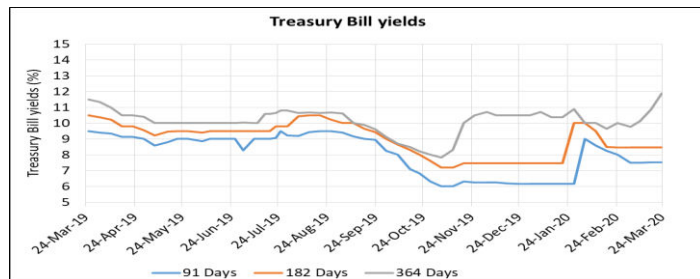


COVID-19 update

The novel coronavirus disease (COVID-19) continues to spread across the globe since it was first discovered in China in December 2019. As at 27th March 2020, there have been more than 509,164 confirmed cases of COVID-19 worldwide with more than 133,059 recoveries and 23,335 deaths. This is more than double the 234,073 confirmed cases and 9,840 deaths recorded on Friday the previous week (Source: World Health Organisation). The pandemic is expected to have adverse impact on the global economic growth for 2020 as business confidence, financial markets, and supply chains continue to be heavily disrupted by uncertainties as well as the implementation of the various prevention measures that countries have effected, including travel restrictions and lockdowns. For Malawi, restrictions and a possible lockdown are a threat to the economic stability the country has achieved so far, especially in a fragile political environment. Inflation rate, exchange rate, interest rates and the stock market could all be adversely impacted as has been the case in other countries like Nigeria and South Africa. Banking institutions could face a liquidity squeeze and a downgrade of assets as business activity slows down across the country.

Government securities

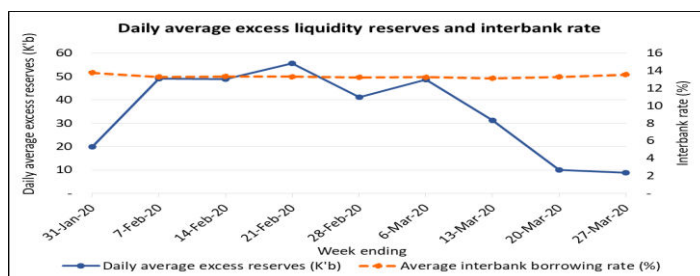
Government raised K7.04b during the week's auction for Treasury Bills (TB) against an offered amount of K9.53b. The auction registered a rejection rate of 11.18%. In the previous week, K5.55b was raised against an offer for subscription of K9.53b. The all-type average TB yield increased to 9.2826% from 8.9382% in the previous week due to an increase in the 364-day yield to 11.8864% from 10.8477% while the 91-day yield slightly decreased to 7.5058% from 7.5114% and the 182-day yield was stable at 8.4556%. For the past three consecutive weeks, there has been no subscription for the 182-days TB (Source: RBM).



There was also a primary auction for a 7-year Treasury Note (TN) during which K34.07b was raised. This brings the total amount raised from auctions of Government securities during the week to K41.11b. The average yield the 7-year TN attracted was 19.06%, up from 17.36% on 7th January 2020. Maturities of Government securities for the week amounted to K16.83b, resulting in a net withdrawal of K24.28b from the market, compared to a net injection of K4.80b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Daily excess reserves averaged K8.81b, lower than K9.96b recorded in the previous week. Consequently, borrowing on the interbank market decreased to an average of K13.74b per day from K15.45b per day in the previous week and the average interbank borrowing rate increased to 13.56% from 13.29%. Borrowing on the Lombard Facility increased to an average of K9.98b per day from K4.98b per day in the preceding week. The Lombard rate was constant at 13.90% (Source: RBM).



Foreign exchange market developments

The Kwacha was stable at 736.5803 per USD during the week, appreciated against ZAR by 0.14% and depreciated against GBP and EUR by 1.64% and 1.38%, respectively. Most major currencies have been volatile recently due to uncertainties associated with the coronavirus pandemic. Gross official foreign exchange reserves were last recorded at USD765.30m (3.70 months of import cover) on 31st January 2020, a decrease from USD846.55m (4.05 months of import cover) recorded on 31st December 2019 (Source: RBM).

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) marginally lost by 0.13% to close the week at 28,902.32 points from 28,940.04 points recorded in the previous week. The loss was due to marginal share price losses in AIRTEL, FMBCH, NICO and TNM which outweighed a marginal share price gain in NBM. A total of 9,911,718 shares were traded at a consideration of K200.52m in 64 trades compared to 1,589,060 shares traded at a consideration of K44.94m in 44 trades in the previous week. This represents a more than fivefold increase in traded volume and a more than threefold increase in traded value. The year-to-date return on MASI stands at -4.46% compared to -5.32% in the corresponding period in 2019 (Source: MSE).

Published financial results

Company	2019 PAT (K'b)	Movement	2018 PAT (K'b)
Ecobank Ltd	7.097	42%	5.011
MPICO Plc	7.598	12%	6.782

Stock market			
	27-Mar-20	% Δ	20-Mar-20
MASI	28,902.32	↓ -0.13%	28,940.04
DSI	23,629.86	↓ -0.06%	23,643.19
FSI	2,612.83	↓ -0.94%	2,637.60
Traded volume	9,911,718	↑ 523.75%	1,589,060
Number of trades	64	↑ 45.45%	44
Value of shares traded (K'm)	200.52	↑ 346.19%	44.94
Market capitalisation (K'm)	1,505,360.48	↓ -0.13%	1,507,355.77
Gainers			
	Closing price (K)	% Δ	Opening price (K)
NBM	540.01	↑ 0.002%	540.00
Losers			
	Closing price (K)	% Δ	Opening price (K)
AIRTEL	17.50	↓ -0.34%	17.56
FMBCH	46.50	↓ -1.06%	47.00
NICO	48.49	↓ -0.02%	48.50
TNM	22.04	↓ -0.05%	22.05
Treasury Bill auctions			
	24-Mar-20	% pts Δ	17-Mar-20
Amount offered - cost value (K'm)	9,531.00	→ 0.00%	9,531.00
Applied - cost value (K'm)	7,928.15	↑ 42.82%	5,551.26
Allotted - cost value (K'm)	7,041.94	↑ 26.85%	5,551.26
Overall rejection rate	11.18%	↑ 11.18%	0.00%
91 days yield	7.5058%	↓ -0.07%	7.5114%
182 days yield	8.4556%	→ 0.00%	8.4556%
364 days yield	11.8864%	↑ 1.04%	10.8477%
All-type yield	9.2826%	↑ 0.34%	8.9382%
Treasury Note auctions			
	24-Mar-20	10-Mar-20	18-Feb-20
Tenor	7 Years	2 Years	5 Years
Coupon rate	13.50%	10.00%	10.50%
Amount offered - cost value (K'b)	34.07	26.59	31.36
Applied - cost value (K'b)	37.46	57.63	32.51
Allotted - cost value (K'b)	34.07	26.59	31.36
Allotted - weighted average ytm	19.08%	12.38%	15.55%
Current yields for Treasury Notes			
	Last auction's yield	Last auction	Next auction
2-year	12.38%	10-Mar-20	19-May-20
3-year	13.27%	21-Jan-20	7-Apr-20
5-year	15.55%	18-Feb-20	14-Apr-20
7-year	19.08%	24-Mar-20	2-Jun-20
10-year	17.47%	4-Feb-20	21-Apr-20
Upcoming Treasury Note auctions			
	Auction date	Tenor	Amount (K'b)
	7-Apr-20	3	32.62
	14-Apr-20	5-year Development Bond	21.00
	21-Apr-20	10	8.86
	5-May-20	5	44.11
	19-May-20	2	34.09
	2-Jun-20	7	20.07
	16-Jun-20	3	27.48
Projected maturities			
	Week ending	20-Mar-20	27-Mar-20
TBs, PNs & TNs (K'm)	11,055	16,831	41,858
OMO (K'm)	0	0	14,731
Reference rate			
	Mar-20	% pts Δ	Feb-20
Rate	13.30%	↓ -0.10	13.40%
Inflation rate			
	Feb-20	% pts Δ	Jan-20
Rate	11.0%	↓ -0.1	11.1%
Indicative opening mid exchange rates			
	27-Mar-20	% Δ	20-Mar-20
USD	736.5803	→ 0.00%	736.5803
GBP	873.2159	↓ 1.64%	859.1473
ZAR	42.4344	↑ -0.14%	42.4958
EUR	803.6091	↓ 1.38%	792.7077
Gross official foreign exchange reserves position			
	31-Jan-20	31-Dec-19	30-Nov-19
Reserves (USD'm)	765.30	846.55	603.82
Import cover (months)	3.70	4.05	2.89

(Sources: MSE, RBM, NSO)

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.