

Financial Market Update

3 July 2020

Financial market highlights - Malawi

The following highlights compare the week ending 3 July 2020 to the previous week (ending 26 June 2020):

Equity Market (Source: MSE)

- MASI increased to 29,784.70 points this week, from 29,667.91 points last week
- There were share price gains for TNM and NBS
- There was a share price loss for NBM
- Negative return on MASI (year-to-date) of 1.55% (was 3.36% last year)
- FDH IPO of K13.80 billion in ordinary share capital with an offer price of K10.00. The company's market capitalization post IPO will be K69.01 billion. the offer closes on 17 July 2020 and the listing of FDH on MSE is scheduled for 3 August 2020.

Government Securities (Source: RBM)

- A total of K30.46 billion was raised this week in the Treasury Bill (TB) and Treasury Note (TN) auctions
- The TB auction raised K5.47 billion and the TN auction raised K24.99 billion
- There was a 13.83% rejection rate in the TB auction, while the TN auction had a nil rejection rate

Other Financial Market developments (Source: RBM)

- 42% decrease in daily average liquidity to K2.01 billion from K3.44 billion
- There was a net withdrawal of K13.01 billion this week
- 206% increase in Overnight Interbank daily average to K19.12 billion from K6.24
- Overnight Interbank average rate increased to 13.59% from 13.53%
- 42% decrease in the daily average discount window borrowing to K20.82 billion from K36.03 billion
- Average rate on the discount window remained at 13.70%

Currency Market (Source: RBM)

- Malawi Kwacha was steady against the USD at K737.19
- Malawi Kwacha depreciated against the ZAR and marginally depreciated against the EUR and GBP

Equity Market (Source : MSE)

The MASI was slightly bullish in the week under review, relative to the previous week. There was a share price loss for NBM and share prices gains for TNM and NBS. The MASI registered a negative year-to-date return of 1.55% this year (it was 3.36% last year).

MSE Code	Dividend yield (%)	P/E ratio	P/BV	26-June-20 Share Price	3-July-20 Share Price
AIRTEL	6.25	13.83	13.97	20.00	20.00
BHL	1.55	23.28	1.67	12.94	12.94
FMBCH	0.00	(20.03)	1.28	29.99	29.99
ICON	1.84	10.51	1.03	11.40	11.40
ILLOVO	0.53	6.69	0.95	94.50	94.50
MPICO	1.00	10.38	1.47	24.98	24.98
NBM	3.26	15.01	2.55	550.01	↓ 550.00
NBS	1.79	12.73	3.70	17.51	↑ 19.50
NICO	2.99	6.30	1.59	48.42	48.42
NITL	0.79	7.21	1.11	94.99	94.99
OML	2.46	22.74	2.86	2,199.99	2,199.99
PCL	1.86	20.64	1.07	1,399.76	1,399.76
STANDARD	3.83	11.68	2.13	790.00	790.00
SUNBIRD	0.83	12.10	1.34	120.00	120.00
TNM	3.01	16.62	5.46	24.92	↑ 24.94
MASI	2.97	14.08	2.07	29,667.91	↑ 29,784.70
DSI	N/A	N/A	N/A	25,013.78	↑ 25,117.92
FSI	N/A	N/A	N/A	1,757.76	1,757.76

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Equity Market (Continued.....)

Commentary

Traded Volumes A total of 7.14 million shares were traded in the week under review in 59 trades. In the previous week, only 3.65 million shares were traded in 31 trades. The combined value of the shares traded this week is K184.96 million, which is an increase from the K52.37 million from last week. TNM had the most trades at 20 and these had a combined value of K143 million. There were no trades for BHL, ILLOVO, NICO, NITL, PCL and SUNBIRD. In the previous week, ICON had the most trades at 9 (combined value of K31.48 million).

Government Securities (Source: RBM)

Commentary

Applications and Allotments (K'Bn) A total of K30.46 billion was raised when the Reserve Bank of Malawi held a Treasury Bill (TB) and Treasury Note (TN) auction this week. The TB auction raised K5.47 billion while the TN auction raised K24.99 billion. Total applications for the TB and TN auction were K6.34 billion and K24.99 billion respectively.

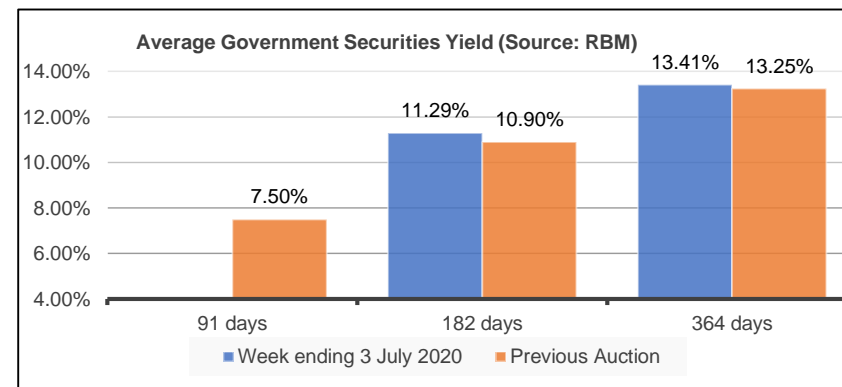
Rejection and Subscription rates (%) There was a 13.83% rejection rate for the TB auction, from last week's 21.92% rejection rate. In the TN auction, there was a nil rejection rate. The 365 days TB paper had 70.18% of the TB subscriptions, with remaining 29.82% going to the 182 days paper. The 91 days TB had no subscriptions.

Yields (%) The average yields for the 182 days and 364 days paper are 11.29% and 13.41% respectively. In the previous week, the respective yields were 10.90% and 11.25%. The last 91 days paper yield is 7.5%.

The table below shows the allotments, rejection rates and average yields of the government securities.

Tenor	Total Allotted (K'million)		Rejection Rate (%)		Average Yield (%)	
	3-July	26-June	3-July	26-June	3-July	26-June
91 days	-	-	-	-	-	-
182 days	1,891.53	12.09	0.00	0.00	11.29	10.90
364 days	3,575.19	1,769.37	19.71	22.03	13.41	13.25
Total TB	5,466.72	1,781.46	13.83	21.92	12.45	12.08
2-Yr TN	6,430.00	-	0.00	-	15.80	-
3-Yr TN	8,000.00	-	0.00	-	18.00	-
5-Yr TN	10,560.00	-	0.00	-	19.93	-
Total TN	24,990.00	-	0.00	-	-	-
All Total	30,456.72	1,781.46	-	-	-	-

The table below shows this week's average treasury bill yields. These are compared to the previous average yields for each respective tenor.



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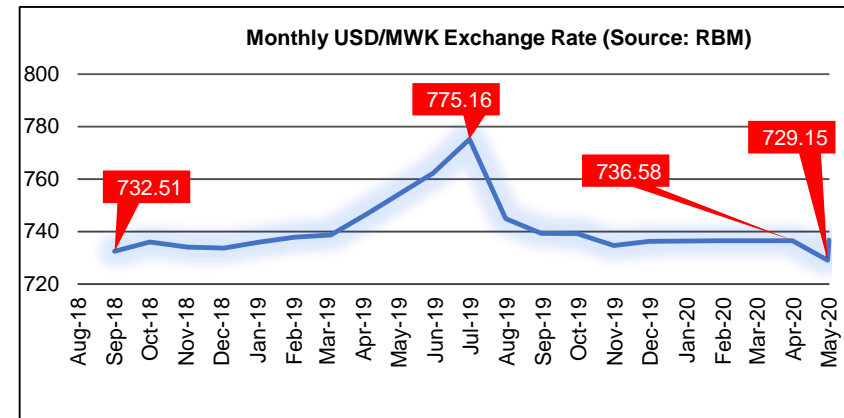
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Other Financial Market Developments

(Source: RBM)	Commentary
Daily Liquidity	There was a 42% decrease in the daily average liquidity this week, compared to the previous week. It decreased from K3.44 billion to K2.01 billion. Maturities from Treasury Bills and Treasury Notes this week were K17.45 billion. Overall, there was a net liquidity withdrawal of K13.01 billion this week.
Interbank Market	The daily overnight interbank average volume increased by 206%, from K6.24 billion to K19.12 billion. there was also an increase in the average overnight interbank rate from 13.53% to 13.59%.
Discount Window	Access to the discount window decreased by 42%. The average amount accessed daily decreased to K20.82 billion this week, from K36.03 billion in the previous week. The discount window rate (Lombard rate) remains at 13.70%.
Currency Market	During the week under review, the Malawi Kwacha was stable against the USD at K737.19 per dollar. However, it depreciated against the ZAR and marginally depreciated against both the EUR and GBP. Movements in the currency market are shown in the table below.

CURRENCY	3-July-20	26-June-20	% Change
MK/US Dollar	737.19	737.07	0.00%
MK/GBP	919.65	917.35	↓ -0.38%
MK/ZAR	43.57	42.30	↓ -1.39%
MK/EUR	828.82	826.62	↓ -0.22%

The table below shows the exchange USD/MWK exchange rate from September 2018 to May 2020



The graph below traces the daily liquidity for 2019 and 2020

