# Weekly update – 3rd May 2019

## Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) gained by 0.41% to close the week at 27,130.95 points from 27,019.12 points the previous week, on account of shares price gains in NICO, TNM and NBM which outweighed share price losses in BHL and STANDARD. There was no price movement in the rest of the companies. The market registered a 44.63% decrease in the volume of shares traded to 6,678,449 from 12,061,787 and a decrease of 18.96% in the value of traded shares to K1.22b from K1.50b. The year-to-date return on the MASI stands at negative 6.39% compared to 25.44% recorded during a corresponding period in 2018. There was no trade on the listed bond market *(Source: MSE)*.

## Government securities

Government raised a total of K8.05b during an auction for Treasury Bills (TB) during the week, compared to a total of K17.02b that was raised the previous week through auctions for Treasury Bills (K8.69b) and a 7-year Treasury Note (K8.33b). There was no application for the 7-year Treasury Note (TN) during the week under review. Maturities for the week amounted to K15.04b, resulting in a net injection of K6.99b. There were no open market operations during the week *(Source: RBM)*. The all-type average TB yield decreased to 9.65% during the week from 9.81% registered in the preceding week, as the 91-day TB yield decreased to 9.00% from 9.13%, the 182-day TB yield decreased to 9.54% from 9.80% and the 364-day TB yield decreased to 10.39% from 10.49% (*Source: RBM*).

## Interbank market activity

Excess liquidity reserves increased to an average of K3.16b per day during the week from the average of K2.00b per day in the previous week. Consequently, the interbank market volume decreased to an average of K6.30b per day from K7.32b the previous week, and a total of K34.95b was accessed on the Lombard facility during the week compared to a total of K4.80b that was accessed during the preceding week. The average overnight interbank rate significantly increased to the average of 11.03% from 2.87% *(Source: RBM)*.

## Foreign exchange market developments

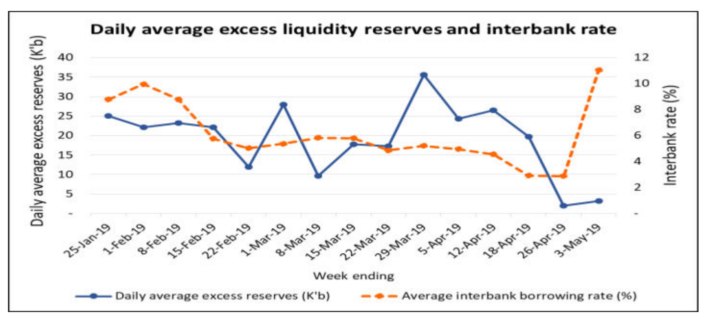
The Kwacha was relatively stable against USD during the week as the indicative USD/MWK middle rate marginally increased to 736.4070 from 736.3522. The Kwacha, however, registered a marginal appreciation against the ZAR and marginal depreciations against GBP and EUR as shown in the table. Gross official forex reserves stood at USD837.49m (4.01 months of import cover) on 28th February 2019, increasing by 6.00% from USD790.28m (3.78 months of import cover) on 31st January 2019 (*Source: RBM*). The generally accepted minimum level of import cover is three months. Looking forward, the Kwacha is expected to firm during the agricultural marketing season due to increased inflow of forex. The tobacco auction market was officially opened on 25th April 2019.

## Monetary Policy

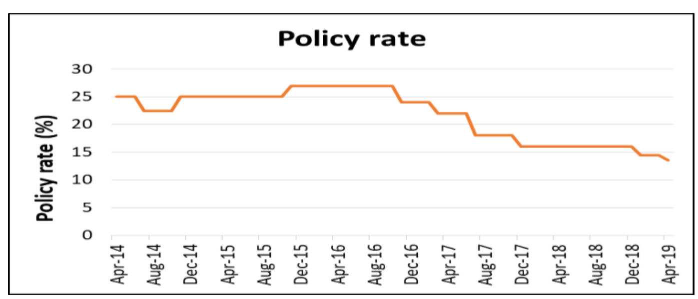
At its second meeting of 2019 held on 2nd and 3rd May 2019, the Monetary Policy Committee (MPC) decided to reduce the Policy Rate from 14.5% to 13.5%. The Committee, however, maintained the Lombard rate at 0.4 percentage points above the Policy Rate, the Liquidity Reserve Requirement (LRR) on local currency deposits at 5% and the LRR on foreign currency deposits at 3.75%. In arriving at this decision, the Committee observed that the positive macroeconomic outlook in 2019 remains firm *(Source: RBM)*.

| Stock market | | | |
|---|---|---|---|
| | **3-May-19** | **% Δ** | **26-Apr-19** |
| MASI | 27,130.95 | 0.41% | 27,019.12 |
| DSI | 20,327.48 | 0.50% | 20,226.58 |
| FSI | 4,521.94 | 0.00% | 4,521.94 |
| Traded volume | 6,678,449 | -44.63% | 12,061,787 |
| Number of trades | 83 | 29.69% | 64 |
| Value of shares traded (K'm) | 1,217.44 | -18.96% | 1,502.34 |
| Market capitalisation (K'm) | 1,281,167.24 | 1.13% | 1,266,874.63 |
| **Gainers** | **Current price (K)** | **% Δ** | **Previous price (K)** |
| NICO | 43.00 | 2.38% | 42.00 |
| TNM | 25.50 | 1.80% | 25.05 |
| NBM | 320.01 | 0.00% | 320.00 |
| **Losers** | **Current price (K)** | **% Δ** | **Previous price (K)** |
| BHL | 12.50 | -3.47% | 12.95 |
| STANDARD | 499.00 | 0.00% | 499.02 |
| **Treasury Bill auctions** | | | |
| **Auction date** | **30-Apr-19** | **% pts Δ** | **23-Apr-19** |
| 91 days yield | 9.00% | -0.13 | 9.13% |
| 182 days yield | 9.54% | -0.26 | 9.80% |
| 364 days yield | 10.39% | -0.10 | 10.49% |
| All-type yield | 9.65% | -0.16 | 9.81% |
| Applied - cost value (K'm) | 19,742.85 | 28.72% | 15,338.38 |
| Alloted - cost value (K'm) | 8,054.67 | -7.27% | 8,686.13 |
| Overall rejection rate | 59.20% | 15.83 | 43.37% |
| **Upcoming Treasury Note auctions** | | | |
| **Tenor** | **Auction date** | **Settlement date** | **Previous auction's yield** |
| 2 years | 28-May-19 | 30-May-19 | 17.32% |
| 3 years | 25-Jun-19 | 27-Jun-19 | 14.77% |
| **Projected maturities** | | | |
| **Week ending** | **3-May-19** | **May-19** | **Apr-19** |
| TBs, PNs & TNs (K'm) | 15,039 | 116,511 | 60,515 |
| OMO (K'm) | 0 | 0 | 5,086 |
| **Inflation** | | | |
| | **Mar-19** | **% pts Δ** | **Feb-19** |
| Rate | 9.30% | 1.40 | 7.90% |
| **RBM indicative mid exchange rates** | | | |
| | **3-May-19** | **% Δ** | **26-Apr-19** |
| USD | 736.4070 | 0.01% | 736.3522 |
| GBP | 961.0848 | 1.18% | 949.8943 |
| ZAR | 51.0539 | -0.31% | 51.2135 |
| EUR | 825.2177 | 0.65% | 819.9282 |
| **Gross official foreign exchange reserves position** | | | |
| | **28-Feb-19** | **31-Jan-19** | **31-Dec-18** |
| Reserves (USD'm) | 837.49 | 790.28 | 755.22 |
| Import cover (months) | 4.01 | 3.78 | 3.61 |

*(Sources: MSE, RBM, NSO)*




*(Source: RBM)*




*(Source: RBM)*



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