MASI gains

The Malawi All Share Index (MASI) gained by 0.70% to close the week at 24997.62 points due to share price increases in OML, MPICO, NICO, NBM and PCL. However, the total value traded decreased by 6.89% to K279.05m from K299.69m recorded the previous week. A total of 4,179,365 shares were traded during the week compared to 16,671,503 shares transacted in the previous week. Year to date return on the MASI stands at 15.74% (2017: 7.77%). There was no trade on the listed government securities during the week *(Source: MSE).*

Treasury Bills

The Malawi Government raised a total of K11.05b through Treasury bill (TB) auctions during the week, compared to K9.21b raised in the previous week. The average yield was steady at 14.50%. The auctions registered no rejection *(Source: RBM).* Looking forward, we expect TB yields to remain fairly steady in the short term if the Policy Rate remains unchanged. In the medium term, if inflation remains relatively low, yields on government securities could face a downward pressure as the authorities look for cheaper funds.

Interbank market

Liquidity (measured by commercial banks' excess reserves at RBM) increased to a daily average of K7.76b from K5.67b the previous week. The average overnight interbank rate marginally increased to 13.91% from 13.83% the preceding week. The daily average volume traded on the interbank market decreased to K9.53b from K10.66b the previous week. The banks accessed a total of K2.39b on the Lombard Facility during the week at a rate of 18.00%. RBM mopped up K27.42b from the system through OMOS at a rate of 15.00%, compared to K9.53b mopped up the previous week *(Source: RBM).* We expect RBM to continue strengthening its mop up operations in the near term in order to keep liquidity conditions subdued amid rising non-food inflationary pressures.

Kwacha exchange rate movements

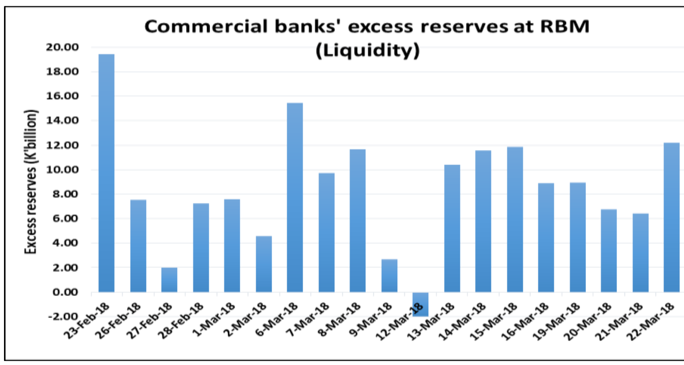
The Kwacha was steady against the USD during the week, but depreciated against other major trading currencies as these currencies gained against the USD due to rising trade tensions between the US and China. Gross official reserves slightly increased to USD655.59m (3.14 months of imports cover) as at 21st March 2018 from USD653.78m (3.13 months of imports cover) recorded on 16th March 2018 *(Source: RBM).* We expect the pressure on foreign exchange reserves to remain high until the onset of the Tobacco marketing season. The reserves could, however, remain sufficient in the short to medium term to prevent excessive volatility in the exchange rates.

Inflation

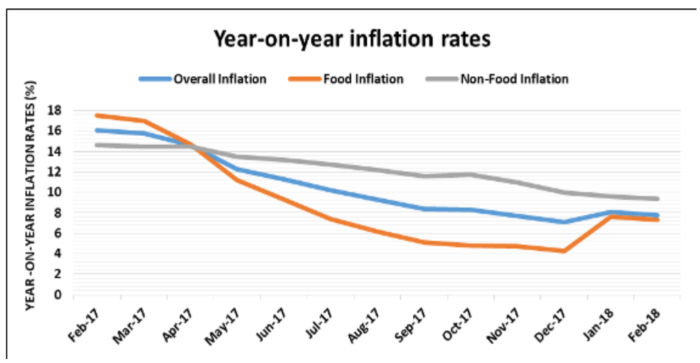
National month-on-month inflation rate declined to 2.10% in February 2018, compared to 4.50% recorded in January 2018. The decline was due to a drop in food inflation to 2.40% from 8.40%, which offset a marginal rise in non-food inflation to 1.90% from 1.40%. Consequently, year-on-year national inflation rate declined to 7.80% in February 2018 from 8.10% the previous month *(Source: NSO).* We expect food inflationary pressures to continue to ease off as the harvest season commences. Non-food inflationary pressures could, however, remain elevated in the short term amid power challenges and as the economy fully responds to recent utility tariff hikes. The Reserve Bank could step up its efforts to mop up excess liquidity in the system so as to offset the rising non-food inflationary pressures.

Stock market indices			
	23-Mar-18	% Δ	16-Mar-18
MASI	24997.62	0.70%	24825.04
DSI	17992.24	0.72%	17864.42
FSI	4943.25	0.62%	4912.84
Market capitalisation (K' b)	12,434.45	14.08%	10,900.18
Deals	39	11.43%	35
Value of shares traded (K' m)	279.05	-6.89%	299.69
Gainers	**Current price (K)**	**% Δ**	**Previous price (K)**
OML	2300.00	15.58%	1990.00
MPICO	17.94	6.15%	16.90
NICO	48.00	2.61%	46.78
NBM	279.95	1.80%	275.00
PCL	602.00	0.33%	600.00
Losers	**Current price (K)**	**% Δ**	**Previous price (K)**
None			
Treasury Bill yields			
Tenor (days)	**20 & 22 Mar 2018**	**% pts Δ**	**13-Mar-18**
91	14.00%	0.00	14.00%
182	14.50%	0.00	14.50%
364	15.00%	0.00	15.00%
All-type	14.50%	0.00	14.50%
Overall rejection rate	0.00%	0.00	0.00%
Alloted (K' b)	11.05	19.95%	9.21
Expected maturities			
Week ending	**23-Mar-18**	**30-Mar-18**	**Mar-18**
TBs, PNs & TNs	8,204	16,440	55,757
OMO	19,213	35,265	94,665
Inflation			
Month	**Feb-18**	**% pts Δ**	**Jan-18**
Rate	7.80%	-0.30	8.10%
RBM indicative exchange rates			
Currency	**23-Mar-18**	**% Δ**	**16-Mar-18**
USD	725.6909	0.00%	725.6909
GBP	1024.2401	1.34%	1010.7423
ZAR	61.2439	0.40%	60.9999
EUR	895.2123	0.22%	893.2529
Gross official foreign exchange reserve position			
	21-Mar-18	**16-Mar-18**	**9-Mar-18**
Reserves (USD'm)	655.59	653.78	678.47
Import cover (months)	3.14	3.13	3.25

(Sources: MSE, RBM, NSO)



(Source: RBM)



(Source: NSO)

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