

Financial Market Update

12 June 2020

Financial market highlights - Malawi

The following highlights compare the week ending 12 June 2020 to the previous week (ending 5 June 2020):

Financial market developments (Source: RBM)

- Decrease in daily average liquidity from K24.72 billion to K1.09 billion
- There was a net injection of K1.27 billion this week
- Increase in Overnight Interbank daily average from K9.16 billion to K14.63 billion
- Overnight Interbank average rate increased to 13.49% from 13.42%
- Increase in the daily average discount window borrowing to K18.71 billion from K13.86 billion
- Average rate on the discount window remained at 13.70%

Government Securities (Source: RBM)

- A total of K101.36 billion was raised this week in the Treasury Bill (TB) and Treasury Note (TN) auction with a nil rejection rate in both
- The TB auction raised K9.77 billion
- All type treasury bill yield decreased from 12.80% from 12.15%
- The 2-Year, 3-Year and 7-Year TN auctions raised K29.97 billion, K14.76 billion and K46.86 billion respectively (Total of K91.59 billion)
- The average yields in the 2-Year, 3-Year and 7-Year were 14.30%, 15.15% and 19.91%

Equity Market (Source: MSE)

- MASI decreased from 28,501.97 points last week, to 28,326.28 points this week
- Share price losses for FMBCH, MPICO and NBS and OML
- There was a share price gain for STANDARD
- Negative return on MASI (year-to-date) of 6.37% (was 1.08% last year)

Currency Market (Source: RBM)

- Malawi Kwacha steady against the USD at K736.82
- Malawi Kwacha depreciated against the GBP, EUR and ZAR

Equity Market (Source : MSE)

The MASI was bullish in the week under review, relative to the previous week. The share price losses for NITL, OML and PCL were offset by the share price gains in AIRTEL, NBS, STANDARD and TNM. The year-to-date return for the MASI was negative at 4.11% this year (it was 2.37% last year).

| MSE Code | Dividend yield (%) | P/E ratio | P/BV | 5-June-20 Share Price | 12-June-20 Share Price |
|-------------|--------------------|--------------|-------------|-----------------------|------------------------|
| AIRTEL | 7.14 | 12.10 | 12.22 | 17.50 | 19.00 |
| BHL | 1.55 | 23.28 | 1.67 | 12.94 | 12.94 |
| FMBCH | 0.00 | 6.12 | 1.27 | 30.00 | 30.00 |
| ICON | 2.02 | 9.58 | 0.94 | 10.40 | 10.40 |
| ILLOVO | 0.53 | 6.69 | 0.95 | 94.50 | 94.50 |
| MPICO | 1.00 | 10.38 | 1.47 | 24.98 | 24.98 |
| NBM | 3.23 | 15.01 | 2.55 | 550.00 | 550.00 |
| NBS | 2.00 | 11.42 | 3.32 | 17.49 | 17.50 |
| NICO | 2.99 | 6.31 | 1.59 | 48.43 | 48.43 |
| NITL | 0.79 | 7.21 | 1.11 | 95.00 | 94.99 |
| OML | 2.16 | 24.68 | 3.10 | 2,499.95 | 2,199.99 |
| PCL | 1.86 | 20.64 | 1.07 | 1,400.00 | 1,399.99 |
| STANDARD | 3.98 | 11.23 | 2.04 | 760.00 | 790.00 |
| SUNBIRD | 0.83 | 12.10 | 1.34 | 120.00 | 120.00 |
| TNM | 3.41 | 14.66 | 4.81 | 22.00 | 23.31 |
| MASI | 3.11 | 11.73 | 1.97 | 28,326.28 | 29,007.83 |
| DSI | N/A | N/A | N/A | 23,786.62 | 24,424.77 |
| FSI | N/A | N/A | N/A | 1,795.33 | 1,758.26 |

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Equity Market (Continued....)

A total of 25 million shares were traded in the week under review in 92 trades. In the previous week, 2 million shares were traded in 63 deals. The value of traded shares this week increased to K643 million from K50 million in the previous week. TNM has the highest percentage of shares traded at 0.20%. The highest percentage of shares traded in the previous week was by NICO at 0.01%. This week, there were no trades made for BHL, NICO and SUNBIRD (previous week: AIRTEL, BHL, PCL and SUNBIRD).

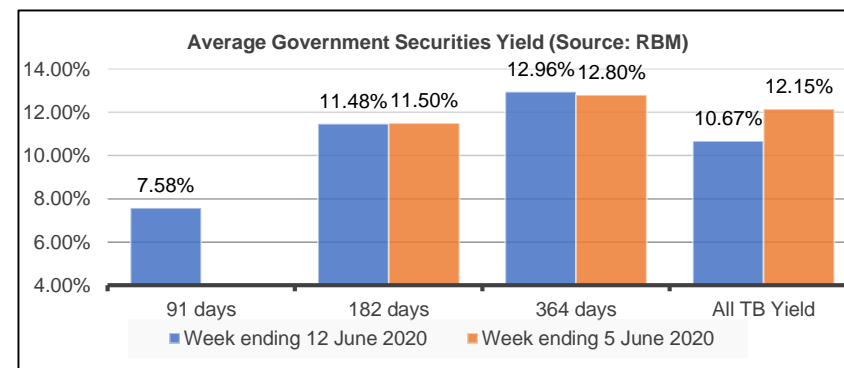
The highest bid price for Airtel shares was K19.00 per share in the week under review. This is an increase from K17.50 in the previous week. The bid price for s STANDARD share also increased to K760.01 from K760.00. The lowest ask prices for FMBCH and MPICO also decreased. However, it increased for PCL shares from K1,300.00 to K1,400.00.

Government Securities (Source : RBM)

A total of K2.78 billion was raised when the Reserve Bank of Malawi held a Treasury Bill auction this week. There was a 56.33% rejection rate this week, up from the previous week's nil rejection rate. The 364 days paper had 69.90% of the subscriptions. The 182 days paper and the 91 days paper had subscriptions of 29.94% and 0.16% respectively. 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 (%) | |
|-----------------|----------------------------|-----------------|--------------------|-------------|-------------------|--------------|
| | 12-Jun-20 | 5-Jun-20 | 12-Jun-20 | 5-Jun-20 | 12-Jun-20 | 5-Jun-20 |
| 91 days | 10.00 | 0.00 | 0.00 | - | 7.58 | - |
| 182 days | 636.88 | 1,891.53 | 66.46 | 0.00 | 11.48 | 11.50 |
| 364 days | 2,122.17 | 7,881.84 | 52.12 | 0.00 | 12.96 | 12.80 |
| Total TB | 2,769.05 | 9,773.37 | 56.33 | 0.00 | 10.67 | 12.15 |

The all type treasury bill yield decreased to 10.67% this week: The yield was 12.15% in the previous week.



According to the Treasury Bill & Treasury Notes Issuance Calendar, K32.25 billion will be raised in government securities in the week ending 16 June 2019. The 3-Year Treasury Note auction will raise K27.48 billion, while the Treasury bill auction will raise K4.78 billion. **The Treasury Bill and Treasury Notes Issuance Calendar for June is shown below:**

| Month & Date | Government Securities | Treasury Note Amount | Treasury Bill Amount | Total |
|--------------|-------------------------|----------------------|----------------------|------------------|
| 02 June 2020 | T Bills & 7-Year T Note | 20,065.00 | 1,769.00 | 21,834.00 |
| 09 June 2020 | T Bills | - | 2,769.00 | 2,769.00 |
| 16 June 2020 | T Bills & 3-Year T Note | 27,484.00 | 4,769.00 | 32,253.00 |
| 23 June 2020 | T Bills | - | 1,769.00 | 1,769.00 |
| | Total | 47,549.00 | 11,076.00 | 58,625.00 |

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Daily Liquidity (Source : RBM)

The daily average liquidity for the week was K1.09 billion, from K24.72 billion in the previous week. This is a 95.59% decrease. Maturities from Treasury Bills and Treasury Notes were K4.04 billion. Overall, there was a net liquidity injection of K1.27 billion this week.

Interbank Market (Source : RBM)

The overnight interbank volume increased from a daily average of K9.16 billion to K14.63 billion (59.72% increase). The average overnight interbank rate also increased from 13.42% to 13.49%.

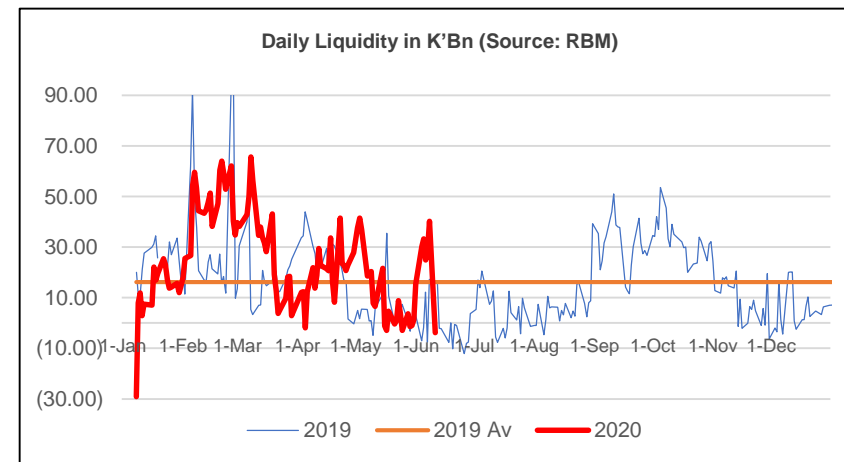
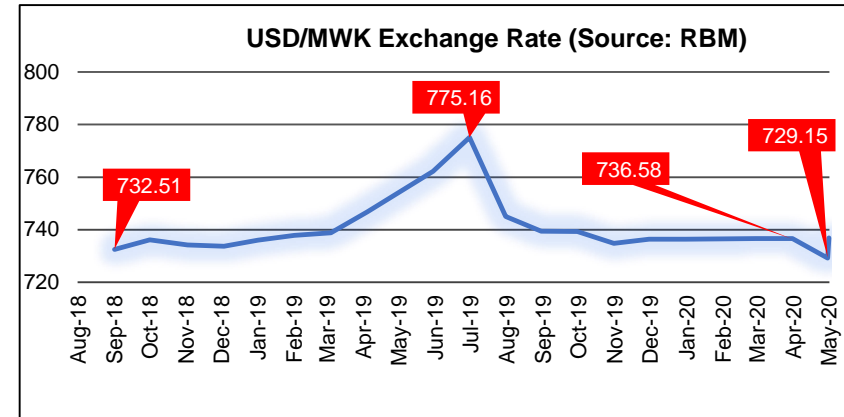
Discount Window (Source : RBM)

Access to the discount window increased to K18.71 billion per day in the week under review. This was a 35.06% increase from the K13.86 billion daily average in the previous week. The discount window rate (Lombard rate) remains at 13.70%.

Currency Market (Source : RBM)

During the week under review, the Malawi Kwacha marginally depreciated against the USD to K737.07 per dollar, from K736.82. It also marginally depreciated against the EUR. However, appreciated against the ZAR and marginally appreciated against the GBP.

| CURRENCY | 12-June-20 | 5-June-20 | % Change | |
|--------------|------------|-----------|----------|--------|
| MK/US Dollar | 737.07 | 736.82 | ↓ | -0.03% |
| MK/GBP | 919.93 | 923.97 | ↑ | 0.44% |
| MK/ZAR | 42.71 | 43.53 | ↑ | 1.89% |
| MK/EUR | 828.54 | 826.56 | ↓ | -0.24% |



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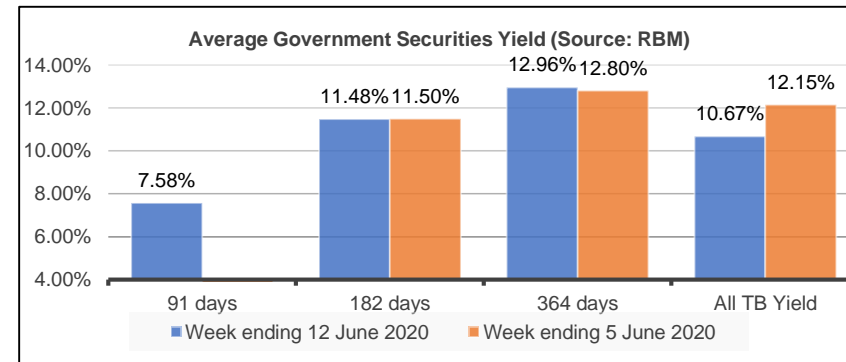
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