

COVID-19 update

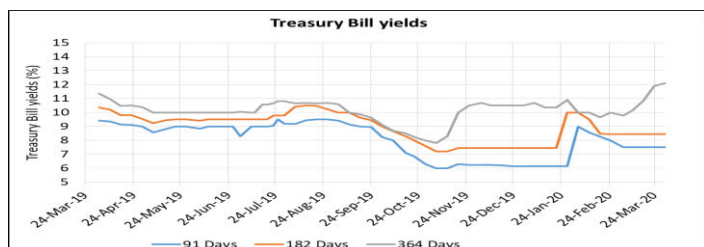
Malawi confirmed its first three cases of Coronavirus disease (COVID-19) on 2nd April 2020 and a fourth one on 4th April 2020. With the confirmation, President Mutharika has announced more measures to contain the spread of the virus, namely: all offices to work in shifts expect those working in essential services; suspension of formal meetings and gatherings; waiving of non-tourism levy to support the tourism industry; the Malawi Revenue Authority to open up a voluntary compliance window for six months to allow payment of tax arrears and obligations in installments without penalty; reduction of fuel prices to reduce transport costs; reduction of fees and charges on all electronic money transactions; provision of a special fund to ADMARC to buy agricultural produce at competitive prices; and the establishment of a relief fund through which donations supporting the fight against COVID-19 can be made. The President has also directed Ministry of Agriculture to ensure that Auction Holdings Ltd functions normally to operate the tobacco marketing season and protect tobacco farmers. Globally, since the disease was discovered in December 2019, there have been more than 1,083,084 confirmed cases of COVID-19 with more than 225,422 recoveries and 50,322 deaths as at 3rd April 2020 (Source: Johns Hopkins University). Countries continue to implement various prevention measures - many have enforced lockdowns. The pandemic is expected to have adverse impact on global economic growth for 2020 as business confidence, financial markets and supply chains continue to be disrupted.

Monetary policy

The Monetary Policy Committee (MPC) met on 1st April 2020 to review the macroeconomic situation in the wake of the COVID-19 pandemic. During the meeting, the MPC reduced the Liquidity Reserve Requirement (LRR) on domestic currency deposits to 3.75% from 5.0% and the Lombard Rate to 13.7% from 13.9%. The Policy rate was, however, maintained at 13.5%. The decisions were deemed necessary to mitigate potential liquidity challenges that might ensue in the banking system with the COVID-19 pandemic (Source: RBM).

Government securities

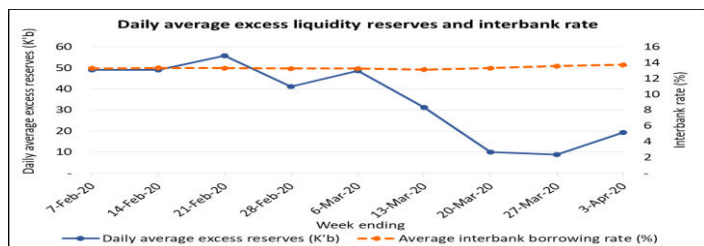
Government raised K9.53b during the week's auction for Treasury Bills (TB) against an offered amount of K9.53b. The auction registered a rejection rate of 47.33%. In the previous week, K7.04b was raised against an offer for subscription of K9.53b. The all-type average TB yield increased to 9.36% from 9.28% in the previous week due to an increase in the 364-day yield to 12.11% from 11.89% while the 91-day yield slightly decreased to 7.50% from 7.51% and the 182-day yield was stable at 8.456%. For the past four consecutive weeks, there has been no subscription for the 182-days TB (Source: RBM).



During the week, there was also a reverse auction to repurchase some Government securities. Treasury Notes worth a total of K7.34b were repurchased from the market. Maturities of Government securities for the week amounted to K10.69b, resulting in a net injection of K8.89b into the market (Source: RBM).

Market liquidity and interbank market activity

Liquidity conditions improved during the week – average daily excess reserves increased to K19.26b compared to K8.81b recorded in the previous week. Borrowing on the interbank market increased to an average of K15.77b per day from K13.74b per day in the previous week and the average interbank borrowing rate increased to 13.71% from 13.56%. Borrowing on the Lombard Facility increased to an average of K19.18b per day from K9.98b per day in the preceding week. The Lombard rate was constant at 13.90% (Source: RBM).



Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) gained by 0.95% to close the week at 29,176.06 points from 28,902.32 points recorded in the previous week. The gain was due to share price gains in ICON, MPICO, NICO, NITL, STANDARD and TNM which outweighed share price losses in FMBCH and ILLOVO. A total of 6,280,965 shares were traded at a consideration of K726.20m in 68 trades compared to 9,911,718 shares traded at a consideration of K200.52m in 64 trades in the previous week. This represents a decrease of 36.63% in traded volume and a more than twofold increase in traded value. The year-to-date return on MASI stands at -3.56% compared to -5.80% in the corresponding period in 2019 (Source: MSE).

Stock market				
	3-Apr-20		% Δ	27-Mar-20
MASI	29,176.06	↑	0.95%	28,902.32
DSI	24,138.07	↑	2.15%	23,629.86
FSI	2,290.78	↓	-12.33%	2,612.83
Traded volume	6,280,965	↓	-36.63%	9,911,718
Number of trades	68	↑	6.25%	64
Value of shares traded (K'm)	726.20	↑	262.16%	200.52
Market capitalisation (K'm)	1,518,602.97	↑	0.88%	1,505,360.48
Gainers				
	Closing price (K)		% Δ	Opening price (K)
ICON	10.49	↑	0.10%	10.48
MPICO	24.99	↑	11.17%	22.48
NICO	48.50	↑	0.02%	48.49
NITL	95.01	↑	0.01%	95.00
STANDARD	730.02	↑	0.00%	730.00
TNM	25.54	↑	15.88%	22.04
Losers				
	Closing price (K)		% Δ	Opening price (K)
FMBCH	40.00	↓	-13.98%	46.50
ILLOVO	94.50	↓	-14.86%	111.00
Reference rate				
	Apr-20		% pts Δ	Mar-20
Rate	13.20%	↓	-0.10	13.30%
Inflation rate				
	Feb-20		% pts Δ	Jan-20
Rate	11.0%	↓	-0.1	11.1%
Treasury Bill auctions				
	31-Mar-20		% pts Δ	24-Mar-20
Amount offered - cost value (K'm)	9,531.00	→	0.00%	9,531.00
Applied - cost value (K'm)	18,097.47	↑	128.27%	7,928.15
Allotted - cost value (K'm)	9,531.27	↑	35.35%	7,041.94
Overall rejection rate	47.33%	↑	36.16	11.18%
91 days yield	7.50%	↓	-0.08%	7.51%
182 days yield	8.46%	→	0.00%	8.46%
364 days yield	12.11%	↑	0.23	11.89%
All-type yield	9.36%	↑	0.07	9.28%
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)	Last coupon rate
	7-Apr-20	3	32.62	9.00%
	14-Apr-20	5-year Development Bond	21.00	
	21-Apr-20	10	8.86	15.50%
	5-May-20	5	44.11	10.50%
	19-May-20	2	34.09	8.00%
	2-Jun-20	7	20.07	11.50%
	16-Jun-20	3	27.48	9.00%
Reverse Repos - Treasury Notes				
	Date	30-Mar-20	30-Mar-20	30-Mar-20
	ISIN	TN05Y240920	TN05Y240920	TN02YR040920
	Applied - face value (K'm)	11,816.87	8,000.00	2,400.00
	Allotted - face value (K'm)	3,235.35	4,500.00	0.00
	Lowest clean price	102.3183	102.5801	
	Highest clean price	103.2813	103.0653	
Projected maturities				
	Week ending	3-Apr-20	10-Apr-20	17-Apr-20
	TBs, PNs & TNs (K'm)	10,689	9,205	5,637
	OMO (K'm)	0	0	0
Indicative opening mid exchange rates				
	3-Apr-20		% Δ	27-Mar-20
USD	736.4403	↓	-0.02%	736.5803
GBP	911.3449	↓	4.37%	873.2159
EUR	798.5222	↑	-0.63%	803.6091
ZAR	39.6810	↑	-6.49%	42.4344
Gross official foreign exchange reserves position				
	29-Feb-20	31-Jan-20	31-Dec-19	
Reserves (USD'm)	785.31	786.71	846.55	
Import cover (months)	3.76	3.76	4.05	

(Sources: MSE, RBM, NSO)

Foreign exchange market developments

The Kwacha slightly appreciated by 0.02% against USD during the week to close at K736.5803 per USD. The Kwacha also appreciated against EUR and ZAR during the week by 0.63% and 6.49%, respectively. However, it depreciated by 4.37% against GBP. Most major currencies have been volatile in recent weeks due to uncertainties associated with the coronavirus pandemic. Gross official foreign exchange reserves were last recorded at USD785.31m (3.76 months of import cover) on 29th February 2020, a slight decrease from USD786.71m (3.76 months of import cover) recorded on 31st January 2020 (Source: RBM).

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