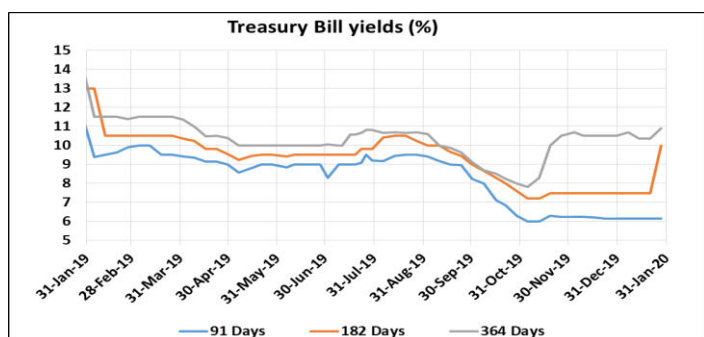


Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) lost by 0.06% to close the week at 28,976.30 points from 28,994.68 points recorded in the previous week due to a share price loss of 8.50% in ILLOVO which outweighed share price gains in MPICO and NBS of 12.82% and 6.13%, respectively. There were no price movements in the rest of the companies registered on MSE. A total of 3,534,137 shares were traded at a consideration of K174.78m in 63 trades compared to 9,060,487 shares traded at a consideration of K164.30m in 63 trades in the previous week. The year-to-date return on the MASI stands at -4.21% compared to -0.60% in the same period in 2019 (Source: MSE).

Government securities

Government raised K7.96b from a Treasury Bill (TB) auction during the week. In the previous week, Government raised the same amount from TBs plus K7.96b from a Treasury Note (TN). There was no auction for TNs during the week. The all-type average TB yield increased to 9.01% from 7.99% in the previous week as the 182-day yield increased to 10.00% from 7.46% and the 364-day yield increased to 10.89% from 10.36% while the 91-day yield was constant at 6.15%. Maturities for the week amounted to K16.48b, resulting in a net injection of K8.52b into the market compared to a net withdrawal of K11.82b in the previous week (Source: RBM).



Interbank market activity

Liquidity levels increased in the market, with daily average excess reserves recorded at K19.87b from an average of K14.59b in the previous week. Consequently, borrowing on the interbank market decreased to an average of K8.33b per day from K10.09b per day in the previous week. The average interbank borrowing rate slightly increased to 13.75% from 13.74%. Borrowing on the Lombard Facility decreased to K37.59b from K73.98b in the preceding week. The Lombard rate was constant at 13.90% (Source: RBM).

Foreign exchange market developments

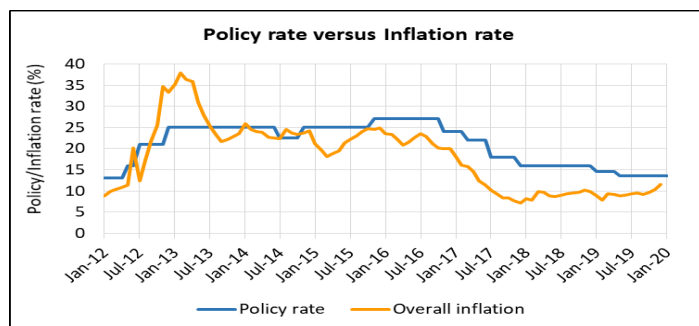
The Kwacha was stable at K736.5198 per dollar during the week and appreciated against GBP, ZAR and EUR by 0.21%, 2.64% and 0.20%, respectively. Gross official foreign exchange reserves were last recorded at USD846.55m (4.05 months of import cover) on 31st December 2019, an increase from USD603.82m (2.89 months of import cover) recorded on 30th November 2019 (Source: RBM).

Monetary policy

The Monetary Policy Committee (MPC) held its first meeting of 2020 on 29th and 30th January 2020. During the meeting, the MPC maintained the Policy rate at 13.5%, 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%. The decision was based on the observation that although rising maize prices are likely to continue pushing up headline inflation in the first quarter of 2020, the elevation is deemed temporary and does not pose significant risks to the medium-term inflation objective of 5%. Inflation is projected to average 8.8% in 2020, and in line with international best practice, RBM has adopted a symmetric band of 2.0 percentage points around the point target. The Policy rate was last adjusted in May 2019 from 14.5% to 13.5% (Source: RBM).

Stock market			
	31-Jan-20	% Δ	24-Jan-20
MASI	28,976.30	↓ -0.06%	28,994.68
DSI	22,903.36	↓ -0.07%	22,919.94
FSI	3,529.41	↓ 0.00%	3,529.41
Traded volume	3,534,137	↓ -60.99%	9,060,487
Number of trades	63	↓ 0.00%	63
Value of shares traded (K'm)	174.78	↓ 6.38%	164.30
Market capitalisation (K'm)	1,368,393.31	↓ -0.06%	1,369,245.25
Gainers			
	Current price (K)	% Δ	Previous price (K)
MPICO	22.00	↑ 12.82%	19.50
NBS	15.92	↑ 6.13%	15.00
Losers			
	Current price (K)	% Δ	Previous price (K)
ILLOVO	140.00	↓ -8.50%	153.00
Projected maturities			
	24-Jan-20	31-Jan-20	Jan-20
TBs, PNs & TNs (K'm)	16,482	16,482	88,113
OMO (K'm)	0	0	25,672
Treasury Note auctions			
	21-Jan-20	7-Jan-20	21-Jan-20
Tenor	3 Years	7 Years	3 Years
Coupon rate	9.00%	11.50%	9.00%
Amount offered - cost value (K'b)	29.37	24.35	29.37
Applied for - face value (K'b)	35.77	16.24	35.77
Allotted - face value (K'b)	22.07	16.24	22.07
Allotted - cost value (K'b)	20.34	12.48	20.34
Allotted - weighted average ytm	13.27%	17.36%	13.27%
Treasury Bill auctions			
	28-Jan-20	% pts Δ	21-Jan-20
Auction date	28-Jan-20		21-Jan-20
Amount offered - cost value (K'm)	7,960.00	↑ 0.00%	7,960.00
Applied - cost value (K'm)	16,488.52	↑ 74.56%	9,445.78
Allotted - cost value (K'm)	7,960.05	↑ 0.00%	7,960.05
Overall rejection rate	51.72%	↓ 35.99	15.73%
91 days yield	6.15%	↓ 0.00	6.15%
182 days yield	10.00%	↓ 2.54	7.46%
364 days yield	10.89%	↓ 0.53	10.36%
All-type yield	9.01%	↓ 1.02	7.99%
Current yields for Treasury Notes			
	Last auction's yield	Last auction	Next auction
Tenor			
2- year	12.27%	17-Dec-19	TBA
3- year	13.27%	21-Jan-20	TBA
5- year	14.45%	4-Dec-19	18-Feb-20
7- year	17.36%	7-Jan-20	TBA
10- year	17.47%	19-Nov-19	4-Feb-20
Upcoming Treasury Note auctions			
	Auction date	Tenor	Amount (K'b)
	4-Feb-20	10	8.13
	18-Feb-20	5	31.36
Reference rate			
	Jan-20	% pts Δ	Dec-19
Rate	13.10%	↑ 0.60	12.50%
Inflation rate			
	Dec-19	% pts Δ	Nov-19
Rate	11.5%	↑ 1.1	10.4%
RBM indicative mid exchange rates			
	31-Jan-20	% Δ	24-Jan-20
USD	736.5198	↓ 0.00%	736.5198
GBP	964.6200	↓ -0.21%	966.6086
ZAR	49.9176	↓ -2.64%	51.2697
EUR	811.8658	↓ -0.20%	813.4861
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)



(Sources: RBM, NSO)

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