

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

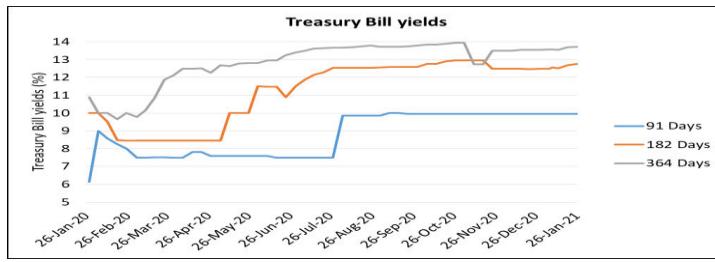
The Malawi All Share Index (MASI) registered a marginal gain of 0.01% to close the week at 32,988.58 points from 32,986.31 points in the previous week due to a share price gain in FMBCH which offset losses in ILLOVO and NBS. The market traded a total of 382,553 shares at a consideration of K8.18m in 19 trades during the week. The year-to-date return on MASI stands at 1.84% compared to -3.75% for the same period in 2020 (Source: MSE).

**Corporate news**

National Bank of Malawi Plc expects its profit after tax for the year ended 31<sup>st</sup> December 2020 to be at least 20% higher than the profit recorded during the previous corresponding period.

**Government securities**

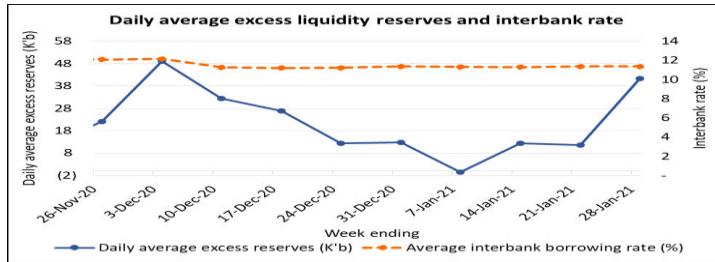
Government raised K17.80b during the week's auction for Treasury Bills (TBs) compared to K9.14b raised in the previous week. The auction registered no rejection on the submitted bids. The all-type average TB yield slightly increased to 12.15% from 12.12% in the previous week due to increases in the 182-day and 364-day yields to 12.76% and 13.73%, respectively, from 12.70% and 13.70% in the previous week. The 91-day yield was stable at 9.95% (Source: RBM).



During the week, K64.94b was also raised by Government through auctions of 2-year, 3-year, 5-year and 7-year Treasury notes (TN) at average yields of 16.50%, 18.69%, 19.94% and 20.00%, respectively. Maturities of Government securities for the week amounted to K15.55b. There were also OMO reverse repo auctions of K90.30b and maturities of K7.03b during the week, resulting in a net injection of K16.08b into the market, compared to a net withdrawal of K39.21b in the previous week (Source: RBM).

**Market liquidity and interbank market activity**

Average daily excess liquidity reserves increased to K41.27b from K11.49b recorded the previous week. Interbank borrowing for the week amounted to K86.80b compared to K45.50b in the previous week. The average interbank borrowing rate was stable at 11.37%. Borrowing on the Lombard Facility decreased to K5.65b from K21.70b in the previous week, at a fixed rate of 12.20% (Source: RBM).


**Foreign exchange market developments**

The Kwacha remained stable against the USD, closing the week at K771.2035 per USD. The Kwacha, however, appreciated against EUR and ZAR by 0.51% and 1.25%, respectively, and depreciated against GBP by 0.11%. Gross official forex reserves were last recorded at USD574.26m (2.75 months of import cover) on 31<sup>st</sup> December 2020 from USD584.89m (2.80 months of import cover) recorded on 30<sup>th</sup> November 2020 (Source: RBM). The reserves are below the recommended minimum of 3 months of import cover.

**COVID-19 update**

Cumulative confirmed COVID-19 cases in Malawi stood at 23,020 as at 29<sup>th</sup> January 2021, out of which 14,352 are active. The country continues to register high levels of daily new infections in the second wave which has forced Government to enforce strict preventive measures. So far, 7,815 people have recovered while 643 have died from the disease (Source: Ministry of Health). Globally, total confirmed cases of COVID-19 amounted to 101.56m, with recoveries of more than 56.15m and 2.19m deaths as at 29<sup>th</sup> January 2021 (Source: Johns Hopkins University and Medicine). The rollout of vaccines for COVID-19 is expected to control the pandemic. In Malawi, Government has announced that it will rollout the vaccines in March 2021, with health workers and people with opportunistic conditions prioritized.

**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			
29-Jan-21		% Δ	22-Jan-21
MASI	32,988.58	0.01%	32,986.31
DSI	28,090.02	-0.004%	28,091.11
FSI	1,613.58	0.25%	1,609.62
Traded volume	382,553	-6.86%	410,723
Number of trades	19	-36.67%	30
Value of shares traded (K'm)	8.18	-3.89%	8.51
Market capitalisation (K'm)	1,792,930.12	0.04%	1,792,263.22
Gainers	Closing price (K)	% Δ	Opening price (K)
FMBCH	27.08	0.30%	27.00
Losers	Closing price (K)	% Δ	Opening price (K)
ILLOVO	80.47	-0.01%	80.48
NBS	20.47	-0.05	20.49
Treasury Bill auctions			
Auction date	19-Jan-21	% pts Δ	19-Jan-21
Amount offered -cost value (K'm)	22,280.00	0.00%	22,280.00
Applied - cost value (K'm)	17,803.89	95.06%	9,127.50
Allotted - cost value (K'm)	17,803.89	94.87%	9,136.06
Overall rejection rate	0.00%	0.09	-0.09%
91 days yield	9.95%	0.00%	9.95%
182 days yield	12.76%	0.47%	12.70%
364 days yield	13.73%	0.24%	13.70%
All-type yield	12.15%	0.25%	12.12%
Treasury Note auctions			
Auction date	28-Jan-21	7 years	12-Jan-21
Tenors	2, 3, 5 & 7 years	2, 3, 5 & 7 years	7 years
Coupon rate	10%, 11%, 12.5% & 13.5%	10%, 11%, 12.5% & 13.5%	13.50%
Amount offered -cost value (K'b)	64.94	55.58	30.16
Total applied - cost value (K'b)	64.94	53.28	1.45
Allotted - weighted average ytm	16.5%, 18.69%, 19.94% & 20%	16.5%, 18.56%, 19.97% & 20%	20.00%
Current yields for Treasury Notes			
Tenor	Last auction's yield	Last auction	Next auction
2-year	16.50%	28-Jan-21	TBA
3-year	18.69%	28-Jan-21	2-Feb-21
5-year	19.94%	28-Jan-21	TBA
7-year	20.00%	28-Jan-21	TBA
10-year	22.50%	22-Dec-20	16-Feb-21
Upcoming Treasury Note auctions			
Auction date	Tenor	Amount (K'b)	Previous coupon rate
2-Feb-21	3	47.76	11.00%
16-Feb-21	10	10.64	15.00%
Projected maturities			
Week ending	29-Jan-21	5-Feb-21	12-Feb-21
TBs, PNs & TNs (K'm)	15,550	34,981	7,613
OMO repos (K'm)	0	0	0
OMO reverse repos (K'm)	7,028	0	18,800
Reference rate			
Rate	Jan-21	% pts Δ	Dec-20
	12.10%	-0.20	12.30%
Inflation rate			
Rate	Dec-20	% pts Δ	Nov-20
	7.6%	0.3	7.3%
Indicative opening mid exchange rates			
USD	29-Jan-21	% Δ	22-Jan-21
GBP	771.2035	0.00%	771.2035
EUR	105.73200	0.11%	1056.1632
EUR	933.5418	-0.51%	938.3233
ZAR	50.6944	-1.25%	51.3342
Gross official foreign exchange reserves position			
Reserves (USD'm)	31-Dec-20	30-Nov-20	31-Oct-20
Import cover (months)	574.26	584.89	635.05
	2.75	2.80	3.04

Sources: MSE, RBM, NSO, AHL

**Monetary policy**

The Monetary Policy Committee held its first meeting of 2021 on 25<sup>th</sup> and 26<sup>th</sup> January, during which they decided to maintain the Policy rate at 12.0%, the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75% and the Lombard rate at 20 basis points above the Policy rate (12.2%). The decision is meant to allow the impact of the November 2020 Policy rate reduction to transmit through the economy and to support economic recovery in the wake of the second wave of COVID-19 (Source: RBM).

