

# Financial Market Insights

## 24 April 2020

### Financial market highlights - Malawi

The following highlights compare the week ending 24 April 2020 to the previous week (ending 17 April 2020 ):

#### Inflation (Source: NSO)

- Headline inflation for March 2020 decreased to 9.80%, from 11.00% in previous month
- Food inflation and non-food inflation decreased to 14.70% and 5.10%, from 17.00% and 5.40% respectively

#### Financial market developments (Source: RBM)

- Increase in daily average liquidity to K26.36 billion (was K22.42 billion)
- Decrease in Overnight Interbank daily average to K6.76 billion (from K12.55 billion)
- Overnight Interbank average rate was steady at 13.47%
- Access to Lombard Facility (discount window borrowing) decreased to K24.14 billion (from K24.78 billion)
- Average rate on the discount window remained at 13.70%

#### Government Securities (Source: RBM)

- Total of K7.53 billion raised in the Treasury Bill and 10-Year Treasury Note Auction this week
- K3.17 billion raised through Treasury Bill auction, from K1.56 billion
- K4.36 billion was raised in the 10-year Treasury Note Auction
- The rejection rates for the treasury bill and treasury note auction were 2.46% and 62.48% respectively
- The coupon rate was 15.00% per annum (paid semi annually) for the 10-Year Treasury Note
- All type treasury bill yield increased to 10.16%, from 9.59%

#### Equity Market (Source: MSE)

- Decrease in MASI to 28,869.69 points (from 29,062.81 points)
- Share price gains for AIRTEL, NBM and STANDARD
- Share price losses for FMBCH, NBS, NICO and TNM
- Negative return on MASI (year-to-date) of 4.57% (was negative 6.78% last year)

#### Currency Market (Source: RBM)

- Malawi Kwacha was stable against the USD at K736.44
- Malawi Kwacha appreciated against the GBP, EUR and ZAR

### Malawi Stock Exchange (Source : MSE)

The MASI was bearish in the week under review, relative to the previous week. There were share price gains for AIRTEL, NBM and STANDARD. However, FMBCH, NBS, NICO and TNM had share price losses. The year-to-date return for the MASI was negative at 4.57% this year (it was negative 6.78% last year).

MSE Code	Dividend yield (%)	P/E ratio	P/BV	17-Apr-20 Share Price	24-Apr-20 Share Price
AIRTEL	0.00	95.49	103.61	17.00	17.50
BHL	1.55	23.28	1.67	12.94	12.94
FMBCH	0.00	6.93	1.44	40.00	34.00
ICON	0.00	56.28	1.04	10.46	10.46
ILLOVO	0.53	6.69	0.95	94.50	94.50
MPICO	1.00	10.38	1.47	24.99	24.99
NBM	3.29	14.74	2.50	540.00	540.02
NBS	2.50	9.14	2.66	16.00	14.00
NICO	3.51	7.76	1.96	48.50	48.44
NITL	0.79	7.21	1.11	95.00	95.00
OML	2.16	24.62	3.09	2,499.99	2,499.99
PCL	1.86	20.64	1.07	1,400.00	1,400.00
STANDARD	4.03	11.08	2.02	730.02	750.01
SUNBIRD	0.83	12.10	1.34	120.01	120.01
TNM	2.94	17.00	5.58	25.53	25.51
<b>MASI</b>	<b>2.06</b>	<b>14.41</b>	<b>2.08</b>	<b>29,062.81</b>	<b>28,869.69</b>
<b>DSI</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>24,037.08</b>	<b>24,108.66</b>
<b>FSI</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2,290.78</b>	<b>1,993.51</b>

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#### Inflation (Source : NSO)

The headline inflation for March 2020 decreased to 9.80% from 11.00% in the previous month. This is due to the decrease in both food and non-food inflation to 14.70% and 5.10%, from 17.00% and 5.40% respectively. Non-food inflation is likely to have decreased due to global oil prices, while pressure on food inflation eased since after more maize has been harvested.

#### Financial Market Developments (Source : RBM)

Liquidity increased to a daily average of K26.36 billion this week, compared to last week's average of K22.42 billion. Maturities for the week were K6.02 billion and there was a net withdrawal of K1.51 billion this week. Overnight volume marginally decreased to a daily average of K6.76 billion from K12.55 billion, at the same rate of 13.47%. Access to the discount window decreased to K24.14 billion per day, at an average rate of 13.70% (previous week: K24.78 billion at 13.70%).

#### Government Securities (Source : RBM)

A total of K7.53 billion was raised when the Reserve Bank of Malawi held a treasury bill and 10-year treasury note auction this week. In the treasury note auction, K3.17 billion was raised and there was a rejection rate of 2.46%, which is lower than last week's 36.27% rate. This week's 10.15% average all type treasury bill yield was higher than last week's all type treasury bill yield, which was 9.59%. The 364 paper had the highest subscription rate at 95.60%. The 91 days paper and 182 days paper then had subscriptions of 4.40% and nil respectively. In the 10-year treasury note auction, K4.36 billion was raised at an average yield of 21.70%. The coupon rate is 15.00% per annum and it will be paid semi-annually. The rejection rate was 62.48%. The Government Securities market for the week under review, relative to the previous week, is summarized in the table below.

Tenor	Total Allotted (K'million)		Rejection Rate (%)		Average Yield (%)	
	24-Apr-20	17-Apr-20	24-Apr-20	17-Apr-20	24-Apr-20	17-Apr-20
91 days	63.00	332.53	55.92	0.00	7.80	7.81
182 days	0.00	9.60	0.00	0.00	-	8.46
364 days	3,103.75	1,213.49	0.00	42.18	12.51	12.50
Total TB	3,166.75	1,555.62	2.46	36.27	10.16	9.59
10-Yr TN	4,360.00	-	62.48	-	21.70	-

#### Currency Market (Source : RBM)

During the week under review, the Malawi Kwacha was stable against the USD at K736.44. It also appreciated against the GBP, EUR and ZAR

CURRENCY	24-Apr-20	17-Apr-20	% Change
MK/US Dollar	736.44	736.44	0.00%
MK/GBP	907.74	918.34	↑ 1.15%
MK/ZAR	38.43	39.28	↑ 2.15%
MK/EUR	792.12	798.96	↑ 0.86%

