

Financial market highlights for the week:

The following highlights compare the week ending 31 July 2020 to the week ending 24 July 2020:

Monetary Policy Committee meeting (Source: RBM)

- Policy Rate maintained at 13.5% and Lombard Rate at 0.2 percentage points above the Policy Rate.
- The Liquidity Reserve Requirement (LRR) ratio was also maintained on both foreign and local currency deposits at 3.75%.
- Emerging upward risks to the medium-term inflation. Inflation expected to average at 9.8% in 2020.
- The policy stance is expected to support economic recovery while also containing inflation. Real domestic growth expected to fall to 1.9% from an earlier forecast of 5.5%.
- Worsening of the current account balance is deteriorating the foreign exchange supply. This is due to increased imports from COVID-19 related materials, while exports have decreased because of lower global demand

Equity Market (Source: MSE)

- MASI increased to 29,851.63 points this week, from 29,385.17 points last week.
- There were share price gains for AIRTEL, FMBCH, ICON and ILLOVO.
- There were share price losses for MPICO, NBS and TNM.
- There was a negative return on MASI (year-to-date) of 1.32% (was positive 1.48% last year)
- The FDH IPO offer closed on 17 July 2020. The offer raised K13.8 billion. FDH will list on 3 August 2020 on the Main Board of the MSE.

Government Securities (Source: RBM)

- A total of K7.40 billion was raised this week in the Treasury Bill (TB) auction where the All type treasury bill yield increased to 11.24% from last week's 11.15%.
- There was a nil rejection rate this week and last week.

Other Financial Market developments (Source: RBM)

- 61% decrease in daily average liquidity from K18.44 billion to K7.19 billion.
- There was a net withdrawal of K4.12 billion this week
- 41% decrease in Overnight Interbank daily average from K16.95 billion to K9.97 billion. The average rate decreased to 13.56% from 13.57%.
- 65% increase in the daily average discount window borrowing from K9.58 billion to K15.77 billion.

Currency Market (Source: RBM)

- The Malawi Kwacha depreciated by 0.25% against the USD from K740.49 to K742.35.
- The Malawi Kwacha also depreciated against the GBP, EUR and ZAR.

Financial Market Update

Week ending 31 July 2020

Monetary Policy Committee highlights (Source: RBM)

	Commentary
Policy Rate	The Monetary Policy Committee (MPC) held its third meeting of the year on 30 and 31 July 2020 where it maintained the Policy Rate (13.5%), Lombard Rate (0.2 percentage points above Policy Rate) and Liquidity Reserve Requirement (3.75% on both local and foreign currency deposits).
Domestic Growth	The coronavirus has significantly affected the country's growth prospects for 2020, with the MPC expecting growth to fall to 1.9% from their earlier 5.5% projection. Political uncertainty also contributed to the poor performance in 2020.
Inflation	It expects inflation to increase in the second half of the year which will increase the 2020 average to 9.8%, which is higher than the medium-term goal of 5±2%. Several factors are expected to lead to increased inflationary pressure in the second half of the year. These are increasing global oil prices and local food prices (mostly maize), short term pressure on the exchange rate and increased public sector spending. The approach taken by the MPC is thus expected to contain inflation while supporting economic activity.
Current Account Balance	Imports into the country have increased, with COVID-19 materials contributing significantly, while the decrease in global demand has led to a slow down in exports. This has led to the current account balance deteriorating. As such, the country's foreign exchange supply is declining. However, the RBM plans to continue managing excess volatility of the exchange rate on the market.

Financial Market Update

Week ending 31 July 2020

Equity Market (Source : MSE)

The MASI was bullish in the week under review, relative to the previous week. There were share price gains for AIRTEL, FMBCH, ICON and ILLOVO. However, there were share price losses for MPICO, NBS and TNM. The MASI registered a negative year-to-date return of 1.32% this year (it was positive 1.48% last year).

A total of 1.91 million shares was traded in the week under review in 46 trades. In the previous week, 57.51 million shares were traded in 81 trades. The combined value of the shares traded this week is K95 million, which is a significant decrease from the K1.07 billion from last week. OML had the highest proportion of shares traded at 0.1% of total shares and these were traded for a combined value of K28 million. NITL, PCL, Standard Bank and Sunbird had no shares traded in the period under review.

Corporate Announcements

1. Airtel Malawi plc declared a final dividend of K13.75 billion (K1.25 per share) at their 21st Annual General Meeting held on 17 July 2020. The dividend is payable on 28 August 2020 to shareholders registered in the books of the company by close of business on 14 August 2020.
2. There was a 102% increase in profit after tax for NBS for the 6 months period ended 30 June 2020 when compared to the respective period last year. The bank recorded a net profit after tax of K2.8 billion from K1.4 billion.
3. The FDH IPO offer closed on 17 July 2020. The offer raised K13.8 billion. FDH will list on 3 August 2020 on the Main Board of the MSE. 20% of the shares are owned by the public and the Government of Malawi owns 4.75%.

MSE Code	Dividend yield (%)	P/E ratio	P/BV	24-July-20 Share Price	31-July-20 Share Price
AIRTEL	5.68	15.21	15.37	20.09	↑ 22.00
BHL	1.55	23.28	1.67	12.94	12.94
FMBCH	0.00	(17.03)	1.09	25.00	↑ 25.50
ICON	1.65	11.70	1.15	11.40	↑ 12.70
ILLOVO	0.53	6.69	0.95	94.00	↑ 94.50
MPICO	1.19	8.72	1.24	23.99	↓ 21.00
NBM	3.26	15.01	2.55	550.00	550.00
NBS	1.80	12.73	3.70	19.50	↓ 19.49
NICO	3.02	6.25	1.57	47.99	47.99
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	1.93	19.83	1.03	1,345.00	1,345.00
STANDARD	3.65	12.27	2.23	830.00	830.00
SUNBIRD	0.83	12.10	1.34	120.00	120.00
TNM	3.13	15.96	5.24	23.99	↓ 23.95
MASI	2.97	14.11	2.07	29,385.17	↑ 29,851.63
DSI	N/A	N/A	N/A	24,964.41	↑ 25,360.04
FSI	N/A	N/A	N/A	1,510.53	↑ 1,535.30

Financial Market Update

Week ending 31 July 2020

Government Securities (Source: RBM)

Applications and Allotments (K'Bn)

K7.40 billion was raised in the Treasury Bill (TB) auction this week and this is a marginal decrease from the K7.55 billion that was raised in last week's auction. Similarly, the applications of K7.4 billion this week were less than the K7.55 billion application from the previous week.

Rejection and Subscription rates (%)

There were nil rejection rates in the TB auction this week and in the previous week.

The subscription rates for the 91 days, 182 days and 364 days papers were 0.98%, 57.35% and 41.67% respectively.

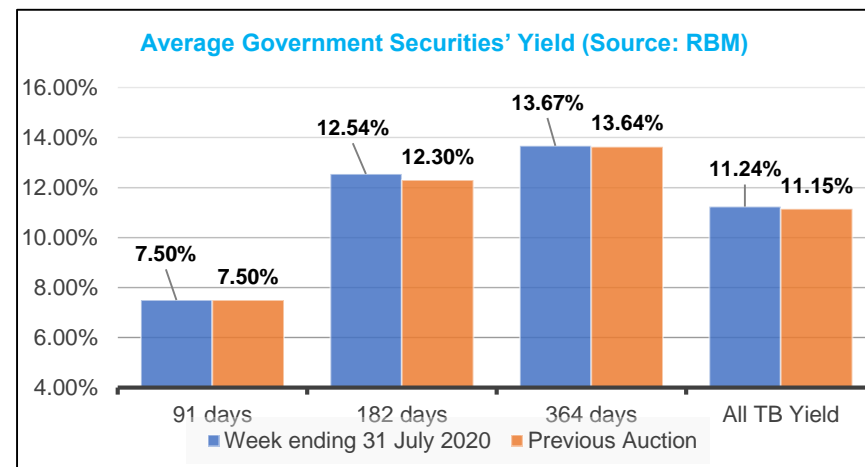
Yields (%)

The average All type TB yield this week increased to 11.24% from 11.15% in the previous week. The average yields for the 91 days, 182 days and 364 days paper this week were 7.50%, 12.54% and 13.67% respectively. In the previous week, the respective yields were 7.50%, 12.30% and 13.64%.

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

Tenor	Total Allotted (K'million)		Rejection Rate (%)		Average Yield (%)	
	31-July	24-July	31-July	24-July	31-July	24-July
91 days	72.84	3,542.99	0.00	0.00	7.50	7.50
182 days	4,241.45	3,777.80	0.00	0.00	12.54	12.30
364 days	3,081.45	229.21	0.00	0.00	13.67	13.64
Total TB	7,395.74	7,550.01	0.00	0.00	11.24	11.15

The table below shows this week's average government securities' yields compared to the previous respective yields.



Financial Market Update

Week ending 31 July 2020

Other Financial Market Developments (Source: RBM)

Commentary

Daily Liquidity

There was a 61% decrease in the daily average liquidity this week, compared to the previous week. It decreased to K7.19 billion from K18.44 billion. Maturities from Treasury Bills and Treasury Notes this week were K3.28 billion. Overall, there was a net liquidity withdrawal of K4.12 billion this week.

Interbank Market

The daily overnight interbank average volume decreased by 41% to K9.97 billion from K16.95 billion. Similarly, the average overnight interbank rate decreased to 13.56% from 13.57%.

Discount Window

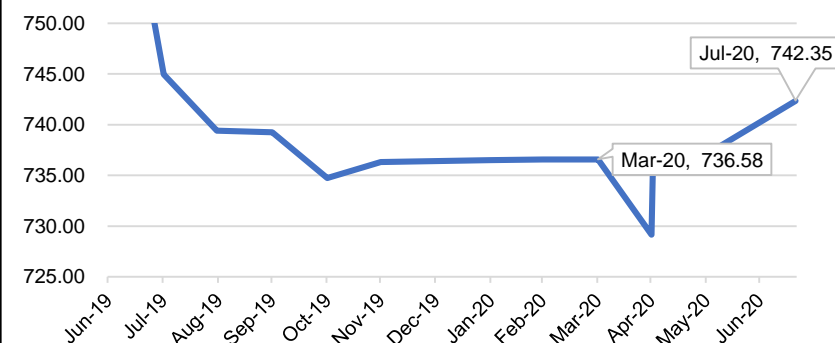
Access to the discount window increased by 65%. The average amount accessed daily increased from K9.58 billion in the previous week, to K15.77 billion. The discount window rate (Lombard rate) remained at 13.70%.

Currency Market

During the week under review, the Malawi Kwacha marginally depreciated against the USD to K742.35 per dollar from K740.49 per dollar. It also depreciated against the GBP, EUR and ZAR.

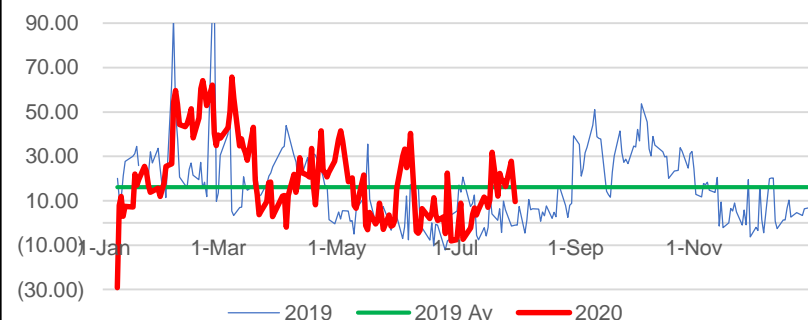
The table below shows the exchange MK/USD exchange rate from June 2019 to July 2020

MK/USD Exchange Rate (Source: RBM)



The graph below traces the daily liquidity for 2019 and 2020

Daily Liquidity in K'Bn (Source: RBM)



CURRENCY	31-July-20	24-July-20	% Change
MK/USD	742.35	740.49	↓ -0.25%
MK/GBP	961.35	943.16	↓ -1.93%
MK/ZAR	44.46	44.32	↓ -0.34%
MK/EUR	872.49	859.12	↓ -1.56%