

Malawi Stock Exchange (MSE) trading activity

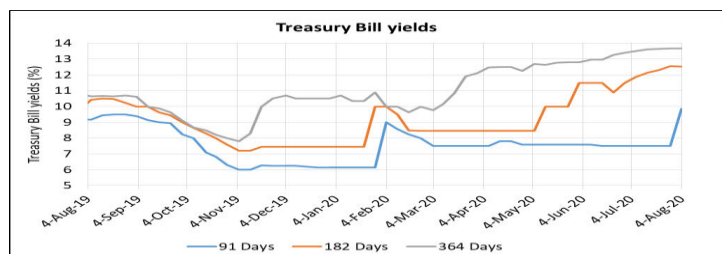
The Malawi All Share Index (MASI) registered a gain of 1.86% to close the week at 30,408.11 points from 29,851.63 points in the previous week due to share price gains in FDHB (49.90%) and STANDARD (0.001%) which outweighed share price losses in NITL (-0.01%) and TNM (-1.92%). There was no share price movement for the rest of the counters. The market traded 4,073,783 shares at a consideration of K80.58m in 70 trades compared to 1,914,260 shares traded at a consideration of K95.14m in 46 trades during the previous week. This represents an increase of 112.81% in traded volume and a decrease of 15.31% in traded value. The year-to-date return on MASI stands at 0.52% compared to 1.13% in the same period in 2019 (Source: MSE).

Corporate news

FDH Bank Plc (FDHB) was listed on the MSE on Monday, 3rd August 2020 at the IPO price of K10.00. This brings the total number of equity-listed companies on MSE to 16. During the week, FDHB's lowest trading share price was K10.00, highest and closing price was K14.99 (Source: MSE).

Government securities

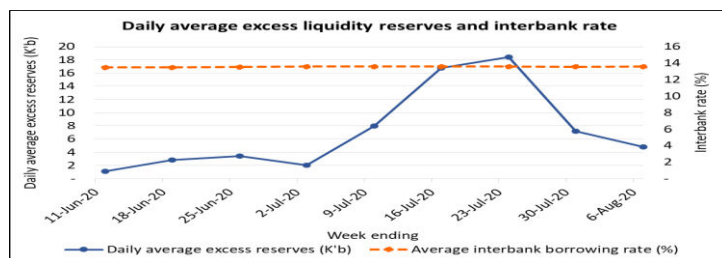
Government raised K7.51b during the week's auction for Treasury Bills (TBs) compared to K7.40b raised in the previous week. The auction registered a rejection rate of 17.90%. The all-type average TB yield increased to 12.03% from 11.24% in the previous week following increases in the 91-day and 364-day yields to 9.85% and 13.68%, respectively, from 7.50% and 13.67% in the previous week. The 182-day yield was stable at 12.54% during the week (Source: RBM).



The Government also raised K21.58b from an auction of a 2-year Treasury Note during the week at a weighted average yield of 16.46%. This brings the total amount raised from auctions of Treasury securities during the week to K29.09b. Maturities of Government securities for the week amounted to K434m, resulting in a net withdrawal of K28.66b from the market compared to a net withdrawal of K4.12b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Liquidity levels continued to decrease during the week. Average daily excess liquidity reserves decreased to K4.80b from K7.19b recorded in the previous week. Borrowing on the interbank market decreased to an average of K4.86b per day from K10.45b per day in the previous week, while the average interbank borrowing rate slightly increased to 13.58% from 13.56%. Borrowing on the Lombard Facility increased to an average of K29.20b per day during the week from K15.77b per day in the preceding week at a fixed rate of 13.70% (Source: RBM).



Foreign exchange market developments

The Kwacha marginally depreciated by 0.002% against USD to close the week at K735.02 per USD. However, the Kwacha appreciated against GBP, EUR and ZAR by 0.23%, 0.56% and 4.61%, respectively. Gross official forex reserves were last recorded at USD662.98m (3.17 months of import cover) on 31st May 2020, an increase of 8.66% from USD610.13m (2.92 months of import cover) on 30th April 2020 (Source: RBM). As at the end of week 15 of the 2020 marketing season on 31st July 2020, Tobacco had raked in USD152.31m compared to USD183.15m for the same period in 2019, representing a year-on-year decrease in value of 16.84%. Tobacco sales volumes so far have amounted to 99.97m kg, lower than 123.21m kg as at week 15 in 2019. However, average prices have been higher for 2020 (K1.52/kg) compared to 2019 (K1.49/kg) (Source: AHL).

Stock market			
	7-Aug-20	% Δ	31-Jul-20
MASI	30,408.11	↑ 1.86%	29,851.63
DSI	25,855.20	↑ 1.95%	25,360.04
FSI	1,535.30	→ 0.00%	1,535.30
Traded volume	4,073,783	↑ 112.81%	1,914,260
Number of trades	70	↑ 52.17%	46
Value of shares traded (K'm)	80.58	↓ -15.31%	95.14
Market capitalisation (K'm)	1,652,923.30	↑ 6.59%	1,550,744.90
Treasury Bill auctions			
Auction date	4-Aug-20	% pts Δ	28-Jul-20
Amount offered - cost value (K'm)	7,505.00	↓ -32.92%	11,188.00
Applied - cost value (K'm)	9,141.98	↑ 23.61%	7,395.74
Allotted - cost value (K'm)	7,505.40	↑ 1.48%	7,395.74
Overall rejection rate	17.90%	↑ 17.90%	0.00%
91 days yield	9.85%	↑ 31.39%	7.50%
182 days yield	12.54%	↓ -0.03%	12.54%
364 days yield	13.68%	↑ 0.08%	13.67%
All-type yield	12.03%	↑ 7.00%	11.24%
Treasury Note auctions			
Auction date	4-Aug-20		30-Jun-20
Tenors	2 years		2, 3 & 5 years
Coupon rate	10.00%		10%, 11% & 12.5%
Amount offered - cost value (K'b)	40.88		28.23
Total applied - cost value (K'b)	28.78		24.99
Total allotted - cost value (K'b)	21.58		24.99
Allotted - weighted average ytm	16.46%		15.8%, 18% & 19.93%
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	tba
5-year	19.82%	21-Jul-20	tba
7-year	21.00%	19-Jun-20	18-Aug-20
10-year	21.70%	21-Apr-20	tba
Projected maturities			
Week ending	7-Aug-20	14-Aug-20	21-Aug-20
TBs, PNs & TNs (K'm)	434	3,575	4,418
OMO (K'm)	0	0	0
Reference rate			
Rate	Jul-20	% pts Δ	Jun-20
	13.40%	→ 0.00	13.40%
Inflation rate			
Rate	Jun-20	% pts Δ	May-20
	8.5%	↓ -0.2	8.7%
Cumulative tobacco sales (Week 15)			
Year	2020	% Δ	2019
Volume (Kg)	99,972,800.00	↓ -18.86%	123,208,321.00
Value (USD)	152,312,105.46	↓ -16.84%	183,146,056.84
Average price (USD/Kg)	1.52	↑ 2.01%	1.49
Indicative opening mid exchange rates			
	7-Aug-20	% Δ	31-Jul-20
USD	735.0193	↓ 0.002%	735.0038
GBP	972.9485	↑ -0.23%	975.1550
EUR	878.6677	↑ -0.56%	883.6229
ZAR	42.2949	↑ -4.61%	44.3397
Gross official foreign exchange reserves position			
	31-May-20	30-Apr-20	31-Mar-20
Reserves (USD'm)	662.98	610.13	730.17
Import cover (months)	3.17	2.92	3.49

Sources: MSE, RBM, NSO, AHL

COVID-19 update

Total confirmed cases of COVID-19 in Malawi increased to 4,658 as at 9th August 2020 from 3,981 as at 30th July 2020. The country continues to register a rise in the transmission of the disease. So far, 2,375 have recovered while 146 have died from the disease. Globally, total confirmed cases of COVID-19 were more than 19.72m, with 11.97m recoveries and 728k deaths (Source: Johns Hopkins University and Medicine).

Disclaimer: The views expressed in this report are those of the author and are based on information believed but not warranted to be correct. Any views or information, whilst given in good faith, are not necessarily the views of CDH Investment Bank (CDHIB) and are given with an express disclaimer of responsibility and no right of action shall arise against the author, CDHIB, its directors or its employees either directly or indirectly out of any views, advice or information. The information presented are for information purposes only and does not constitute and should not be construed as investment advice or recommendation. The statistics have been obtained from third party data sources. We believe these sources to be reliable but cannot guarantee their accuracy or completeness. Recipients of this report shall be solely responsible for making their own independent appraisal and investigation into all matters herein.