allotted. There was also an auction for a 10-year Treasury note (TN) during which the planned amount of K12.63b was raised, thereby bringing the total amount raised from Treasury securities during the week to K21.05b. There was no application during the Reverse auction for TNs held on 20th November 2019. There was also no open market operations during the week. Maturities for the week amounted to K14.70b, resulting in a net withdrawal of K6.35b from the market, compared to a net withdrawal of K3.21b in the previous week. The all-type average TB yield increased to 7.92% from 7.17% in the preceding week as the 91-day, 182-day and 364-day yields increased to 6.29%, 7.46% and 10.00%, respectively, from 6.00%, 7.20% and 8.30% in the previous week. The 10-year TN traded at an average yield of 17.47% (*Source: RBM*).



(Source: RBM)

Interbank market activity

Excess liquidity reserves decreased to an average of K3.59b per day from K3.87b per day in the previous week. Consequently, borrowing on the interbank market increased to an average of K10.20b per day from K7.62b per day in the previous week and the average interbank borrowing rate increased to 11.07% from 10.46%. Borrowing on the Lombard Facility averaged K11.06b per day, compared to K7.72b per day in the preceding week *(Source: RBM)*.



(Source: RBM)

Foreign exchange market developments

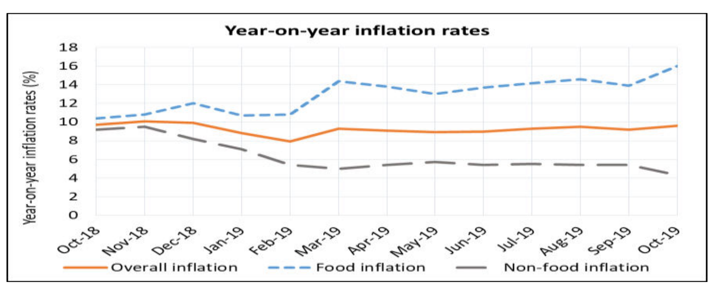
The Kwacha slightly depreciated against all the major trading currencies during the week. The indicate USD/MWK middle rate increased to 736.5113 from 735.1807 the preceding week. Gross official foreign exchange reserves stood at USD656.04m (3.14 months of import cover) on 30th September 2019, representing a decrease from USD705.68m (3.37 months of import cover) recorded on 30th August 2019 (*Source: RBM*).

Stock market			
	22-Nov-19	**% Δ**	**15-Nov-19**
MASI	29,629.37	-1.53%	30,091.23
DSI	23,037.92	-1.78%	23,454.52
FSI	4,024.86	0.00%	4,024.86
Traded volume	1,734,274	-95.94%	42,696,893
Number of trades	38	-44.12%	68
Value of shares traded (K'm)	62.47	-90.91%	687.04
Market capitalisation (K'm)	1,399,748.66	-1.51%	1,421,156.66
Gainers	**Current price (K)**	**% Δ**	**Previous price (K)**
None			
Losers	**Current price (K)**	**% Δ**	**Previous price (K)**
ILLOVO	180.00	-14.29%	210.00
NBM	460.02	-0.002%	460.03
Projected maturities			
Week ending	**15-Nov-19**	**22-Nov-19**	**Nov-19**
TBs, PNs & TNs (K'm)	5,673	14,703	36,908
OMO (K'm)	2,433	0	4,869
Treasury Note auctions			
Date	**19-Nov-19**	**5-Nov-19**	**24-Oct-19**
Tenor	10 Years	3 Years	7 Years
Coupon rate	15.50%	9.00%	14.00%
Amount offered -cost value (K'b)	12.63	30.87	899.20%
Applied for - face value (K'b)	16.64	72.94	59.45
Allotted- face value (K'b)	13.47	32.24	8.66
Allotted - cost value (K'b)	12.63	30.87	8.99
Allotted - weighted average ytm	17.47%	10.70%	13.73%
Treasury Bill auctions			
Auction date	**19-Nov-19**	**% pts Δ**	**12-Nov-19**
Amount offered -cost value (K'm)	8,882.00	0.00%	8,882.00
Applied - cost value (K'm)	8,420.11	-48.92%	16,484.86
Alloted - cost value (K'm)	8,420.11	-5.20%	8,882.44
Overall rejection rate	0.00%	-46.12	46.12%
91 days yield	6.29%	0.29	6.00%
182 days yield	7.46%	0.26	7.20%
364 days yield	10.00%	1.70	8.30%
All-type yield	7.92%	0.75	7.17%
Current yields for Treasury Notes			
Tenor	**Last auction's yield**	**Last auction**	**Next auction**
2- year	10.12%	8-Oct-19	17-Dec-19
3-year	10.70%	5-Nov-19	21-Jan-20
5-year	14.00%	26-Sep-19	3-Dec-19
7-year	13.73%	24-Oct-19	7-Jan-20
10-year	17.47%	19-Nov-19	4-Feb-20
Upcoming Treasury Note auctions			
Auction date	**Tenor**	**Amount (K'b)**	**Last coupon rate**
3-Dec-19	5	22.86	10.00%
17-Dec-19	2	36.79	8.00%
7-Jan-20	7	24.35	14.00%
21-Jan-20	3	29.37	9.00%
4-Feb-20	10	8.13	15.50%
18-Feb-20	5	31.36	10.00%
Reference rate			
	Nov-19	**% pts Δ**	**Oct-19**
Rate	12.30%	0.30	12.00%
Inflation			
	Oct-19	**% pts Δ**	**Sep-19**
Rate	9.60%	0.40	9.20%
RBM indicative mid exchange rates			
	22-Nov-19	**% Δ**	**15-Nov-19**
USD	736.5113	0.18%	735.1807
GBP	951.2780	0.46%	946.9127
ZAR	50.1612	0.88%	49.7221
EUR	814.8025	0.54%	810.4632
Gross official foreign exchange reserves position			
	30-Sep-19	**30-Aug-19**	**31-Jul-19**
Reserves (USD'm)	656.04	705.68	704.14
Import cover (months)	3.14	3.37	3.37

(Sources: MSE, RBM, NSO)

Inflation

Year-on-year headline inflation rate increased to 9.6% in October 2019 from 9.2% in September 2019 due to an increase in year-on-year food inflation rate to 16.0% from 13.9% while non-food inflation rate decreased to 4.3% from 5.4% the same period *(Source: NSO).*



(Source: NSO)

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