INVESTMENT BANK

Weekly update – 28th February 2020

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) gained by 2.81% to close the week at 29,162.28 points from 28,364.98 points recorded in the previous week, due to share price gains in AIRTEL, MPICO and SUNBIRD which outweighed share price losses in ILLOVO and TNM. There were no price movements in the rest of the companies registered on the MSE. A total of 5,785,592 shares were traded at a consideration of K195.28m in 72 trades compared to 1,009,160 shares traded at a consideration of K41.15m in 56 trades in the previous week. This represents increases of 473.31% and 374.53% in traded volume and value, respectively. The year-to-date return on the MASI stands at -3.60% compared to -4.47% in a corresponding period in 2019 (Source: MSE).

Corporate news

Airtel Malawi Plc was listed on the MSE on Monday 24th February 2020 at the IPO price of K12.69. This brings the total number of equity listed companies on MSE to 15. During the week, Airtel's lowest trading share price was K14.00, highest was K17.99 and closing price was K17.62 (Source: MSE).

Illovo Sugar Malawi Plc expects its profit after tax for the half year ending 29th February 2020 to be lower than the previous corresponding period by at least 70%. This is mainly due to a decrease in domestic sugar sales volumes caused by an influx of illegally imported sugar (Source: Illovo).

Published financial results for 2019			
	2019 PAT (K'b)	Movement	2018 PAT (K'b)
FDH Bank Ltd	7.846	32%	5.965
First Discount House Ltd	2.241	99%	1.125
FDH Financial Holdings Ltd	11.270	44%	7.820
NBS Bank Plc	4.458	162%	1.699

Government securities

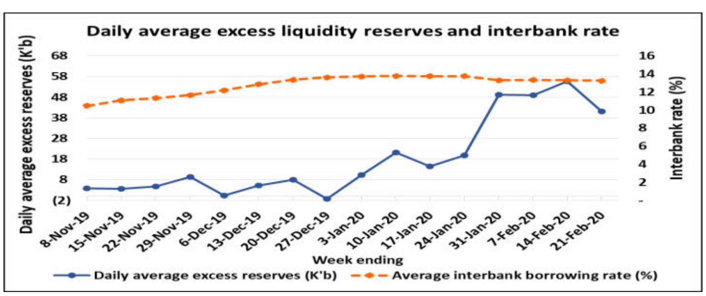
Government raised K8.41b from an auction for Treasury Bills (TB) during the week compared to K5.41b raised in the previous week. The auction registered a rejection rate of 66.48%. The all-type average TB yield slightly increased to 8.82% from 8.79% in the previous week due an increase in the 364-day yield to 10.00% from 9.65% while the 91-day and 182-day yields decreased to 8.00% and 8.46%, from 8.25% and 8.45%, respectively, in the preceding week (Source: RBM).

During the week, there were also reverse repos for a 2-year Treasury Note (TN) with 193 days to maturity and a 5-year TN with 213 days to maturity. The TNs traded at clean prices of 102.5078 and 103.9486, respectively. A total of K4.00b was allotted during the reverse repos (Source: RBM).

Total maturities of Treasury securities for the week amounted to K15.47b, resulting in a net injection of K11.06b into the market, compared to a net withdrawal of K33.25b in the previous week (Source: RBM).

Interbank market activity

Liquidity levels decreased in the market during the week, with daily excess reserves averaging K41.15b from an average of K55.72b in the previous week. Consequently, borrowing on the interbank market increased to an average of K8.94b per day from K6.38b per day in the previous week and the average interbank borrowing rate decreased to 13.25% from 13.31%. Borrowing on the Lombard Facility amounted to K25.57b during the week compared to K34.35b in the preceding week. The Lombard rate was constant at 13.90% (Source: RBM).



Stock market			
	28-Feb-20	% Δ	21-Feb-20
MASI	29,162.28	2.81%	28,364.98
DSI	23,506.15	3.12%	22,795.19
FSI	3,046.35	0.00%	3,046.35
Traded volume	5,785,592	473.31%	1,009,160
Number of trades	72	28.57%	56
Value of shares traded (K'm)	195.28	374.53%	41.15
Market capitalisation (K'm)	1,519,742.06	13.48%	1,339,272.52
Gainers	**Closing price (K)**	**% Δ**	**Opening price (K)**
AIRTEL	17.62	25.86%	14.00
MPICO	22.08	0.36%	22.00
SUNBIRD	120.00	1.695%	118.00
Losers	**Closing price (K)**	**% Δ**	**Opening price (K)**
ILLOVO	111.00	-14.62%	130.00
TNM	22.05	-0.23%	22.10
Projected maturities			
Week ending	21-Feb-20	28-Feb-20	Feb-20
TBs, PNs & TNs (K'm)	3,515	15,468	39,761
OMO (K'm)	0	0	25,672
Treasury Note auctions			
Date	18-Feb-20	4-Feb-20	21-Jan-20
Tenor	5 Years	10 Years	3 Years
Coupon rate	10.50%	15.50%	9.00%
Amount offered -cost value (K'b)	31.36	8.13	29.37
Applied for - face value (K'b)	38.02	0.00	35.77
Allotted- face value (K'b)	36.61	0.00	22.07
Allotted - cost value (K'b)	31.36	0.00	20.34
Allotted - weighted average ytm	15.55%		13.27%
Treasury Bill auctions			
Auction date	25-Feb-20	% pts Δ	18-Feb-20
Amount offered -cost value (K'm)	8,415.00	55.40%	5,415.00
Applied for - cost value (K'm)	25,106.52	-18.81%	30,924.68
Alloted - cost value (K'm)	8,414.86	55.40%	5,414.83
Overall rejection rate	66.48%	-16.01	82.49%
91 days yield	8.00%	-0.25	8.25%
182 days yield	8.46%	-0.02	8.48%
364 days yield	10.00%	0.35	9.65%
All-type yield	8.82%	0.03	8.79%
Current yields for Treasury Notes			
Tenor	Last auction's yield	Last auction	Next auction
2- year	12.27%	17-Dec-19	TBA
3-year	13.27%	21-Jan-20	TBA
5-year	15.55%	18-Feb-20	TBA
7-year	17.36%	7-Jan-20	TBA
10-year	17.47%	4-Feb-20	TBA
Reverse repos			
Date	ISIN	Alloted - face value (K'm)	Clean price
24-Feb-20	TN02YR040920	3,000.00	102.5078
24-Feb-20	TN05YR240920	1,000.00	103.9486
Reference rate			
	Feb-20	% pts Δ	Jan-20
Rate	13.40%	0.30	13.10%
Inflation rate			
	Jan-20	% pts Δ	Dec-19
Rate	11.1%	-0.4	11.5%
RBM indicative mid exchange rates			
	28-Feb-20	% Δ	21-Feb-20
USD	736.5803	0.00%	736.5803
GBP	952.3983	0.29%	949.5993
ZAR	48.1548	-1.14%	48.7089
EUR	803.4618	1.08%	794.8438
Gross official foreign exchange reserves position			
	31-Dec-19	30-Nov-19	31-Oct-19
Reserves (USD'm)	846.55	603.82	601.80
Import cover (months)	4.05	2.89	2.88

(Sources: MSE, RBM, NSO)

Foreign exchange market developments

The Kwacha was stable at 736.5803 per USD during the week, but appreciated against ZAR by 1.14% and depreciated against GBP and EUR by 0.29% and 1.08%, respectively. Gross official foreign exchange reserves were last recorded at USD846.55m (4.05 months of import cover) on 31st December 2019, an increase from USD603.82m (2.89 months of import cover) recorded on 30th November 2019 (Source: RBM).

CDH House, 5 independence Drive, PO Box 1444, Blantyre, Malawi I http://www.cdh-malawi.com I Email: ckamamkhudza@cdh-malawi.com I Tel: +265 (0) 1 821 300; Fax: +265 (0) 1 822 826