

Financial Market Update

17 July 2020

Financial market highlights - Malawi

The following highlights compare the week ending 17 July 2020 to the previous week (ending 10 July 2020):

Equity Market (Source: MSE)

- MASI increased marginally to 29,706.44 points this week, from 29,543.43 points last week
- There was a 5% share price gain for Standard Bank
- There were share price losses for FMBCH, NBS, NICO and PCL
- There was a negative return on MASI (year-to-date) of 1.80% (was positive 3.35% last year)

Government Securities (Source: RBM)

- A total of K21.82 billion was raised this week in the Treasury Bill (TB) auction from last week's K10.30 billion, which is a 53% increase.
- The All type treasury bill yield increased to 11.09% from 10.96% in the previous week.
- There was a 45.00% rejection rate this week from last week's 5.91%.

Other Financial Market developments (Source: RBM)

- 111% increase in daily average liquidity from K7.95 billion to K16.79 billion.
- There was a net withdrawal of K14.07 billion this week
- 6% increase in Overnight Interbank daily average from K19.30 billion to K20.54 billion.
- Overnight Interbank average rate steady at 13.58%.
- 54% decrease in the daily average discount window borrowing from K9.52 billion to K4.34 billion.
- Average rate on the discount window remained at 13.70%.

Currency Market (Source: RBM)

- The Malawi Kwacha was depreciated marginally against the USD to K737.34 from K737.19.
- The Malawi Kwacha slightly depreciated against the EUR and depreciated against the ZAR. However, it slightly appreciated against the 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 gain for Standard Bank from K790.00 last week to K830.00 this week. However, there were share price losses for FMBCH, NBS, NICO and PCL. The MASI registered a negative year-to-date return of 1.80% this year (it was positive 3.35% last year).

MSE Code	Dividend yield (%)	P/E ratio	P/BV	10-July-20 Share Price	17-July-20 Share Price
AIRTEL	6.25	13.84	13.98	20.01	20.01
BHL	1.55	23.28	1.67	12.94	12.94
FMBCH	0.00	(17.03)	1.09	25.76	↓ 25.50
ICON	1.84	10.51	1.03	11.40	11.40
ILLOVO	0.53	6.65	0.94	94.00	94.00
MPICO	1.04	9.97	1.41	24.00	24.00
NBM	3.26	15.01	2.55	550.00	550.00
NBS	1.80	12.71	3.69	19.50	↓ 19.47
NICO	2.99	6.30	1.59	48.43	↓ 48.42
NITL	0.79	7.21	1.11	94.99	94.99
OML	2.46	22.75	2.86	2,199.99	2,199.99
PCL	1.86	20.60	1.07	1,399.76	↓ 1,397.07
STANDARD	3.65	12.27	2.23	790.00	↑ 830.00
SUNBIRD	0.83	12.10	1.34	120.00	120.00
TNM	3.01	16.62	5.46	24.94	24.94
MASI	2.98	14.04	2.06	29,543.43	↑ 29,706.44
DSI	N/A	N/A	N/A	25,074.65	↑ 25,230.57
FSI	N/A	N/A	N/A	1,548.19	↓ 1,535.30

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Equity Market (Continued)

Commentary

Traded Volumes

A total of 1.41 million shares were traded in the week under review in 24 trades. In the previous week, 1.14 million shares were traded in 36 trades. The combined value of the shares traded this week is K51 million, which is a 36% increase from the K33 million from last week. ICON had the highest proportion shares traded at a million and these were traded for a combined value of K11.46 million. PCL's traded volume, which was second in terms of proportion of shares traded this week, had a combined value of K25.16 million.

Government Securities (Source: RBM)

Commentary

Applications and Allotments (K'Bn)

A total of K21.82 billion was raised when the Reserve Bank of Malawi held a Treasury Bill (TB) auction this week. Last week's TB auction raised K10.30 billion. The applications this week were also higher at K39.67 billion, compared to last week's K10.95 billion.

Rejection and Subscription rates (%)

There was a 45.00% rejection rate for the TB auction, from last week's 5.91% rejection rate. The subscription rates for the 91 days, 182 days and 364 days papers were 0.01%, 77.07% and 22.92% respectively.

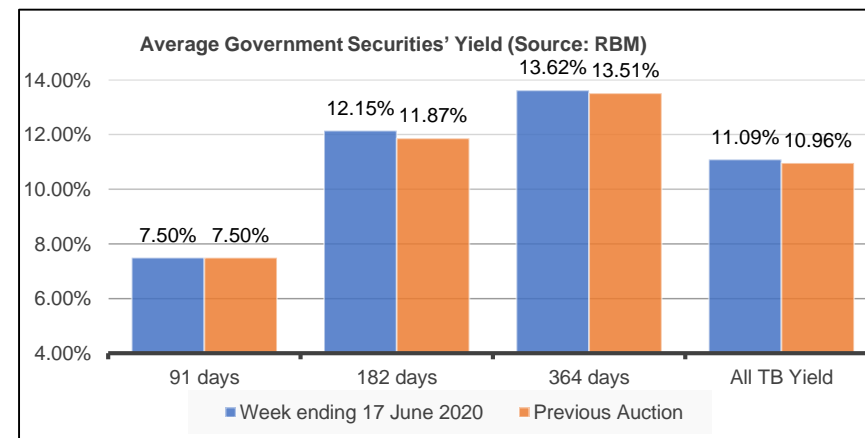
Yields (%)

The average yields for the 91 days, 182 days and 364 days paper this week were 7.50%, 12.15% and 13.62% respectively. In the previous week, the respective yields were 7.50%, 11.87% and 13.51%.

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

Tenor	Total Allotted (K'million)		Rejection Rate (%)		Average Yield (%)	
	17-July	10-July	17-July	10-July	17-July	10-July
91 days	4.91	8.01	0.00	98.78	7.50	7.50
182 days	18,292.23	4,147.22	40.14	0.00	12.15	11.87
364 days	3,521.52	6,143.01	61.27	0.00	13.62	13.51
Total TB	21,818.66	10,298.24	45.00	5.91	11.09	10.96

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



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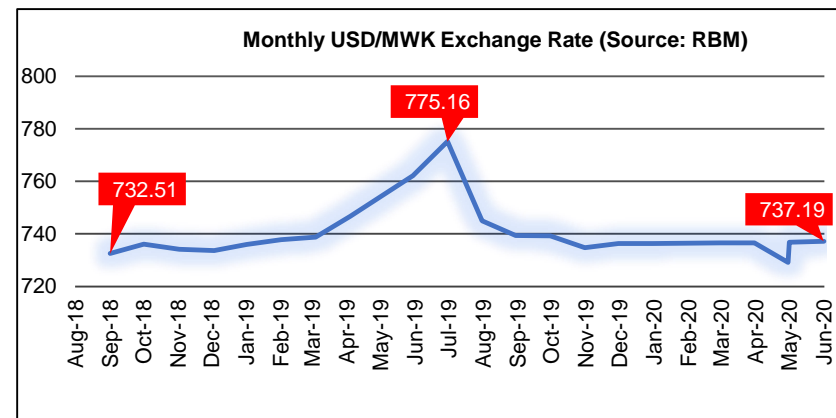
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Other Financial Market Developments

(Source: RBM)	Commentary
Daily Liquidity	There was a 111% increase in the daily average liquidity this week, compared to the previous week. It increased to K16.79 billion from K7.95 billion. Maturities from Treasury Bills and Treasury Notes this week were K7.75 billion. Overall, there was a net liquidity withdrawal of K14.07 billion this week.
Interbank Market	The daily overnight interbank average volume increased by 6% to K20.54 billion from K19.30 billion. However, the average overnight interbank rate was steady at 13.58%.
Discount Window	Access to the discount window decreased by 54%. The average amount accessed daily decreased from K9.52 billion in the previous week, to K4.34 billion. The discount window rate (Lombard rate) remained at 13.70%.
Currency Market	During the week under review, the Malawi Kwacha marginally depreciated against the USD, from K737.19 per dollar to K737.34 per dollar. It also marginally depreciated against the EUR and depreciated against the ZAR. However, it slightly appreciated against the GBP.

CURRENCY	17-July-20	10-July-20	% Change
MK/US Dollar	737.34	737.19	↓ -0.02%
MK/GBP	925.29	925.69	↑ 0.04%
MK/ZAR	44.05	42.98	↓ -2.49%
MK/EUR	839.54	831.48	↓ -0.97%

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

