

### Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) gained marginally to close at 29,329.86 points from 29,328.77 points registered in the previous week, due to marginal share price gains in MPICO and NBM. The volume of shares traded on the market decreased by 95.33% to 453,437 from 9,702,413 the previous week and the value of shares traded decreased by 43.28% to K315.88m from K556.92m the previous week. The year-to-date return on the MASI stands at 1.19% compared to 4.24% recorded during the corresponding period in 2018. There were no trades on the listed bond market (Source: MSE).

### Government securities auctions

While there was no auction for Treasury Notes (TN), a total of K116.24m was raised through an auction for Treasury Bills (TB) during the week at an average yield of 10.45%. Applications for TBs for the week amounted K464.87m, representing a 75% rejection. In the previous week, the Government raised a total of K21.01b through auctions for TBs and a 2-year TN (Source: RBM).

Maturities for the week amounted K4.21b and the RBM withdrew a total of K16.11b from the market through Open Market Operations (OMO) at an average rate of 10.50%, resulting in a net withdrawal of K12.02b (Source: RBM).

Yields for TBs declined during the week following the recent accommodative Monetary Policy Committee decision. The 91-day yield declined to 9.40% from 11.40% the previous week and the 364-day yield declined to 11.50% from 14.00%. There was no allotment for the 182-day TB. Consequently, the all-type (average) TB yield declined to 10.45% from 12.80% recorded the previous week (Source: RBM). The downward trend in yields for Government securities could continue in the short term as the market realigns itself in reaction to the MPC policy changes announced on 30<sup>th</sup> January 2019, which included cuts in the Policy rate from 16% to 14.5%, Lombard rate from 18% to 14.9%, base lending rate for banks from the average of 24.8% to 14.9% and the Liquidity Reserve Requirement (LRR) from 7.5% to 5% for domestic currency deposits and to 3.75% for foreign currency deposits.

### Commercial bank interest rates

In response to the aforementioned monetary policy changes, banks revised their maximum lending rates which now range from 25.80% to 26.9%, compared to the range of 32.00% to 39.00% before the revision.

### Interbank market activity

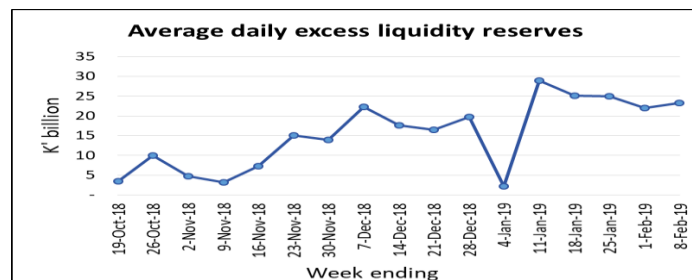
Liquidity levels increased during the week, with excess liquidity reserves averaging K23.24b per day compared to an average of K22.07b per day in the previous week. The average overnight interbank rate decreased to 8.80% from 9.96% for the previous week. The volume traded on the interbank market decreased to a daily average of K10.41b from K18.90b per day the previous week. Access on the Lombard Facility amounted K5.20b during the week compared to K15.00b in the previous week (Source: RBM).

### Foreign exchange market developments

The Kwacha was broadly stable against the USD during the week and appreciated against GBP, EUR and ZAR. The indicative middle rate for USD/MWK closed the week at 729.7831 from 729.7654 the preceding week. Gross official forex reserves stood at USD755.22m (3.61 months of import cover) on 31<sup>st</sup> December 2018, an increase of 19.65% from USD631.21m (3.04 months of import cover) reported on 30<sup>th</sup> November 2018 (Source: RBM).

Stock market				
	8-Feb-19		% Δ	1-Feb-19
MASI	29,329.86	↑	0.00%	29,328.77
DSI	21,629.24	↑	0.00%	21,628.26
FSI	5,265.12	→	0.00%	5,265.12
Traded volume	453,437	↓	-95.33%	9,702,413
Number of trades	36	↓	-50.68%	73
Value of shares traded (K'm)	315.88	↓	-43.28%	556.92
Market capitalisation (K'b)	1,371.68	↑	0.00%	1,371.63
Gainers	Current price (K)		% Δ	Previous price (K)
MPICO	13.02	↑	0.15%	13.00
NBM	315.01	↑	0.00%	315.00
Losers	Current price (K)		% Δ	Previous price (K)
None				
Treasury Bill auctions				
Auction date	5-Feb-19		% pts Δ	29-Jan-19
91 days yield	9.40%	↓	-2.00	11.40%
182 days yield		↓	-13.00	13.00%
364 days yield	11.50%	↓	-2.50	14.00%
All-type yield	10.45%	↓	-2.35	12.80%
Applied - cost value (K'm)	464.87	↑	658.85%	61.26
Alloted - cost value (K'm)	116.24	↑	106.61%	56.26
Overall rejection rate	75.00%	↑	66.83	8.16%
Upcoming Treasury Note auctions				
Tenor	Auction date	Settlement date	Previous auction's yield	
3 years	26-Feb-19	28-Feb-19	20.00%	
5 years	26-Mar-19	28-Mar-19	20.50%	
7 years	23-Apr-19	25-Apr-19	24.00%	
Projected maturities				
Week ending	8-Feb-19	1-Feb-19	Feb-19	
TBs, PNs & TNs (K'm)	4,210	13,263	53,737	
OMO (K'm)		33,315	60,320	
Inflation				
	Dec-18		% pts Δ	Nov-18
Rate	9.90%	↓	-0.20	10.10%
RBM indicative mid exchange rates				
	8-Feb-19		% Δ	1-Feb-19
USD	729.7831	↓	0.00%	729.7654
GBP	944.9232	↑	-1.13%	955.7008
ZAR	53.5279	↑	-2.54%	54.9257
EUR	827.4281	↑	-0.87%	834.7057
Gross official foreign exchange reserves position				
	31-Dec-18	30-Nov-18	31-Oct-18	
Reserves (USD'm)	755.22	631.21	669.92	
Import cover (months)	3.61	3.04	3.20	

(Sources: MSE, RBM, NSO, TCC)



(Source: RBM)

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