

Financial Market Update

| Week ending 29 January 2021

Financial market highlights for the week ending 29 January 2021

The following highlights compare the week ending 29 January 2021 to the week ending 22 January 2021:



Government securities (Source: RBM)

- A total of K82.74 billion was raised in the Treasury Bill (TB) and Treasury Note (TN) auctions. This was comprised of K17.80 billion for TBs and K64.94 billion for TNs.
- There were nil rejections in the TB and TN auctions.
- The average all type TB yield increased to 12.15% this week from 12.12% last week.
- A total of K90.30 billion was injected into the economy on 27 January 2021 by the RBM through an OMO Reverse Repo. The 30 days tenor had the highest subscription rate at 77.52%.



Currency market (Source: RBM)

- The Malawi Kwacha marginally appreciated against the USD to K776.89 per USD from K777.76 per USD.
- The Kwacha also marginally appreciated against the ZAR to K54.629 from K55.057
- The Kwacha depreciated against the EUR (to K994.75 per EUR from K992.1141 per EUR) and the GBP (to K1,115.09 from K1,106.37).



Equity market (Source: MSE)

- The MASI increased to 32,988.58 points from 32,986.31 points in the previous week. This was due to share price gains which offset share price losses.
- The return on MASI (year-to-date) was 2.00% compared to negative 4.22% during the same period the previous year.
- There was a share price gain for FMBCH to K27.08 from K27.00 during the period under review.
- There were share price losses for ILLOVO (to K80.47 from K80.48) and NBS (NBS to K20.47 from K20.49).



Financial market developments (Source: RBM)

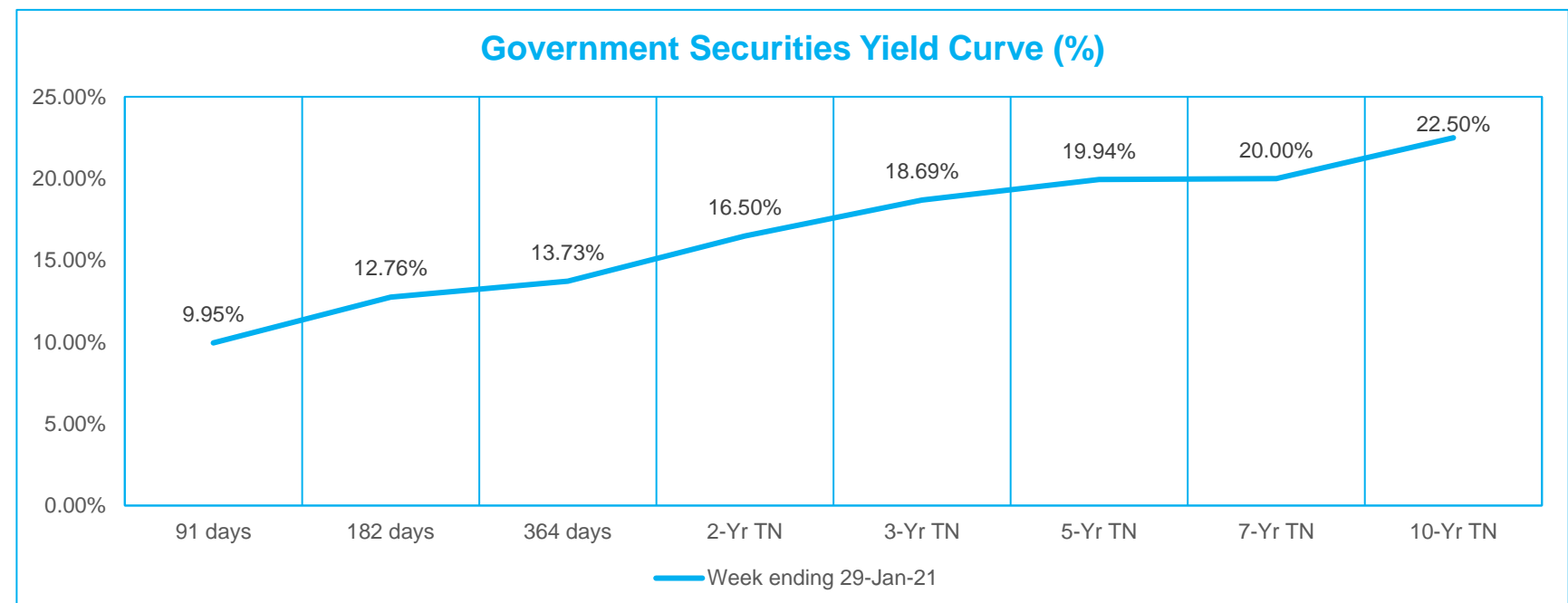
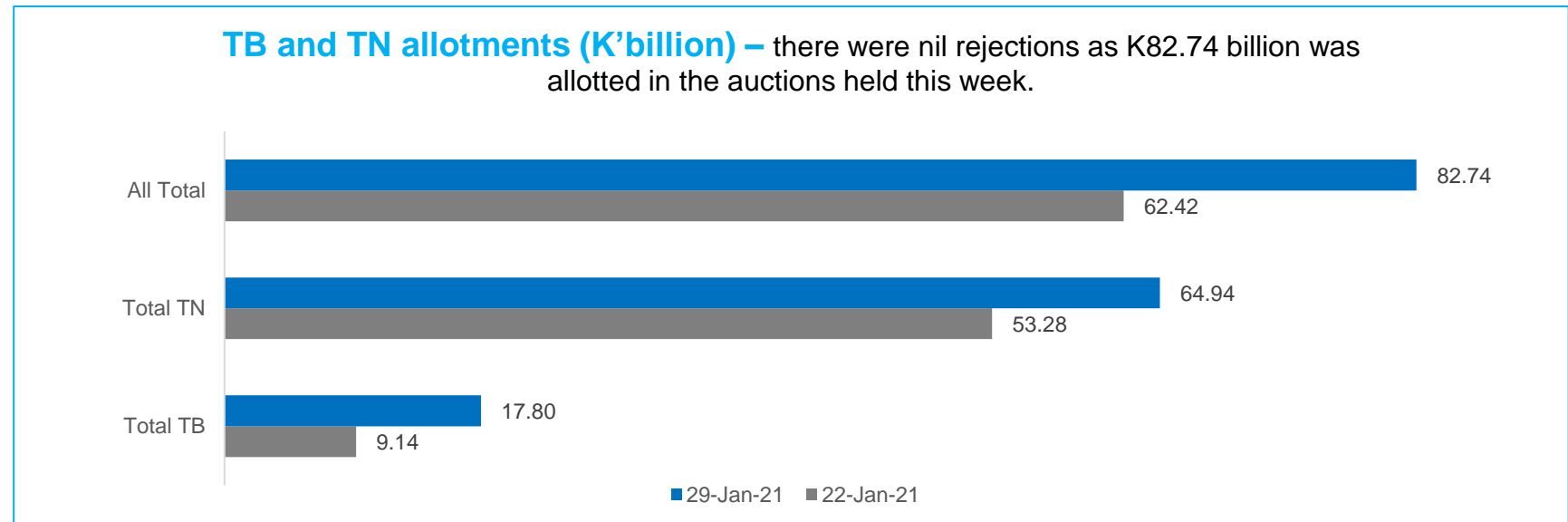
- The daily overnight interbank average rate increased to 11.37% this week from 11.36% last week.
- The MPC maintained the policy rate at 12% following their first meeting held 25-26 January 2021.
- According to their trading statement on 29 January 2021, NBM expects a 20% increase in profits for the year ending 31 December 2020 to at least K20.59 billion from K17.16 billion in 2019.



Government securities (Source: RBM)

A total of K82.74 billion was allotted during this week's Treasury Bill (TB) and Treasury Notes (TN) auctions.

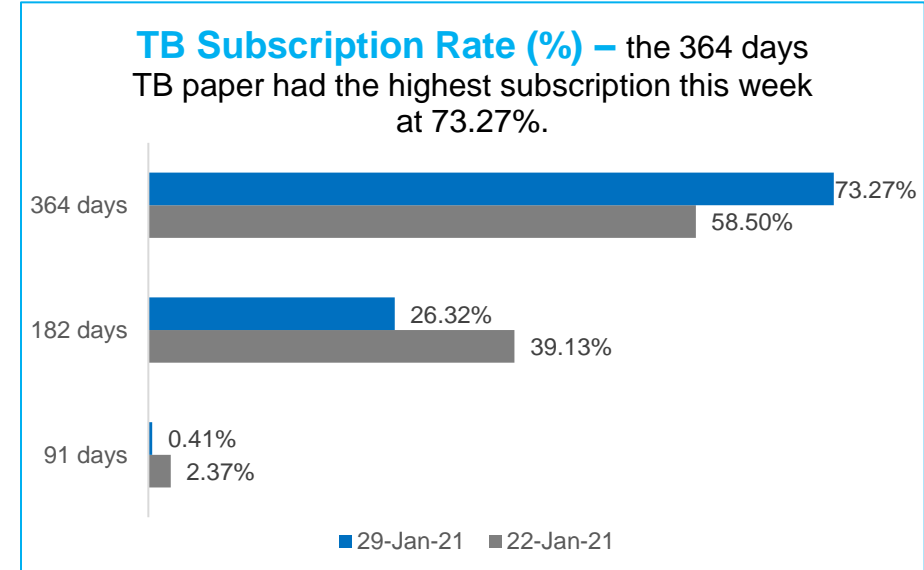
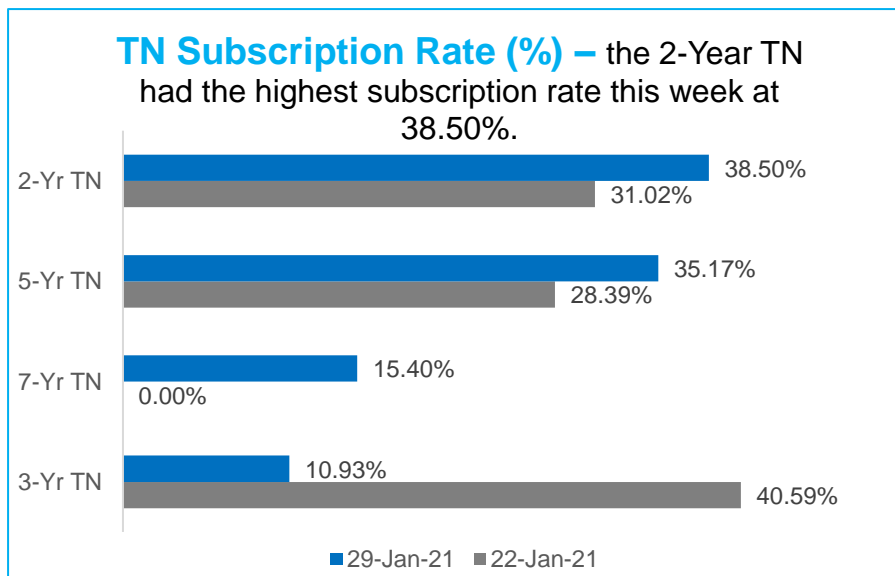
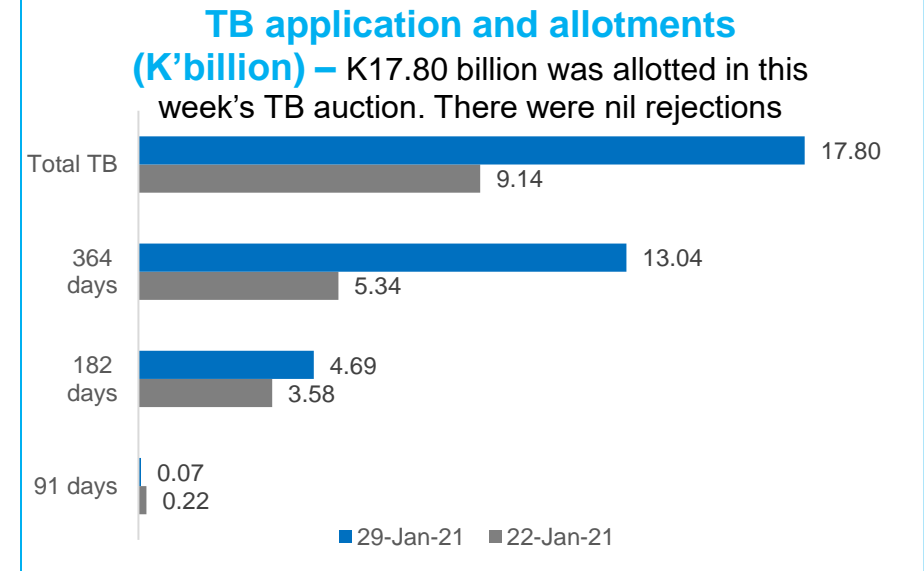
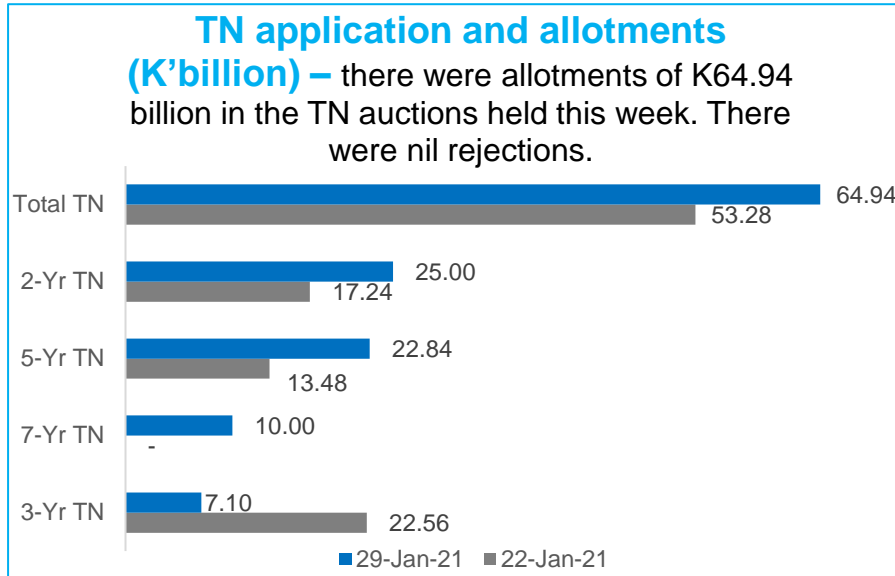
The average all type TB yield decreased to 12.15% this week from 12.12% last week.





Government securities (Continued)

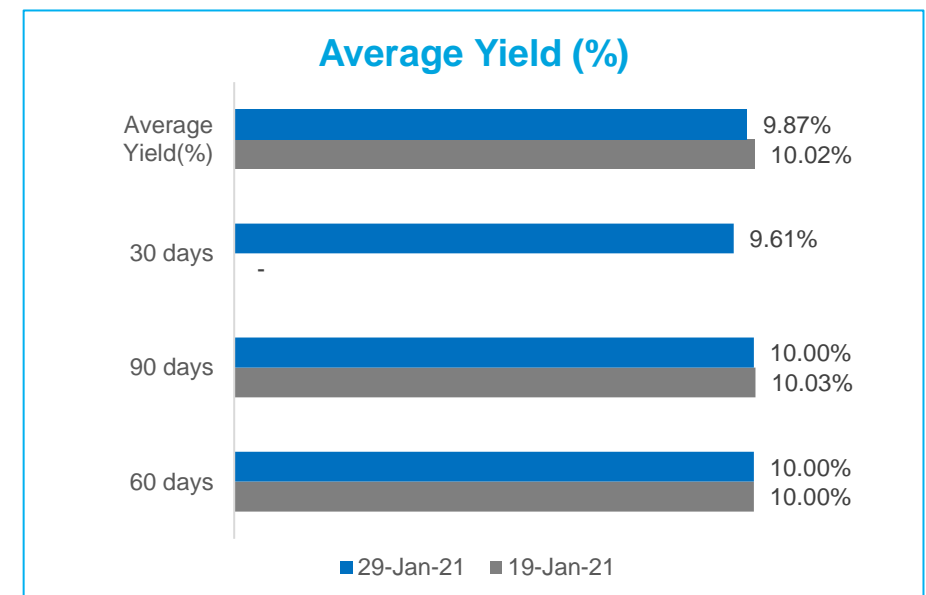
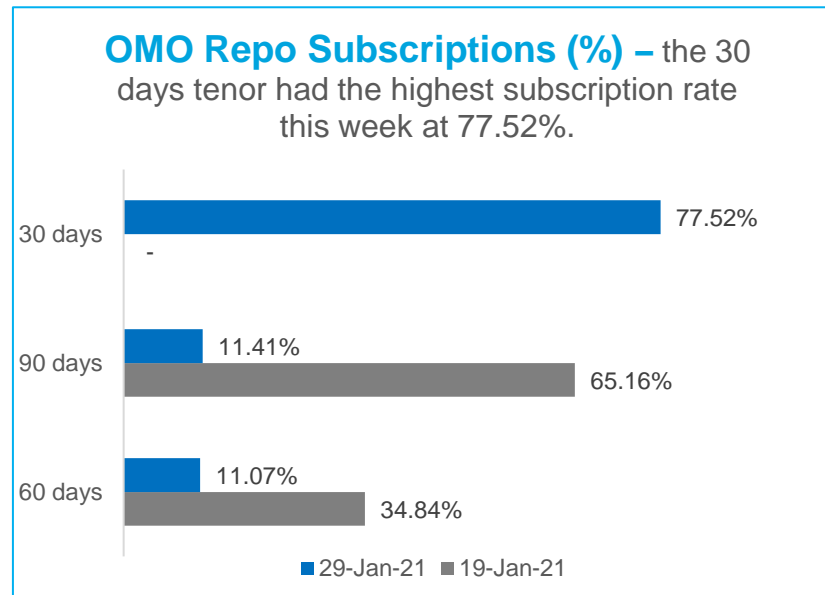
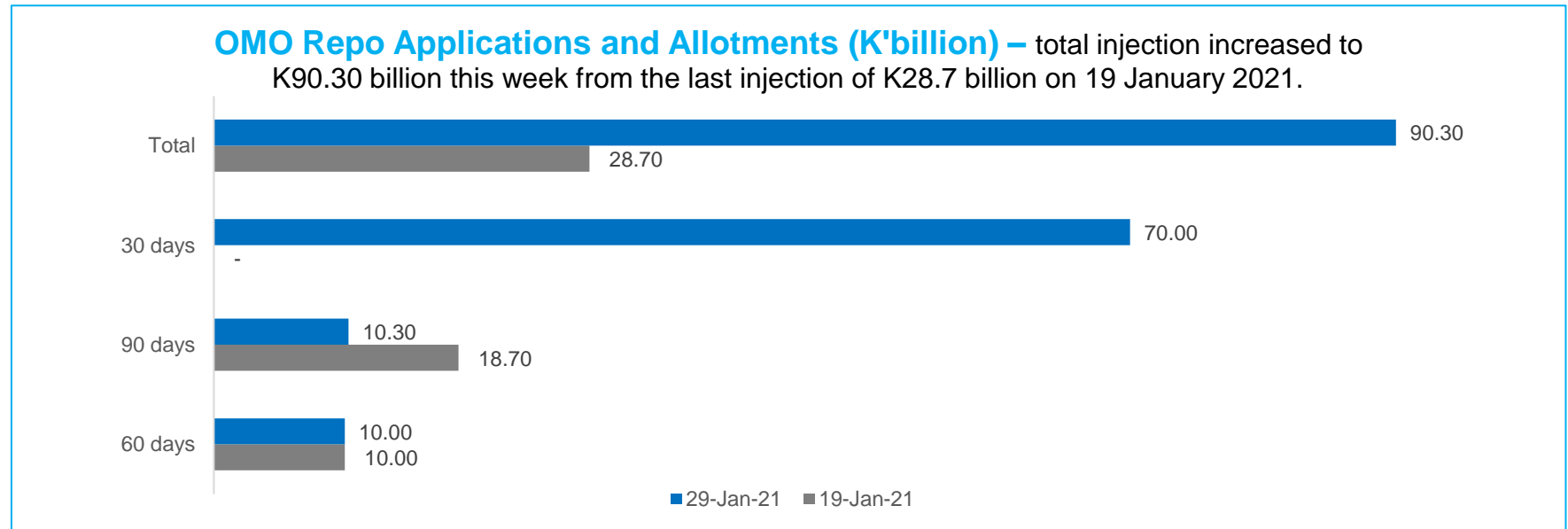
The 364-days TB paper and the 2-Yr TN had the highest subscription rates of 73.27% and 38.50%, respectively.





Government securities (Continued)

A total of K90.30 billion was injected into the economy following an OMO Reverse Repo auction on the 27th of January 2021. The average OMO Reverse Repo yield was 9.87%.

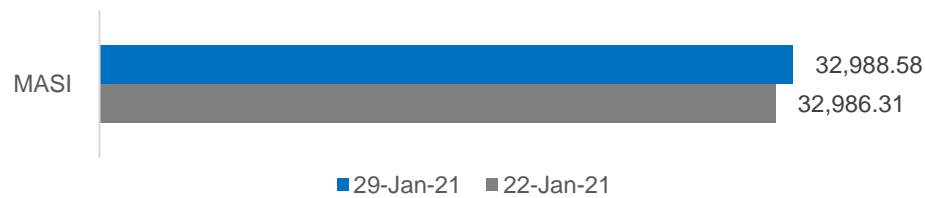




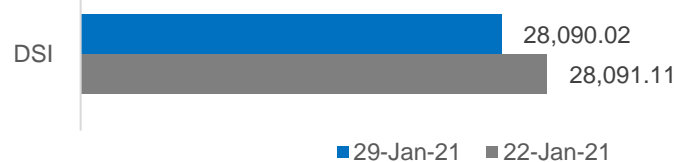
Equity market (Source: MSE)

The MASI increased to 32,988.58 points from 32,986.31 points in the previous week. This was due to a share price gain in FMBCH and share price losses for NBS and ILLOVO. Year-to-date the MASI has increased by 2.00%. NBS had the highest value of shares traded during the period at K4.01 million.

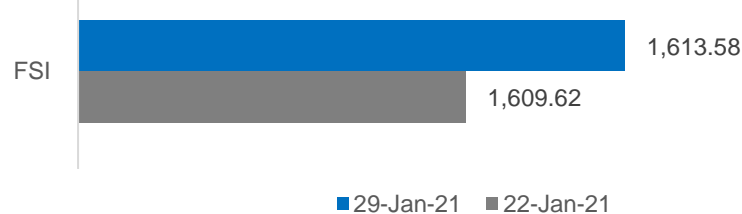
MASI – the stock market was bullish this week as the MASI increased to 32,988.58 points from 32,986.31 points in the previous week. This was due to share price increase in FMBCH.



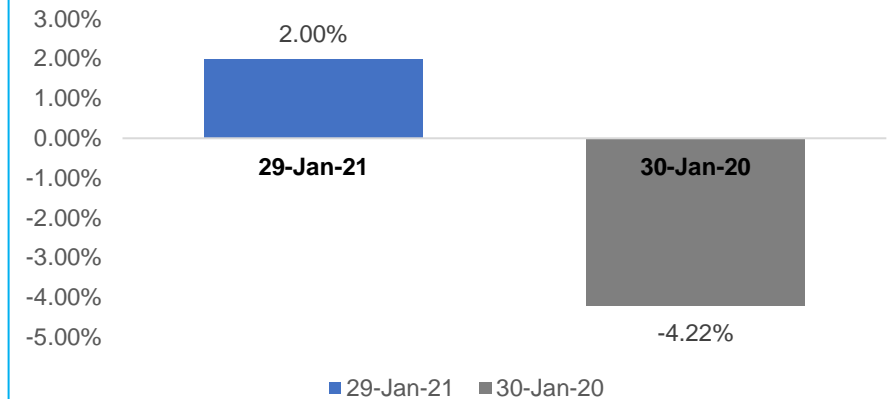
DSI – the DSI decreased to 28,090.02 points from 28,091.11 points due to share price losses in NBS and ILLOVO.



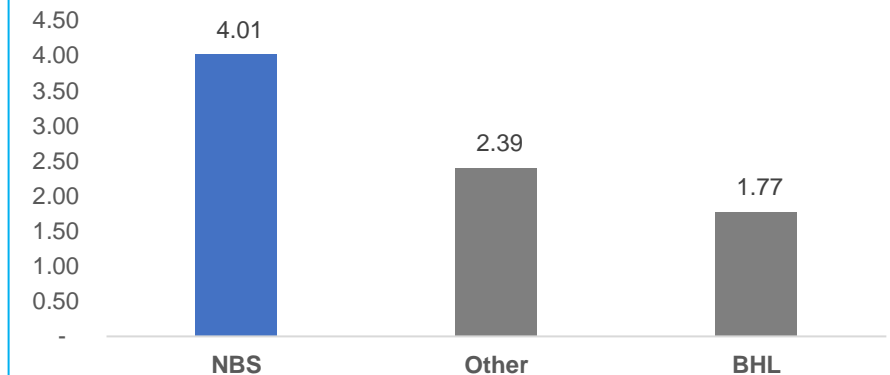
FSI – the FSI increased to 1,613.58 points from 1,609.62 due to a share price gain in FMBCH during the period under review.



MASI YTD Return (%) – the MASI registered a year-to-date return of 2.00% this year (it was negative 4.22% last year).



Value of Shares Traded – NBS had the highest value of shares traded at K4.01 million. The total value of shares traded this week was K8.17 million.

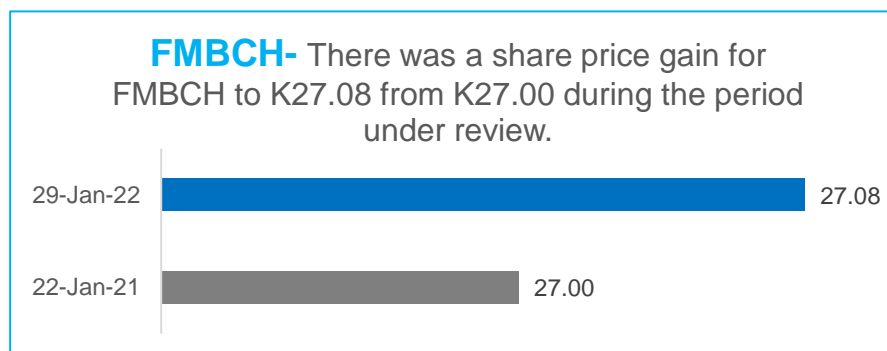
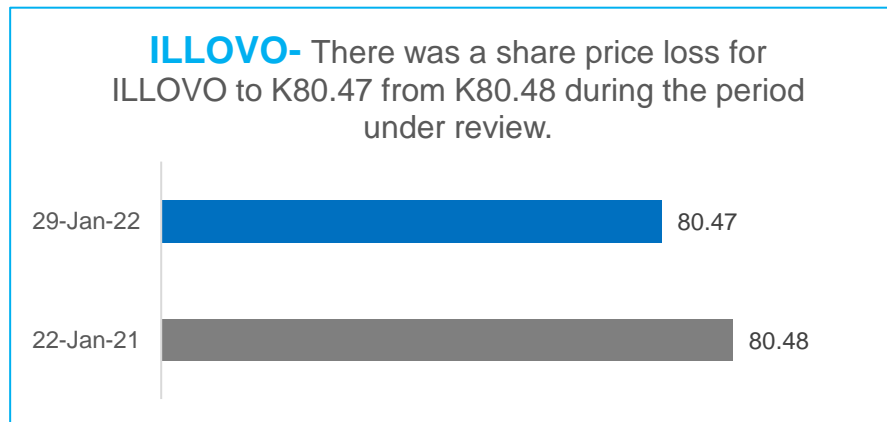
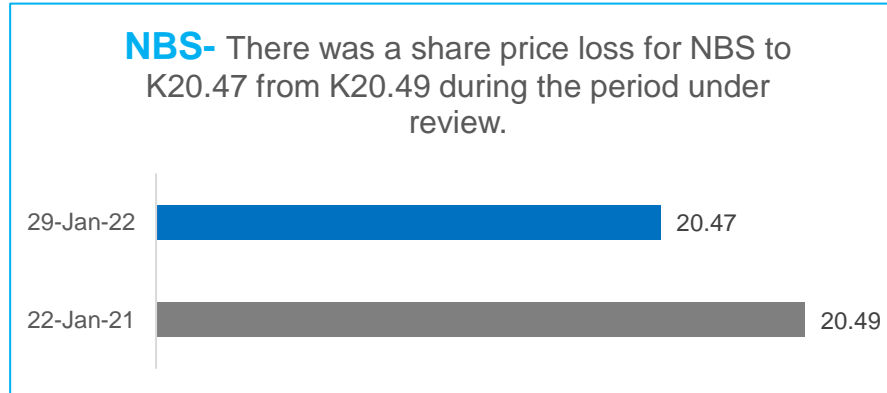


MA SI: Malawi All Share Index
DSI: Domestic share Index
FSI: Foreign share Index



Equity market (Continued)

There was a share price gain for FMBCH to K27.08 from K27.00 during the period under review. There were share price losses for ILLOVO (to K80.47 from K80.48) and NBS (NBS to K20.47 from K20.49).



The other counters closed at the same prices as the previous week. Their closing prices are shown in the table below:

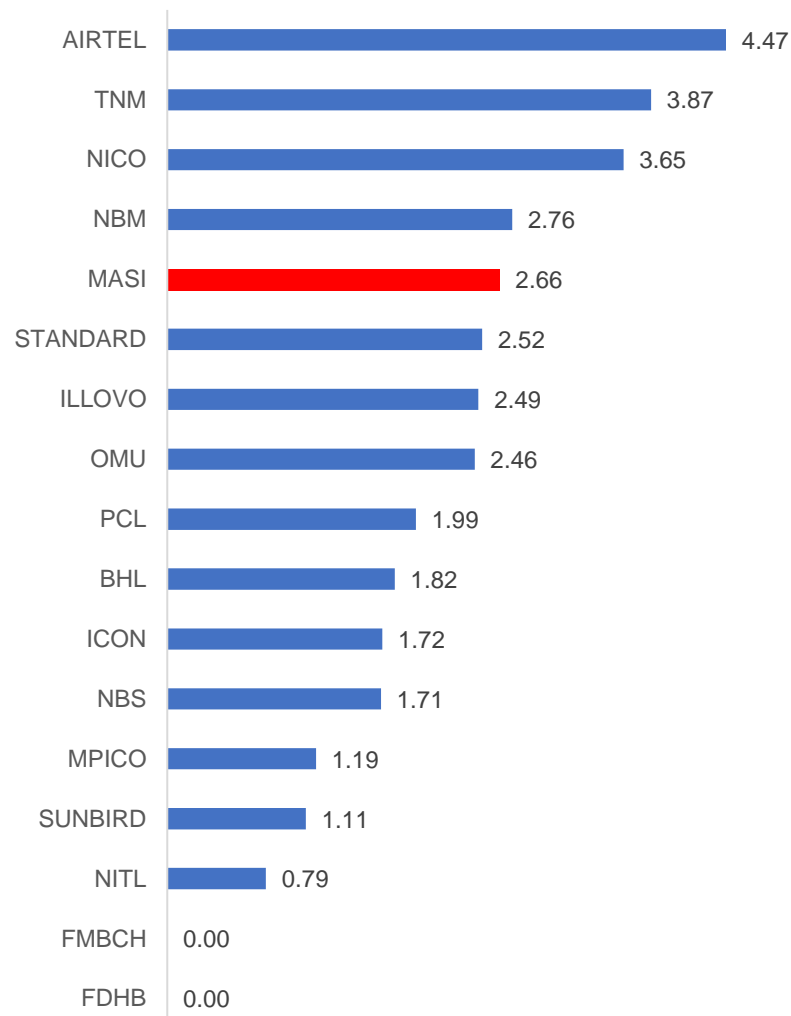
| No. | MSE Code | Share Price (K) |
|-----|----------|-----------------|
| | | 29-Jan-21 |
| 1 | AIRTEL | 27.98 |
| 2 | BHL | 11.00 |
| 3 | FDHB | 14.45 |
| 4 | ICON | 12.24 |
| 5 | MPICO | 20.99 |
| 6 | NBM | 650.00 |
| 7 | NICO | 52.00 |
| 8 | NITL | 94.95 |
| 9 | OMU | 2,199.98 |
| 10 | PCL | 1,309.47 |
| 11 | STANDARD | 1,200.00 |
| 12 | SUNBIRD | 90.00 |
| 13 | TNM | 19.39 |



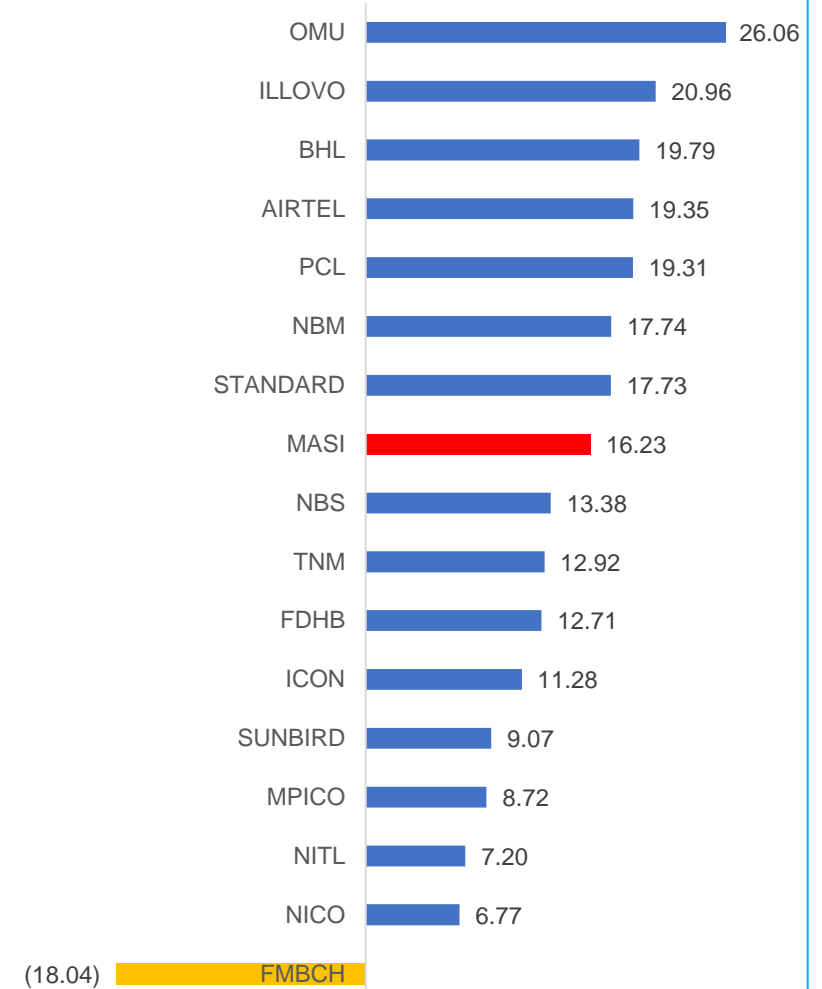
Equity market (Continued)

The weighted average dividend yield on the MSE is 2.66%. The MSE has a weighted average Price to Earnings ratio of 16.23

Dividend yield (%) - the weighted average dividend yield on the MSE is 2.66%. The counter with the highest dividend yield is AIRTEL at 4.47%.



P/E ratio - the MSE has a weighted average Price to Earnings ratio of 16.23. FMBCH has the lowest at negative 18.04 while OMU has the highest at 26.06.



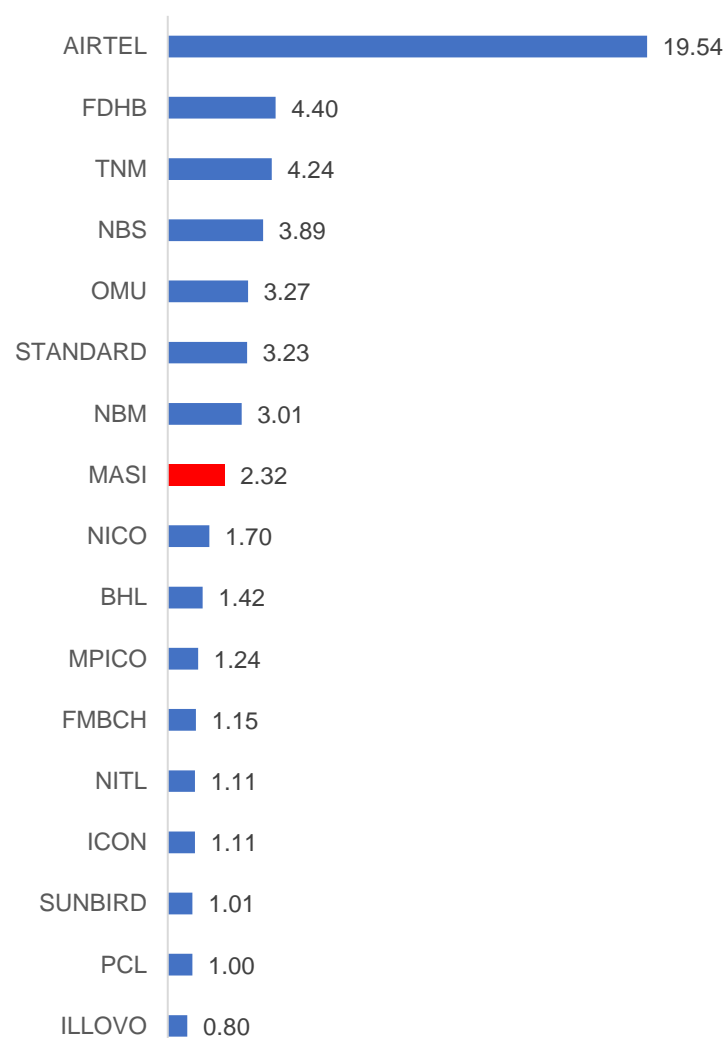
P/E – Price to Earnings Ratio



Equity market (Continued)

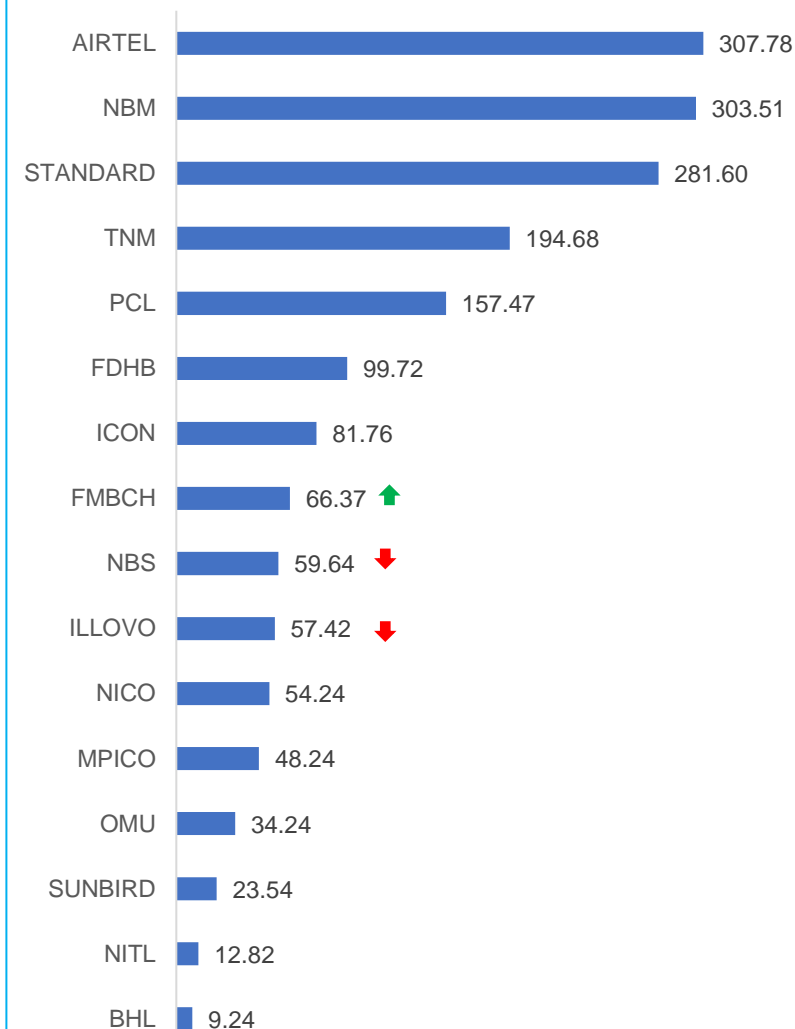
The weighted average Price to Book Value ratio on the MSE is 2.32. Airtel leads the MSE counters with a market capitalization of K307.78 billion. The total market capitalization is K1.80 trillion.

P/BV ratio - the weighted average Price to Book Value ratio on the MSE is 2.32. AIRTEL has the highest ratio at 19.54 while ILLOVO has the lowest ratio at 0.80.



Market Capitalization (K'billion) -

Airtel leads the MSE counters with a market capitalization of K307.78 billion. The total market capitalization is K1.80 trillion.





The tourism sector remains one of the hardest hit sectors by the COVID-19 pandemic. Sunbird expects a 150% decrease in profits for the period ending 31 December 2020. Likewise, BHL also anticipates its profits to decrease by 200% for the period ending 30 September 2020.

Equity market (Continued)

Corporate Announcements (Source: MSE)

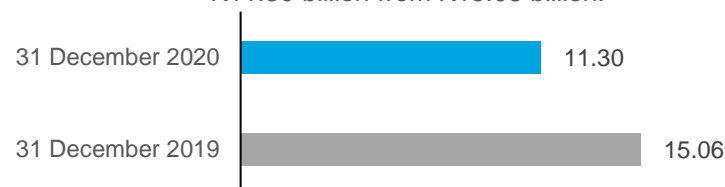
1.

Airtel Profit After Tax (K'Billions) - according to their trading statement, they expect a 40% increase in profits for the period ending 31 December 2020 to at least K22.27 billion from K15.91 billion.



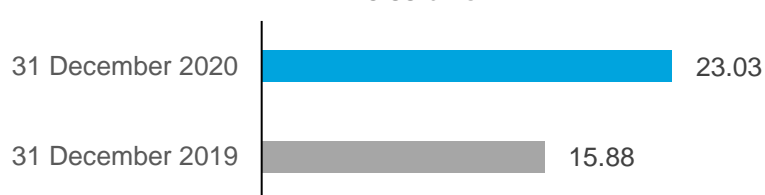
2.

TNM Profit After Tax (K'Billions) - according to their trading statement, they expect a 25% decrease in profit after tax (PAT) for the period ending 31 December 2020. The PAT will decrease to at most K11.30 billion from K15.06 billion.



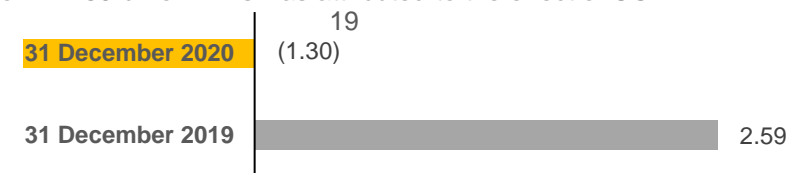
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Standard Bank Profit After Tax (K'Billions) - according to their trading statement, Standard Bank expects a 45% increase in profits for the period ending 31 December 2020 to at least K23.03 billion from K15.88 billion.



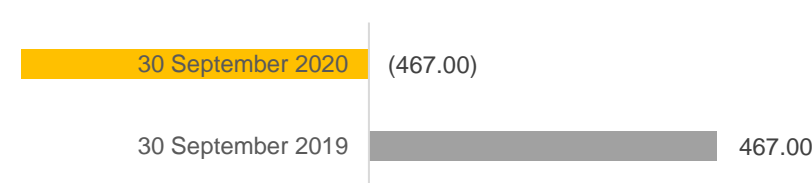
4.

Sunbird Profit After Tax (K'Billions) - according to their trading statement, they expect a 150% decrease in profits for the period ending 31 December 2020 to negative K1.3 billion from K2.59 billion. This was attributed to the effect of COVID-19



5.

BHL Profit After Tax (K'Millions) - according to their trading statement, they expect more than a 200% decrease in profits for the period ending 30 September 2020 to at least negative K466.7 million from K466.7 million.



6.

NBS Profit After Tax (K'Billions) - according to NBS's trading statement, they expect a 25% increase in profits for the period ending 31 December 2020 to at least K5.72 billion from K4.46 billion.



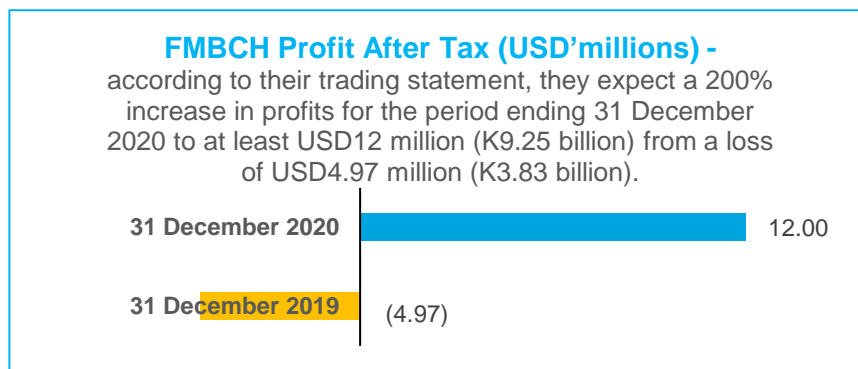


According to their trading statement on 29 January 2021, NBM expects a 20% increase in profits for the year ending 31 December 2020 to at least K20.59 billion from K17.16 billion in 2019. Financial statements for the financial year ending 31 December 2020 are expected to be published not later than 30 June 2021.

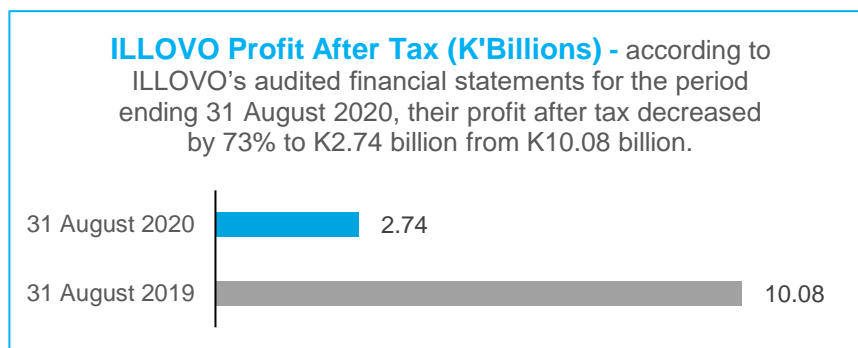
Equity market (Continued)

Corporate Announcements (Source: MSE)

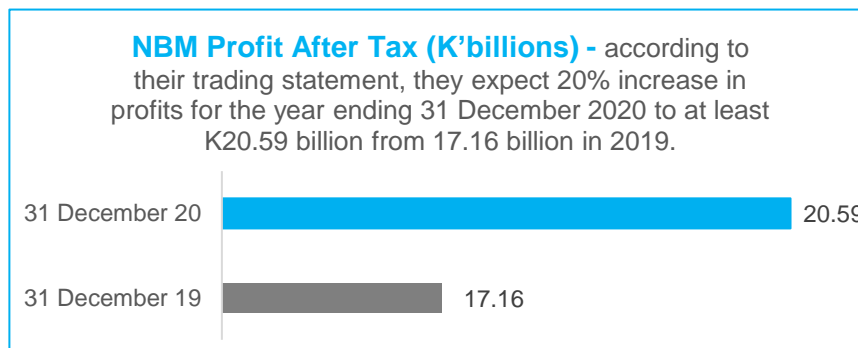
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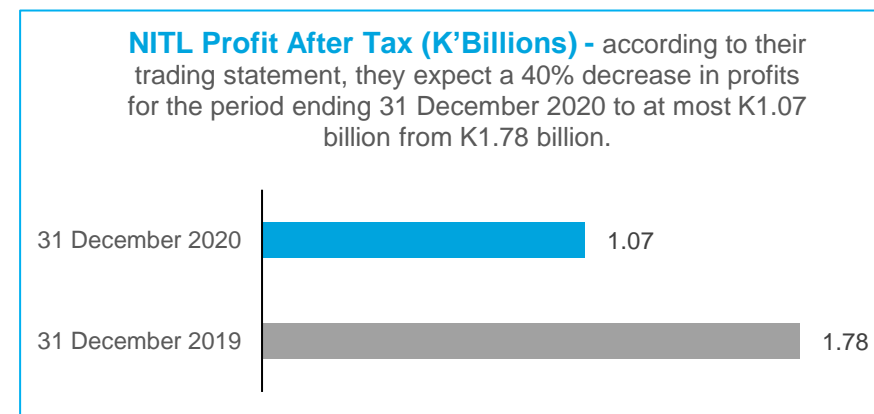
8.



9.



10.



11.

- Counters that did not release End of Year Trading Statements are listed below. These counters expect their PAT to be within 20% of the profit made in the previous period:
- 1 NICO
 - 2 FDHB
 - 3 PCL
 - 4 ICON
 - 5 MPICO



According to their trading statement, OMU expects HEPS and EPS for the year ended 31 December 2020 to be more than 20% lower than the reported HEPS and EPS for the comparable period which were 236.1 cents and 208.3 cents in 2019, respectively. This owing to the significant impact COVID-19 on business.

Equity market (Continued)

Corporate Announcements (continued)

11. National Bank of Malawi plc cautionary statement

National Bank of Malawi plc wishes to advise the general public that discussions are still under way on the possible acquisition of a controlling stake in Akiba Commercial Bank, a financial institution registered and operating in the Republic of Tanzania, the outcome of which may affect the NBM plc share price. It is anticipated that the discussions will be concluded at the end of the month of January 2021.

12. FDH Bank Plc cautionary statement

FDH Bank Plc wishes to inform its shareholders and the general public that members of its majority shareholder, FDH Financial Holdings Limited, are engaged in shareholding negotiations. The negotiations may result in changes in the shareholding structure of FDH Financial Holdings Limited.

Shareholders are therefore advised to exercise caution in dealing in their shares and consult professional advisors before dealing in their shares until such time as the result of the negotiations is known.

FDH Bank Plc is further informing the general public that all efforts will be made to communicate further developments as and when required.

13. OMU Trading Statement

OMU wishes to advise shareholders that they expect HEPS and EPS for the year ended 31 December 2020 to be more than 20% lower than the reported HEPS and EPS for the comparable period (FY 2019 HEPS: 236.1 cents, FY 2019 EPS: 208.3 cents) due to the significant impact COVID-19 has had on our business operations and results.

A further trading statement will be published to provide more specific guidance once they have reasonable certainty regarding the extent of the decline and the related ranges of the expected decrease in HEPS and EPS.

14. Dividends

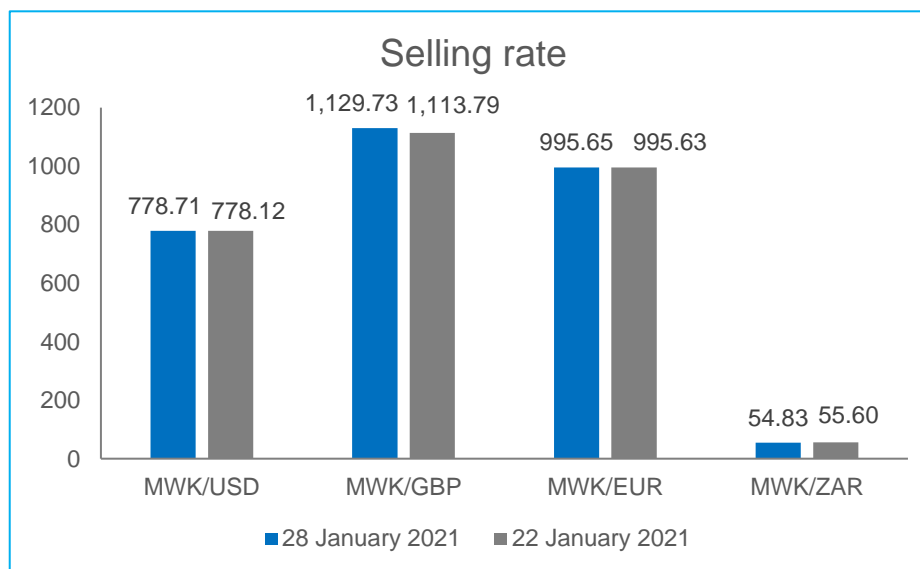
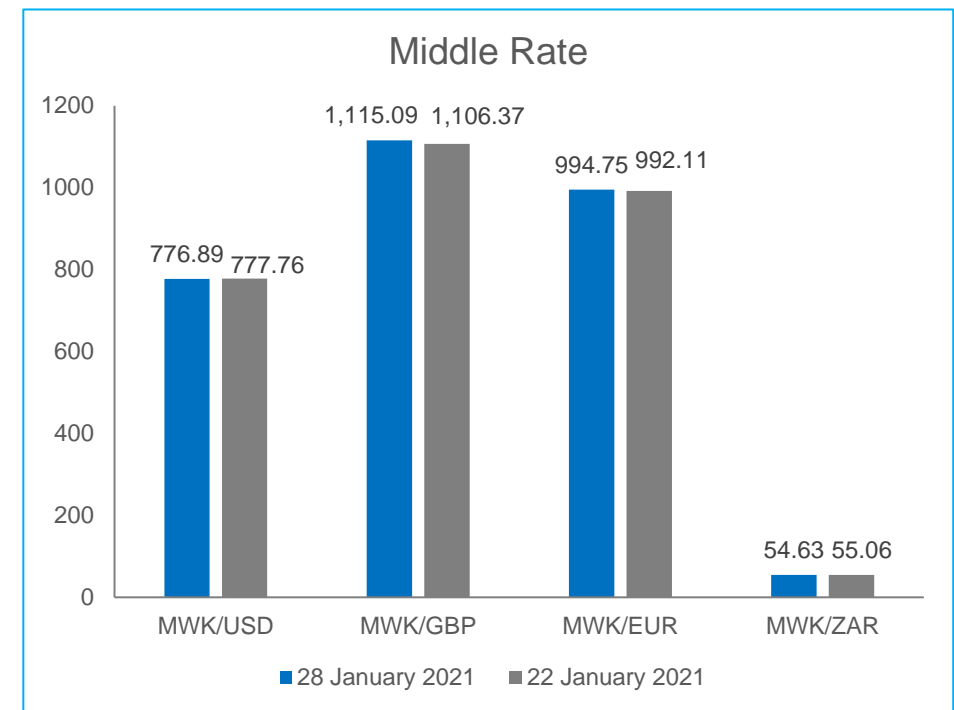
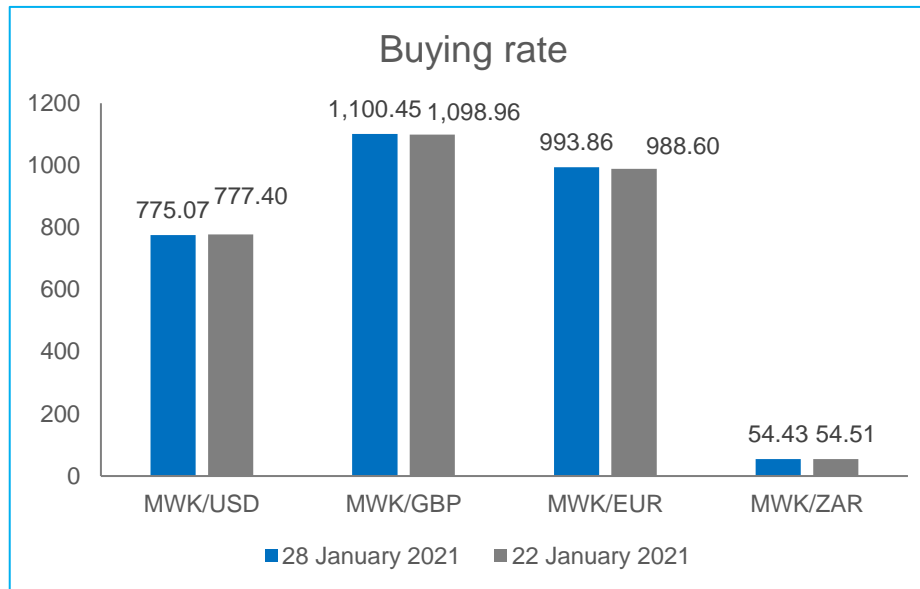
| Company | Declared/Proposed | Type | Dividend (MK) | Last Day To Register | Payable |
|---------|-------------------|-------|---------------|----------------------|-----------------|
| Illovo | Proposed | Final | 2.00 | 12th March 2021 | 31st March 2021 |

HEPS: Headline Earnings per share
EPS: Earnings per share



Currency market (Source: RBM)

The Malawi Kwacha marginally appreciated against the USD to K776.89 per USD from K777.76 per USD (middle rate).



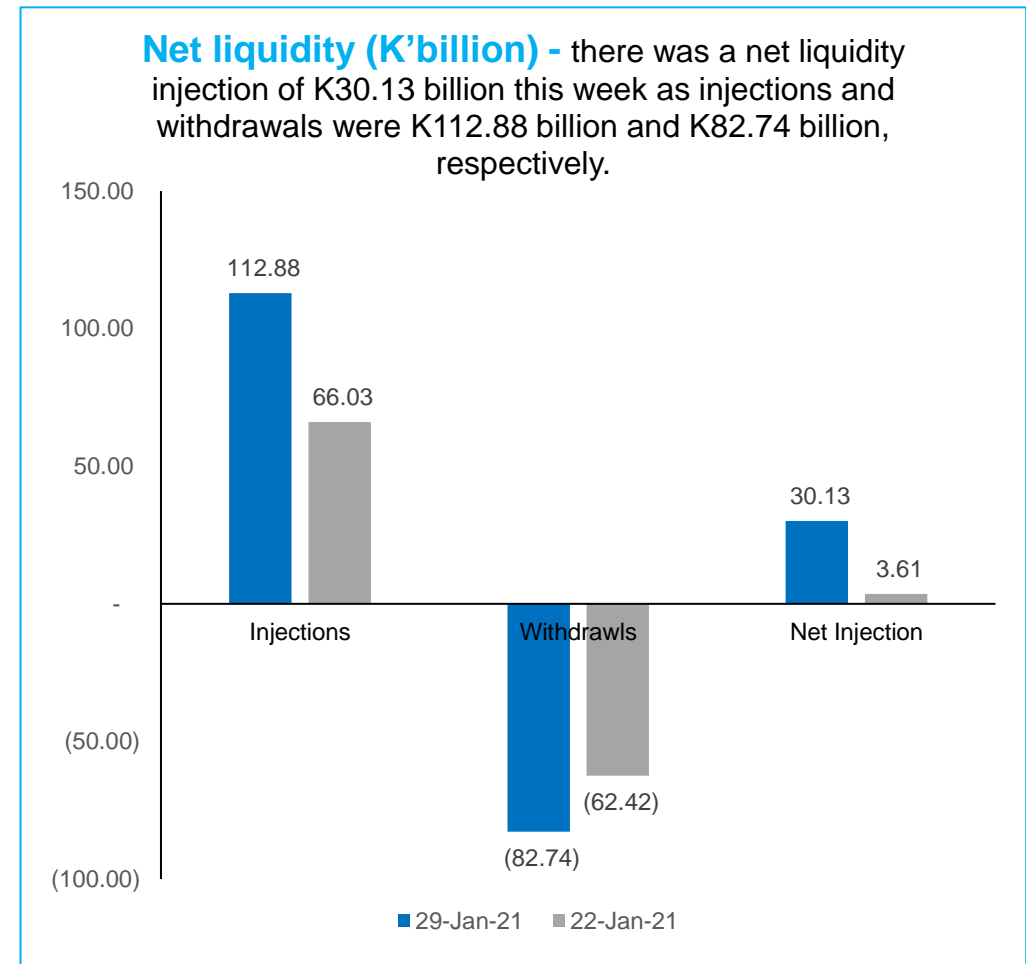
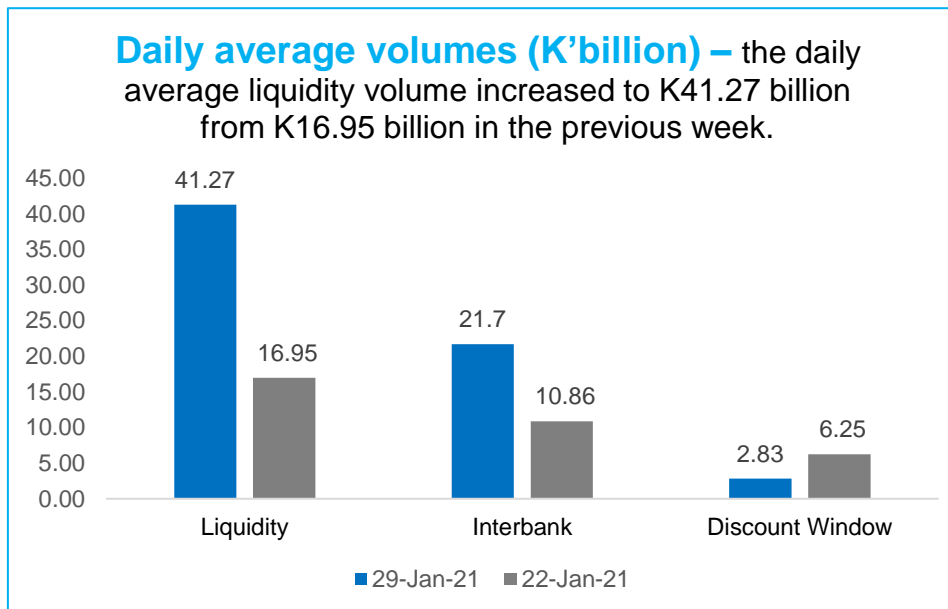
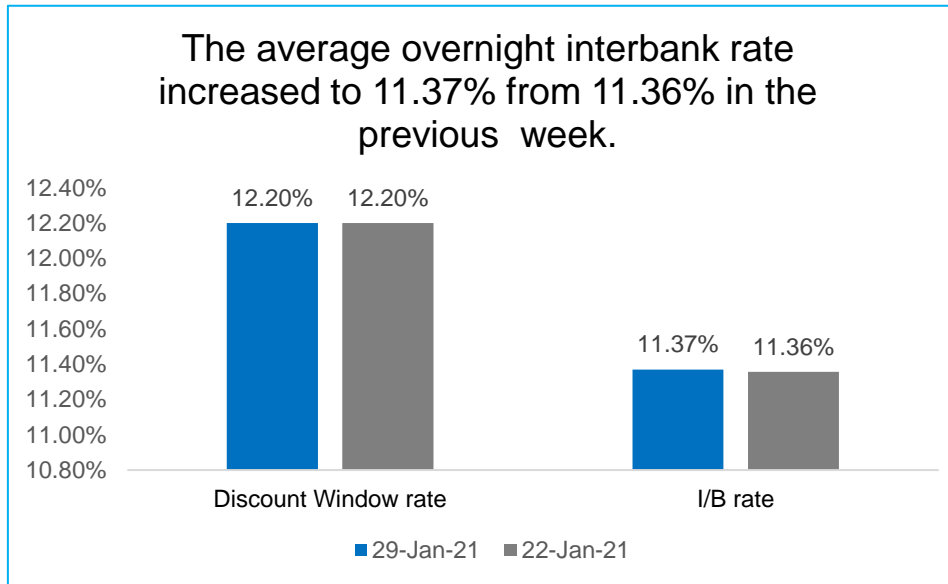
Note:

- The reported closing rates are actual trade-weighted market average TT rates.



Other financial market developments (Source: RBM)

The average overnight interbank rate marginally increased to 11.37% from 11.36% in the previous week.



I/B – Interbank



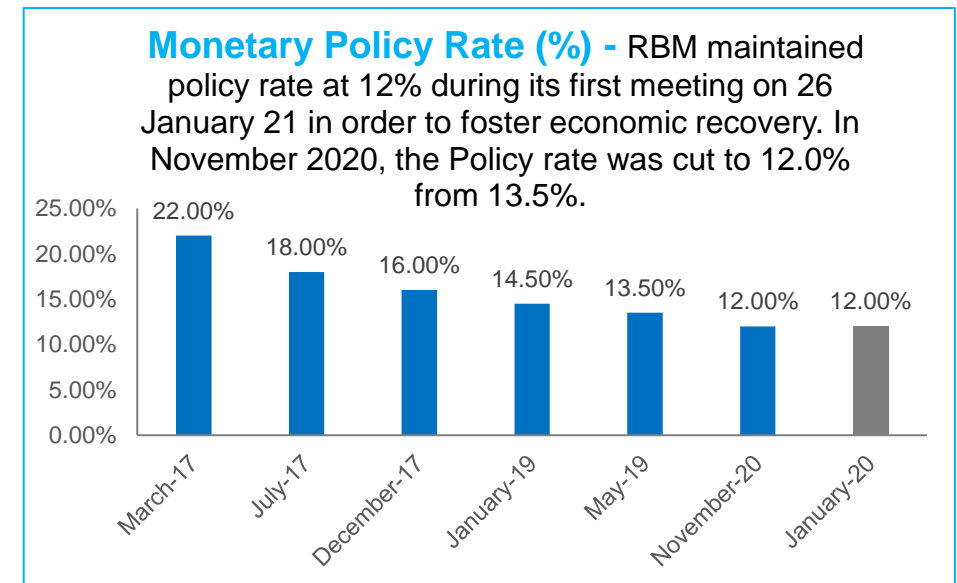
The MPC maintained the policy rate at 12% following their first meeting held 25-26 January 2021. The policy rate was reduced from 13.5% to 12% in of the policy rate in November 2020 to support economic recovery during the COVID-19 pandemic.

Other financial market developments (Source: RBM)

Highlights from the first Monetary Policy Committee (MPC) meeting held on 25 and 26 January 2021 (Source: RBM)

- The MPC has decided to maintain the Policy rate at 12.0%; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75%; and the Lombard rate at 20 basis points above the Policy rate.
- The MPC came to this decision in order to allow the effects of the recent policy rate reduction to sink into the economy. In November, the Policy rate was cut to 12.0% from 13.5%.
- This decision will also help to control inflation and support recovery of the economy in the wake of the second-wave of the COVID-19 pandemic.
- Headline inflation is anticipated to continue declining and is projected to average 7.8% in 2021. The Committee noted that the inflation outlook in the medium-term has remained relatively the same from the previous meeting's outlook. In its fourth meeting in 2020 the MPC projected that inflation would average at 8.6% in 2020 due to relatively lower food prices in the period and lower non-food inflation owing to stable energy prices.
- In the first quarter of 2021, oil prices are projected at US\$47.0 per barrel and are expected to rise to US\$50.0 per barrel by the year end. The upward pressures on prices may be reduced by high global oil inventory levels and lower demand due to the COVID-19 pandemic containment measures.

- Economic growth was set to rebound in the second half of 2020 but has been weakened due to the onset of a second COVID-19 wave. Economic growth for 2021 will depend on how fast the second wave of the pandemic is controlled. Thus, domestic economic growth could remain subdued in 2021.
- The trade deficit is estimated to have widened further to US\$566.7 million in the fourth quarter of 2020 from US\$532.0 million in the previous quarter. The trade balance was at US\$352.8 million during the same period in 2019. The broadened deficit is a result of an increase in imports than the growth in exports earnings.



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