

**Malawi Stock Exchange (MSE) trading activity**

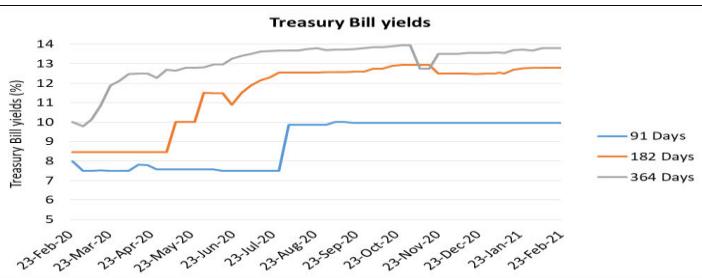
The Malawi All Share Index (MASI) registered a gain of 0.84% to close the week at 33,009.75 points from 32,733.47 points in the previous week due to share price gains in FDHB (14.96%), FMBCH (0.04%), NBM (0.002%) and STANDARD (0.001%) which outweighed losses in AIRTEL (-0.04%), NICO (-0.04%) and PCL (-0.001%). The market traded a total of 3,713,772 shares at a consideration of K144.48m in 51 trades during the week. The year-to-date return on MASI stands at 1.90% compared to -2.67% for the same period in 2020 (Source: MSE).

**Corporate news**

Illovo Sugar Malawi Plc expects its profit after tax for the half year ending 28<sup>th</sup> February 2021 to be higher than the previous corresponding period by at least 60%.

**Government securities**

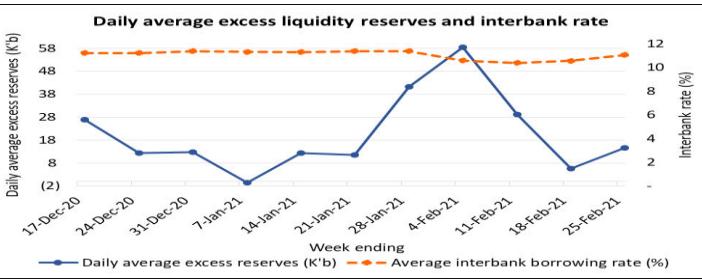
Government raised K11.84b during the week's auction for Treasury Bills (TBS) compared to K3.65b raised in the previous week, representing an increase of 224.85%. The auction registered no rejection on the submitted bids. The all-type average TB yield slightly increased to 12.1834% from 12.1826% in the previous week due to an increase in the 182-day yield to 12.8000% from 12.7905% in the previous week. The increase in the 182-day yield outweighed a decrease in the 91-day and 364-day yields which slightly decreased to 9.9504% and 13.7999%, respectively, from 9.95726% and 13.8000% in the previous week respectively (Source: RBM).



Maturities of Government securities for the week amounted to K11.40b and OMO reverse repo maturities amounted to K70.54b. This resulted in a net withdrawal of K70.98b from the market, compared to a net withdrawal of K16.28b in the previous week (Source: RBM).

**Market liquidity and interbank market activity**

The average daily excess liquidity reserves increased to K14.62b from K5.64b recorded in the previous week. Interbank borrowing during the week averaged K10.60b per day, up from an average of K4.81b per day in the previous week. Accordingly, the average interbank borrowing rate increased to 11.06% from 10.57%. Borrowing on the Lombard Facility during the week amounted to K70.15b compared to K51.80b in the previous week, at the fixed rate of 12.20% (Source: RBM).


**Foreign exchange market developments**

The Kwacha depreciated by 0.38% against the USD to close the week at K780.1309 per USD. The Kwacha also depreciated against GBP and EUR by 0.09% and 0.87%, respectively. It, however, appreciated against ZAR by 2.41%. Gross official forex reserves were last recorded at USD502.98m (2.41 months of import cover) on 31<sup>st</sup> January 2021 from USD574.26m (2.75 months of import cover) recorded on 31<sup>st</sup> December 2020 (Source: RBM). The reserves are below the recommended minimum of 3 months of import cover. The situation is expected to prevail until the onset of the 2021 tobacco marketing campaign.

**Disclaimer:** The views expressed in this report are those of the author and are based on information believed but not warranted to be correct. Any views or information, whilst given in good faith, are not necessarily the views of CDH Investment Bank (CDHIB) and are given with an express disclaimer of responsibility and no right of action shall arise against the author, CDHIB, its directors or its employees either directly or indirectly out of any views, advice or information. The information presented are for information purposes only and does not constitute and should not be construed as investment advice or recommendation. The statistics have been obtained from third party data sources. We believe these sources to be reliable but cannot guarantee their accuracy or completeness. Recipients of this report shall be solely responsible for making their own independent appraisal and investigation into all matters herein.

Stock market			
	Closing price (K)	% Δ	Opening price (K)
MASI	33,009.75	0.84%	32,733.47
DSI	28,108.19	0.88%	27,862.74
FSI	1,614.45	0.03%	1,613.96
Market capitalisation (K'm)	1,794,234.77	0.84%	1,779,251.84
Gainers	Closing price (K)	% Δ	Opening price (K)
FDHB	16.60	14.96%	14.44
FMBCH	27.10	0.04%	27.09
NBM	650.01	0.002%	650.00
STANDARD	1200.03	0.001%	1200.02
Losers	Closing price (K)	% Δ	Opening price (K)
AIRTEL	27.98	-0.04%	27.99
NICO	51.98	-0.04%	52.00
PCL	1,199.96	-0.001%	1,199.97
Treasury Bill auctions			
Auction date	23-Feb-21	% pts Δ	16-Feb-21
Amount offered - cost value (K'm)	9,417.00	0.00%	9,417.00
Applied - cost value (K'm)	11,841.72	119.28%	5,400.23
Allotted - cost value (K'm)	11,841.72	224.85%	3,645.25
Overall rejection rate	0.00%	-32.50	32.50%
91 days yield	9.9504%	-0.0683%	9.9572%
182 days yield	12.8000%	0.0743%	12.7905%
364 days yield	13.7999%	-0.0007%	13.8000%
All-type yield	12.1834%	0.0071%	12.1826%
Treasury Note auctions			
Auction date	16-Feb-21	2-Feb-21	9-Feb-21
Tenors	10 years	2, 5 & 7 years	3 years
Coupon rate	15.00%	10%, 12.5% & 13.5%	11.00%
Amount offered - cost value (K'b)	10.64		47.76
Total applied - cost value (K'b)	8.15	24.69	16.35
Total allotted - cost value (K'b)	7.58	24.69	16.35
Allotted - weighted average ytm	22.50%	16.5%, 19.97% & 20.5%	18.66%
Current yields for Treasury Notes			
Tenor	Last auction's yield	Last auction	Next auction
2-year	16.50%	9-Feb-21	TBA
3-year	18.66%	2-Feb-21	TBA
5-year	19.97%	9-Feb-21	TBA
7-year	20.50%	9-Feb-21	TBA
10-year	22.50%	16-Feb-21	TBA
Projected maturities			
Week ending	26-Feb-21	5-Mar-21	12-Mar-21
TBs, PNs & TNs (K'm)	11,398	16,727	13,084
OMO repos (K'm)	0	0	0
OMO reverse repos (K'm)	70,535	0	15,402
Reference rate			
Rate	Feb-21	% pts Δ	Jan-21
	12.00%	-0.10	12.10%
Inflation rate			
Rate	Jan-21	% pts Δ	Dec-20
	7.7%	0.1	7.6%
Indicative opening mid exchange rates			
	26-Feb-21	% Δ	19-Feb-21
USD	780.1309	0.38%	777.2127
GBP	1087.2684	0.09%	1086.3102
EUR	948.1711	0.87%	940.0388
ZAR	52.0830	-2.41%	53.3690
Gross official foreign exchange reserves position			
	31-Jan-21	31-Dec-20	30-Nov-20
Reserves (USD'm)	502.98	574.26	584.89
Import cover (months)	2.41	2.75	2.80

Sources: MSE, RBM, NSO, AHL

**COVID-19 update**

Cumulative confirmed COVID-19 cases in Malawi stood at 31,675 as at 26<sup>th</sup> February 2021, out of which 12,321 were active. There has been a decrease in daily new infections in recent weeks in the second wave of the disease in the country. Government has since reopened schools since 22<sup>nd</sup> February 2021. Other preventive measures, however, still remain. So far, 18,183 people have recovered while 1,037 have died from the disease (Source: Ministry of Health). Globally, total confirmed cases of COVID-19 amounted to 113.14m, with recoveries of more than 63.86m and 2.51m deaths as at 26<sup>th</sup> February 2021 (Source: Johns Hopkins University and Medicine). The rollout of vaccines across the globe is expected to control the pandemic. In Malawi, rollout is expected in March 2021.