

Malawi Stock Exchange (MSE) trading activity

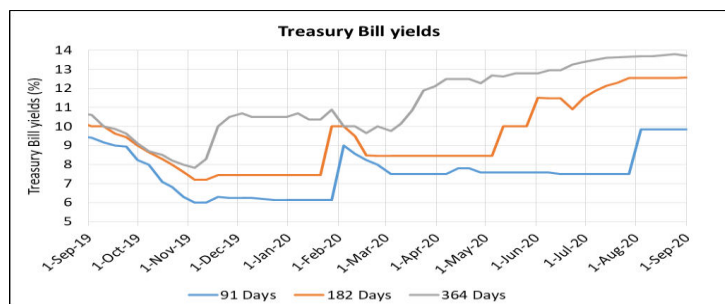
The Malawi All Share Index (MASI) gained by 0.19% to close the week at 31,571.31 points from 31,510.39 points in the previous week due to share price gains in AIRTEL of 5.52% and NICO of 0.02% which outweighed share price losses in FDHB of 0.08%, ILLOVO of 14.81% and TNM of 1.38%. The year-to-date return on MASI stands at 4.36% compared to 1.09% in the same period in 2019 (Source: MSE).

Corporate news

- Airtel Malawi Plc reported a net profit of K11.42b for the half year ended 30th June 2020, representing an increase of 466.30% from K2.02bn registered in June 2019. The increase in profits is mainly attributed to an increase in operating profit and lower finance costs (Source: MSE).
- Old Mutual Group (OMU) reported a net loss of R5.52m for the half year ended 30th June 2020 compared to a net profit of R5.82m reported in the corresponding period in 2019. The loss is attributed to the negative impact of COVID-19 on the group's business and the economies where it operates (Source: OMU).
- ILLOVO Sugar Plc expects its net profit for the year ended 31st August 2020 to be lower than the previous corresponding period by at least 65% (Source: MSE).
- Blantyre Hotels Plc expects to make a loss for the year ending 30th September 2020 which will be more than 200% when compared to the profit reported in the previous corresponding period. The loss is due to negative effects of COVID-19 on the company's business (Source: MSE).

Government securities

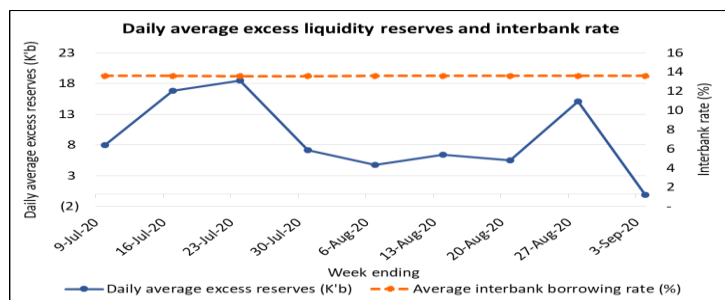
Government raised K8.08b during the week's auction for Treasury Bills (TBs) compared to K2.29b raised in the previous week. The auction registered a rejection rate of 42.55%. The all-type average TB yield slightly decreased to 12.04% from 12.07% in the previous week due to a decrease in the 364-day yield to 13.71% from 13.81% while the 182-day yield increased to 12.57% from 12.55% and the 91-day yield was stable at 9.85% (Source: RBM).



Maturities of Government securities for the week amounted to K24.76b, leading to a net injection of K16.68b into the market compared to a net injection of K4.90b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Average daily excess liquidity reserves decreased to negative K0.08b from K15.05b recorded in the previous week. Average borrowing on the interbank market increased to K12.86b per day from K8.42b per day in the previous week. However, the average interbank borrowing rate was stable at 13.60%. Borrowing on the Lombard Facility decreased to an average of K31.53b per day during the week from K43.87b per day in the preceding week at a fixed rate of 13.70% (Source: RBM).



Foreign exchange market developments

The Kwacha marginally depreciated by 0.03% against USD to close the week at K748.77 per USD from K748.52 per USD at the end of the previous week. The Kwacha also depreciated against GBP and ZAR by 0.09% and 0.90%, respectively. It, however, appreciated against EUR by 0.28%. Gross official forex reserves were last recorded at USD642.86m (3.08 months of import cover) on 31st August 2020, a decrease of 1.31% from USD651.41m (3.12 months of import cover) on 31st July 2020 (Source: RBM). The tobacco selling season closed on 28th August 2020 after 19 weeks. This year the country's main export commodity has raked in USD174.52m compared to USD237.05m in 2019, representing a decrease in value of 26.38%. Tobacco sales volumes have amounted to 113.85m kg, lower than 165.61m kg as at the close of the 2019 season. However, average prices have been higher for 2020 (K1.53/kg) compared to 2019 (K1.43/kg) (Source: AHL).

Stock market				
	4-Sep-20		% Δ	28-Aug-20
MASI	31,571.31	↑	0.19%	31,510.39
DSI	26,948.42	↑	0.20%	26,894.21
FSI	1,460.99	→	0.00%	1,460.99
Market capitalisation (K'm)	1,715,106.24	↑	0.19%	1,711,841.98
Gainers				
	Closing price (K)		% Δ	Opening price (K)
AIRTEL	28.50	↑	5.52%	27.01
NICO	48.00	↑	0.02%	47.99
Losers				
	Closing price (K)		% Δ	Opening price (K)
FDHB	12.89	↓	-0.08%	12.90
ICON	12.69	↓	-0.08%	12.70
ILLOVO	80.50	↓	-14.81%	94.50
TNM	21.50	↓	-1.38%	21.80
Treasury Bill auctions				
Auction date	1-Sep-20		% pts Δ	25-Aug-20
Amount offered - cost value (K'm)	8,081.00	↑	7.67%	7,505.00
Applied - cost value (K'm)	14,069.77	↑	154.20%	5,534.91
Allotted - cost value (K'm)	8,082.89	↑	253.38%	2,287.31
Overall rejection rate	42.55%	↓	-16.12	58.67%
91 days yield	9.85%	→	0.00%	9.85%
182 days yield	12.57%	↑	0.13%	12.55%
364 days yield	13.71%	↓	-0.69%	13.81%
All-type yield	12.04%	↓	-0.22%	12.07%
Treasury Note auctions				
Auction date	18-Aug-20	4-Aug-20		21-Jul-20
Tenors	7 years	2 years		5 years
Coupon rate	13.50%	10.00%		12.50%
Amount offered - cost value (K'b)	25.07	40.88		28.23
Total applied - cost value (K'b)	46.32	28.78		44.01
Total allotted - cost value (K'b)	25.07	21.58		28.26
Allotted - weighted average ytm	20.75%	16.46%		19.82%
Current yields for Treasury Notes				
Tenor	Last auction's yield	Last auction		Next auction
2-year	16.46%	4-Aug-20		tba
3-year	18.00%	30-Jun-20		8-Sep-20
5-year	19.82%	21-Jul-20		tba
7-year	20.75%	18-Aug-20		tba
10-year	21.70%	21-Apr-20		15-Sep-20
Upcoming Treasury Note auctions				
Auction date	Tenor	Amount (K'b)		Coupon rate
8-Sep-20	3	49.73		11.00%
15-Sep-20	10	13.81		tba
Projected maturities				
Week ending	4-Sep-20	11-Sep-20		18-Sep-20
TBs, PNs & TNs (K'm)	24,764	18		5,220
OMO (K'm)	0	0		0
Reference rate				
Rate	Sep-20		% pts Δ	Aug-20
	13.60%	↑	0.20	13.40%
Inflation rate				
Rate	Jul-20		% pts Δ	Jun-20
	8.0%	↓	-0.5	8.5%
Cumulative tobacco sales (end of season)				
Year	2020		% Δ	2019
Volume (Kg)	113,846,927.00	↓	-31.26%	165,611,368.00
Value (USD)	174,519,328.36	↓	-26.38%	237,050,199.67
Average price (USD/Kg)	1.53	↑	6.99%	1.43
Indicative opening mid exchange rates				
	4-Sep-20		% Δ	28-Aug-20
USD	748.7652	↓	0.03%	748.5177
GBP	993.6863	↓	0.09%	992.7590
EUR	886.2385	↑	-0.28%	888.7151
ZAR	44.6033	↓	0.90%	44.2055
Gross official foreign exchange reserves position				
	31-Aug-20	31-Jul-20		30-Jun-20
Reserves (USD'm)	642.86	651.41		682.66
Import cover (months)	3.08	3.12		3.27

Sources: MSE, RBM, NSO, AHL

COVID-19 update

Total confirmed cases of COVID-19 in Malawi stood at 5,593 as at 4th September 2020 from 5,496 as at 28th August 2020. The country has been registering a decrease in new infections in recent weeks. So far, 3,516 have recovered while 175 have died from the disease. Globally, total confirmed cases of COVID-19 amounted to 26.35m, with more than 17.56m recoveries and 870k deaths as at 4th September 2020 (Source: Johns Hopkins University and Medicine). Countries across the world continue to ease restrictions as the curve of new infections flattens. In Malawi, schools and borders are set to start reopening in phases beginning 7th September 2020.

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