

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) gained by 0.02% during the week to close at 28,983.53 points from 28,976.74 points registered in the previous week. The increase was on account of a share price gain in TNM. The volume of shares traded on the market decreased by 76.15% to 4,941,675 from 8,177,077 the previous week, and the value of the shares traded decreased by 76.54% to K0.27b from K1.14b the previous week. The year-to-date return on the MASI stands at 34.16%, lower than 62.14% recorded during the corresponding period in 2017. There were no trades on the listed bond market - no bond on MSE has ever been traded since its listing (*Source: MSE*).

Government securities auctions

Government raised a total of K2.94b through auctions for Treasury Bills (TB) and a 7-year Treasury Note (TN). Maturities for the week amounted K28.45b, resulting in a net injection of K25.51b. Applications for TBs during the week amounted K4.62b but K2.84b was allotted resulting in a 38.55% rejection. The 7 year TN attracted an application of K0.1 (cost value: K0.07b), which was allotted at a weighted average yield to maturity (YTM) of 24.00% (*Source: RBM*).

Yields for the 91-day and 182-day TB slightly increased by 0.02% and 0.04% respectively during the week. The 364-day TB yield was steady at 14% (*Source: RBM*). Looking forward, yields on Government securities could continue to face a downward pressure due to the growing debate about high interest rates in Malawi. A bill on interest rate capping was discussed in Parliament on 13th December 2018 during which a committee was constituted and tasked to conduct further consultations on the matter.

Interbank market activity

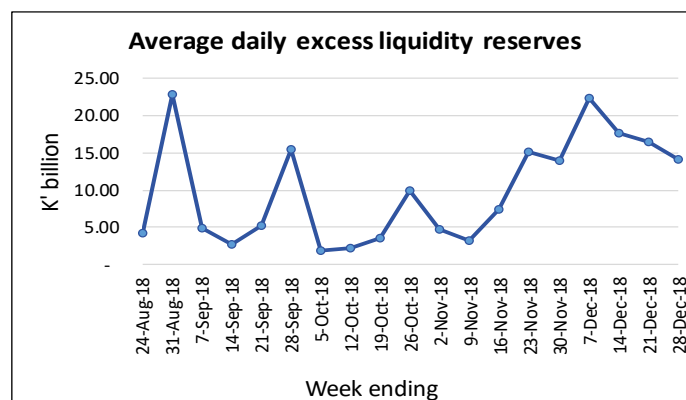
Liquidity levels in the market decreased during the week, with excess liquidity reserves averaging K14.08b per day compared to an average of K16.48b per day in the previous week. The average overnight interbank rate slightly increased to 14.37% from 14.34% for the previous week. The volume traded on the interbank market increased by 89% to a daily average of K15.95b from K8.44b per day the previous week. Access to the Lombard Facility was at K8.35b during the week at the Lombard rate of 18.00%. RBM raised K16.36b through Open Market Operations (OMOs) conducted during the week (*Source: RBM*).

Foreign exchange market developments

During the week, Kwacha appreciated against the USD and ZAR but depreciated against the EUR and GBP. The indicative middle rate for USD/MWK closed the week at 729.1757 from 729.5068 recorded as at the end of the previous week. Gross official forex reserves stood at USD631.21m (3.04 months of import cover) on 30th November 2018, a decrease of 6% from USD669.92m (3.20 months of import cover) reported on 31st October 2018 (*Source: RBM*).

Stock market				
	28-Dec-18	% Δ		21-Dec-18
MASI	28,983.53	↑ 0.02%		28,976.74
DSI	21,318.07	↑ 0.03%		21,311.87
FSI	5,265.12	→ 0.00%		5,265.12
Traded volume	4,941,675	↓ -76.15%		20,717,107
Number of trades	30	↓ -55.88%		68
Value of shares traded (K'b)	0.27	↓ -76.54%		1.14
Market capitalisation (K'b)	1,284.71	↑ 0.02%		1,284.40
Gainers				
TNM	28.00	↑ 0.11%		27.97
Losers				
None				
Treasury Bill auctions				
	27 & 27 Dec 2018	% pts Δ		18, 19, 20 & 21 Dec 2018
91 days yield	11.42%	↑ 0.02		11.40%
182 days yield	13.54%	↑ 0.04		13.50%
364 days yield	14.00%	→ 0.00		14.00%
All-type yield	12.99%	↑ 0.02		12.97%
Applied - cost value (K'm)	4,624.12	↓ -58.10%		11,034.79
Allotted - cost value (K'm)	2,841.66	↓ -74.25%		11,034.79
Overall rejection rate	38.55%	↑ 38.55		0.00%
Treasury Note auctions				
	28-Dec-18	27-Dec-18		21-Dec-18
Tenor	7 Years	7 Years		5 Years
Applied for - face value (K'b)	0.10	0.00		10.00
Allotted - face value (K'b)	0.10	0.00		10.00
Allotted - cost value (K'b)	0.07	0.00		8.50
Allotted - weighted average ytm	24.00%	-		20.50%
Projected maturities				
Week ending	28-Dec-18	21-Dec-18		14-Dec-18
TBs, PNs & TNs (K'm)	6,521	7,668		8,652
OMO (K'm)	21,930	21,164		7,618
Inflation				
	Nov-18	% pts Δ		Oct-18
Rate	10.10%	↑ 0.40		9.70%
RBM indicative mid exchange rates				
	28-Dec-18	% Δ		21-Dec-18
USD	729.1757	↑ -0.05%		729.5068
GBP	923.1364	↓ 0.07%		922.5343
ZAR	50.3905	↑ -0.96%		50.8775
EUR	835.0520	↓ 0.05%		834.6287
Gross official foreign exchange reserves position				
	30-Nov-18	31-Oct-18		28-Sep-18
Reserves (USD'm)	631.21	669.92		727.63
Import cover (months)	3.04	3.20		3.48

(Sources: MSE, RBM, NSO, TCC)



(Source: RBM)

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.