

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 2.51% during the week to close at 26,370.35 points from 27,048.50 points the previous week due to share price losses in NICO and TNM which outweighed a share price gain in PCL. The volume of shares traded on the market increased by almost three times to 11,561,420 from 3,948,550 the previous week. Accordingly, the value of the shares traded increased by 27.87% to K1.17b from K0.83b the previous week. The year-to-date return on the MASI stands at 22.10%, significantly lower than 55.57% recorded during the corresponding period in 2017. There were no trades on the listed bond market (Source: MSE).

Government securities auctions

During the week, a total of K9.75b was raised through an auction for Treasury Bills (K1.77b) and auctions for a 5 year Treasury Note (K8.01b). Maturities for the week amounted K9.50b, resulting in a net withdrawal of K0.25b. During the previous week, Government rejected all applications amounting to K18.42b. Consequently, the average yields for Treasury Bills and Notes declined during the week. Specifically, the 91-day yield dropped to 11.50% (previous 14.00%) and the 182-day to 14.00% (previous week 14.50%). There was no allotment for the 364-day Treasury Bill. The yield for the 5-year Treasury Note was at 19.96% on 22nd November 2018 and at 20.50% on 20th November 2018. (Source: RBM). Looking forward, yields on Government securities (and other interest rates generally) could continue to face a downward pressure due to the growing concern and debate about high interest rates in Malawi. Yields on the short term end of the yield curve could also face a downward pressure as the Government restructures its debt to long term.

Interbank market activity

The market registered increased liquidity levels during the week, with excess liquidity reserves averaging K15.07b per day compared to a daily average of K7.35b in the previous week. Consequently, the volume traded on the interbank market decreased by 24.39% to the average of K7.13b per day from K9.43b per day the previous week. The average overnight interbank rate decreased to 14.80% from 14.85% for the previous week. The total amount accessed from the Lombard Facility during the week increased to K10.88b compared to K3.24b accessed during the previous week. The Lombard rate remained fixed at 18.00%. There were no Open Market Operations (OMOs) conducted by RBM during the week (Source: RBM).

Foreign exchange market developments

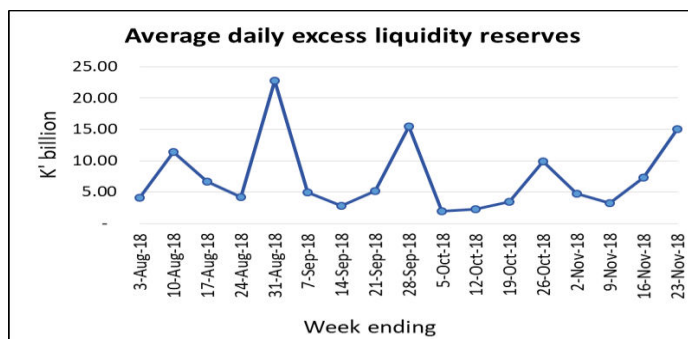
The Kwacha depreciated against all the major trading currencies during the week. The indicative middle rate for USD/MWK closed the week at 730.8251 from 729.6757 recorded as at the end of the previous week (Source: RBM). Gross official forex reserves stood at USD727.63m (3.48 months of import cover) on 28th September 2018, a decrease of about 3% from USD753.52m (3.61 months of import cover) reported on 31st August 2018 (Source: RBM). Since the beginning of October 2018, RBM has not been publishing daily positions of forex reserves as was previously the case.

Inflation

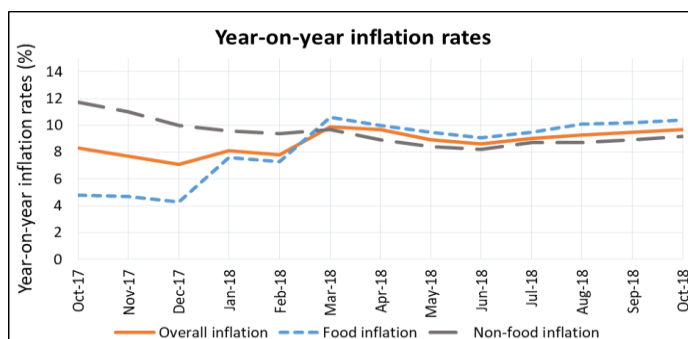
Annual headline inflation rate stood at 9.7% in October 2018, up from 9.5% the previous month as both food and non-food prices went up. Annual food inflation rose to 10.4% from 10.2% the previous month, while non-food inflation rate rose to 9.2% from 8.9% (Source: NSO). Inflation pressures could continue to build up for the rest of the year and into the first quarter of 2019 as some parts of the country experience a shortage of food due to a lower than average food harvest during the 2017/2018 season and as the economy responds to the recent upward adjustments in energy costs. On 21st November 2018, MERA revised upwards pump fuel prices by 6.20% for petrol, 5.86% for diesel and 3.93% for paraffin, citing exchange rate depreciation and increases in free on board prices (Source: MERA).

Stock market				
	23-Nov-18	% Δ	16-Nov-18	
MASI	26,370.35	↓ -2.51%	27,048.50	
DSI	20,377.20	↓ -2.94%	20,995.48	
FSI	3,778.77	↑ 0.00%	3,778.77	
Traded volume	11,561,420	↑ 192.80%	3,948,550	
Number of trades	67	↓ -17.28%	81	
Value of shares traded (K'm)	1,061.46	↑ 27.87%	830.12	
Market capitalisation (K'b)	1,168.88	↓ -2.51%	1,198.93	
Gainers				
PCL	1,150.00	↑ 4.55%	1,100.00	
Losers				
NICO	49.98	↓ -1.94%	50.97	
TNM	22.31	↓ -13.53%	25.80	
Treasury Bill auctions				
	20-Nov-18	% pts Δ	13 & 15 Nov 2018	
91 days yield	11.50%	↓ -2.50	14.00%	
182 days yield	14.00%	↓ -0.50	14.50%	
364 days yield		↓ -15.00	15.00%	
All-type yield	12.75%	↓ -1.75	14.50%	
Applied - cost value (K'm)	3,251.99	↓ -82.34%	18,419.12	
Allotted - cost value (K'm)	1,767.62		0.00	
Overall rejection rate	45.64%	↓ -54.36	100.00%	
Treasury Note auctions				
	22-Nov-18	20-Nov-18	17-Oct-18	
Tenor	5 Years	5 Years	3 Years	
Applied for - face value (K'b)	6.50	13.93	1.50	
Allotted - face value (K'b)	6.50	3.00	1.50	
Allotted - cost value (K'b)	5.51	2.50	1.31	
Allotted - weighted average ytm	19.96%	20.50%	20.00%	
Projected maturities				
	23-Nov-18	16-Nov-18	Nov-18	
TBs, PNs & TNs (K'm)	4,534	2,504	28,135	
OMO (K'm)	4,964	25,895	51,121	
Inflation				
	Oct-18	% pts Δ	Sep-18	
Rate	9.70%	↑ 0.20	9.50%	
RBM indicative mid exchange rates				
	23-Nov-18	% Δ	16-Nov-18	
USD	730.8251	↓ 0.16%	729.6757	
GBP	940.7181	↓ 0.79%	933.3282	
ZAR	53.0102	↓ 2.91%	51.5093	
EUR	833.9445	↓ 0.80%	827.3063	
Gross official foreign exchange reserves position				
	28-Sep-18	31-Aug-18	31-Jul-18	
Reserves (USD'm)	727.63	753.52	754.23	
Import cover (months)	3.48	3.61	3.61	

(Sources: MSE, RBM, NSO, TCC)



(Source: RBM)



(Source: NSO)

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