INVESTMENT BANK

Weekly update – 4th December 2020

Malawi Stock Exchange (MSE) trading activity

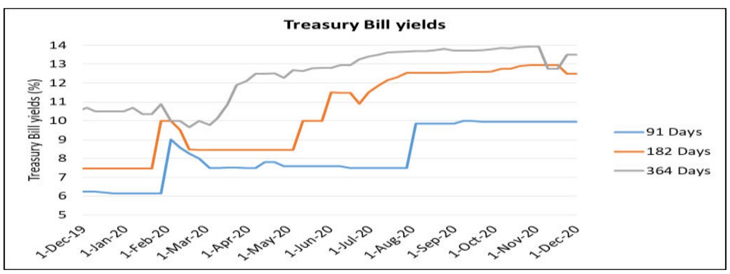
The Malawi All Share Index (MASI) lost by 0.16% to close the week at 31,182.29 points from 31,232.57 points in the previous week due to share price losses in NBM (-0.003%), NBS (-2.97%) and TNM (-0.46%) which outweighed a share price gain in FMBCH of 0.05%. The market traded a total of 136,352,478 shares at a consideration of K2.63b in 30 trades compared to a total of 6,233,221 shares traded at a consideration of K1.16b in 78 trades in the previous week. The year-to-date return on MASI stands at 3.07% compared to 0.80% for the same period in 2019 (Source: MSE).

Corporate news

- NBS Bank Plc expects its profit after tax for the year ending 31st December 2020 to be approximately 25% higher than K4.458b recorded for the corresponding period in 2019.
- ILLOVO Sugar Plc posted a profit after tax of K2.739b during the financial year ended 31st August 2020, representing a decrease of 73% from K10.083b recorded in the previous corresponding period.
- Blantyre Hotels Plc announced the appointment of Mrs Emily Makuta as its Board Chairperson effective 19th November 2020. Mrs Makuta holds a Bachelor of Laws (Hon) degree from University of Malawi and a Master's degree in International Law from University of Warwick. She is a Chartered Secretary with the Institute of Chartered Secretaries and Administrators (UK) and holds an International Diploma in Compliance from Manchester Business School and the International Compliance Association. Her work experience spans through legal practice, governance, compliance and commercial transactions. She is currently the Group Company secretary of NICO Holdings Plc.

Government securities

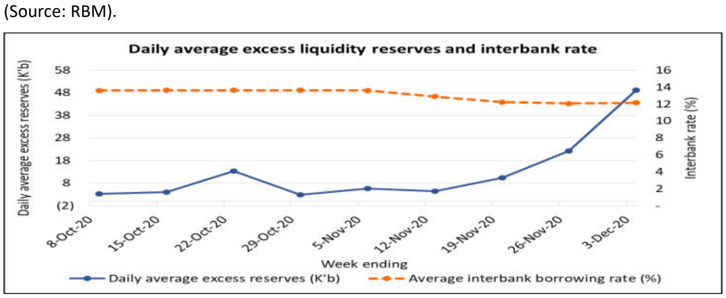
Government raised K12.50b during the week's auction for Treasury Bills (TBs) compared to K3.27b raised in the previous week. The auction registered no rejection on the submitted bids. The all-type average TB yield marginally increased to 11.99% during the week from 11.98% in the previous week due to a marginal increase in the 364-day yield to 13.51% from 13.50%. The 91-day and 182-day yields were stable at 9.95% and 12.50%, respectively (Source: RBM).



Maturities of Government securities for the week amounted to K14.40b and maturities of OMO reverse repos amounted to K27.69b. This resulted in a net withdrawal of K25.79b from the market compared to a net withdrawal of K3.58b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Average daily excess liquidity reserves increased to K49.12b from K22.18b recorded last week. Interbank borrowing for the week increased to an average of K14.42b per day from K10.72b per day in the previous week while the average interbank borrowing rate increased to 12.16% from 12.08% in the previous week. Borrowing on the Lombard Facility increased to an average of K23.65b per day from K16.39b per day in the previous week, at a fixed rate of 12.20% (Source: RBM).



Foreign exchange market developments

The Kwacha depreciated by 0.39% to close the week at K758.3002 per USD. The Kwacha, also depreciated against GBP, EUR and ZAR by 0.96%, 2.27% and 0.49%, respectively. Gross official forex reserves were last recorded at USD635.05m (3.04 months of import cover) on 31st October 2020, representing an increase of 16.10% from USD546.99m (2.62 months of import cover) on 30th September 2020 (Source: RBM).

Stock market			
	4-Dec-20	% Δ	27-Nov-20
MASI	31,182.29	-0.16%	31,232.57
DSI	26,678.69	-0.17%	26,723.82
FSI	1,363.38	0.04%	1,362.89
Traded volume	136,352,478	2087.51%	6,233,221
Number of trades	30	-61.54%	78
Value of shares traded (K'm)	2,629.22	126.03%	1,163.23
Market capitalisation (K'm)	1,694,601.83	-0.16%	1,697,294.78
Gainers	**Closing price (K)**	**% Δ**	**Opening price (K)**
FMBCH	22.03	0.05%	22.02
Losers	**Closing price (K)**	**% Δ**	**Opening price (K)**
NBM	617.66	-0.003%	617.68
NBS	20.29	-2.97%	20.91
TNM	19.30	-0.46%	19.39
Treasury Bill auctions			
Auction date	**1-Dec-20**	**% pts Δ**	**24-Nov-20**
Amount offered -cost value (K'm)	13,190.00	-12.80%	15,127.00
Applied - cost value (K'm)	12,504.26	282.88%	3,265.88
Alloted - cost value (K'm)	12,504.26	282.88%	3,265.88
Overall rejection rate	0.00%	0.00	0.00%
91 days yield	9.95%	0.00%	9.95%
182 days yield	12.50%	0.00%	12.50%
364 days yield	13.51%	0.08%	13.50%
All-type yield	11.99%	0.03%	11.98%
Treasury Note auctions			
Auction date	**24-Nov-20**	**10-Nov-20**	**20-Oct-20**
Tenors	3 years	7 years	5 years
Coupon rate	11.00%	13.50%	12.50%
Amount offered -cost value (K'b)	32.76	30.76	20.25
Total applied - cost value (K'b)	15.78	2.03	11.20
Total allotted - cost value (K'b)	14.71	2.02	3.32
Allotted - weighted average ytm	17.79%	19.95%	19.95%
Current yields for Treasury Notes			
Tenor	**Last auction's yield**	**Last auction**	**Next auction**
2- year	16.46%	4-Aug-20	19-Jan-21
3-year	17.79%	24-Nov-20	2-Feb-21
5-year	19.95%	20-Oct-20	22-Dec-20
7-year	19.95%	10-Nov-20	5-Jan-21
10-year	22.14%	15-Sep-20	8-Dec-20
Upcoming Treasury Note auctions			
Auction date	**Tenor**	**Amount (K'b)**	**Previous coupon rate**
8-Dec-20	10	10.64	15.00%
22-Dec-20	5	24.17	12.50%
5-Jan-21	7	30.16	13.50%
19-Jan-21	2	42.52	10.00%
2-Feb-21	3	47.76	11.00%
16-Feb-21	10	10.64	15.00%
Projected maturities			
Week ending	**4-Dec-20**	**11-Dec-20**	**18-Dec-20**
TBs, PNs & TNs (K'm)	14,402	6,589	3,544
OMO repos (K'm)	0	0	0
OMO reverse repos (K'm)	13,285	0	16,591
Reference rate			
	Nov-20	**% pts Δ**	**Oct-20**
Rate	13.60%	0.00	13.60%
Inflation rate			
	Oct-20	**% pts Δ**	**Sep-20**
Rate	7.5%	0.4	7.1%
Indicative opening mid exchange rates			
	4-Dec-20	**% Δ**	**27-Nov-20**
USD	761.2754	0.39%	758.3002
GBP	1023.9154	0.96%	1014.1507
EUR	924.7974	2.27%	904.2730
ZAR	50.2008	0.49%	49.9549
Gross official foreign exchange reserves position			
	31-Oct-20	**30-Sep-20**	**31-Aug-20**
Reserves (USD'm)	635.05	546.99	642.86
Import cover (months)	3.04	2.62	3.08

Sources: MSE, RBM, NSO, AHL

COVID-19 update

Cumulative confirmed COVID-19 cases in Malawi stood at 6,043 on 4th December 2020. The country continues to register low levels of daily new infections and the economy continues to open. So far, 5,472 people have recovered while 185 have died from the disease. Globally, total confirmed cases of COVID-19 amounted to 65.40m, with more than 42.08m recoveries and 1.51m deaths as at 4th December 2020 (Source: Johns Hopkins University and Medicine). Countries in Europe and the United States of America continue to register a rise in new infections in the second wave of the COVID-19 pandemic. Consequently, most countries in the Eurozone have reinstated some measures. However, there are growing prospects of an effective vaccine.

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