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#### Title: Weekly Market Update

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Country: Malawi

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#### MSE Price Review (MWK) →

| Counter | 5-Jul-18 | 29-Jun-18 | % Δ Wkly | 31-Dec-17 | % Δ Ytd |
|---------|----------|-----------|----------|-----------|---------|
| MASI    | 30808.06 | 30736.95  | 0.23     | 21598.07  | 42.64   |
| DSI     | 20098.30 | 20033.47  | 0.32     | 16272.64  | 23.51   |
| FSI     | 8237.82  | 8237.82   | 0.00     | 3519.43   | 134.07  |
| BHL     | 7.00     | 7.00      | 0.00     | 28.00     | -75.00  |
| ILV     | 240.00   | 240.00    | 0.00     | 240.00    | 0.00    |
| MPICO   | 19.49    | 19.49     | 0.00     | 15.61     | 24.86   |
| NBM     | 300.00   | 300.00    | 0.00     | 270.08    | 11.08   |
| NBS     | 8.66     | 8.66      | 0.00     | 8.50      | 1.88    |
| NICO    | 49.00    | 46.00     | 6.52     | 34.00     | 44.12   |
| NITL    | 73.00    | 73.00     | 0.00     | 60.06     | 21.55   |
| PCL     | 772.00   | 772.00    | 0.00     | 600.00    | 28.67   |
| SBM     | 670.00   | 670.00    | 0.00     | 610.00    | 9.84    |
| SUN     | 145.00   | 145.00    | 0.00     | 96.00     | 51.04   |
| TNM     | 24.00    | 24.00     | 0.00     | 14.50     | 65.52   |
| FMBCH   | 160.00   | 160.00    | 0.00     | 67.00     | 138.81  |
| OMU     | 2513.25  | 2513.25   | 0.00     | 0.00      | 0.00    |

#### Investor Indicators →

| Counter | Price    | % DY  | Div(t)  | P/E(x) | P/BV |
|---------|----------|-------|---------|--------|------|
| BHL     | 7.00     | 16.43 | 115.00  | 11.60  | 1.14 |
| ILV     | 240.00   | 0.00  | 0.00    | 24.18  | 4.68 |
| MPICO   | 19.49    | 0.92  | 18.00   | 8.80   | 1.62 |
| NBM     | 300.00   | 6.43  | 1930.00 | 7.32   | 1.73 |
| NBS     | 8.66     | 0.00  | 0.00    | -23.08 | 2.01 |
| NICO    | 49.00    | 3.26  | 150.00  | 4.59   | 2.27 |
| NITL    | 73.00    | 1.78  | 130.00  | 4.44   | 1.15 |
| PCL     | 772.00   | 3.25  | 2500.00 | 2.34   | 0.74 |
| SBM     | 670.00   | 1.59  | 1065.00 | 12.93  | 2.18 |
| SUN     | 145.00   | 0.63  | 92.00   | 6.67   | 2.02 |
| TNM     | 24.00    | 2.50  | 60.00   | 18.38  | 8.27 |
| FMBCH   | 160.00   | 0.00  | 0.00    | 14.81  | 3.60 |
| OMU     | 2,513.25 | 0.00  | 0.00    | 10.36  | 1.54 |

#### CAPITAL MARKET DEVELOPMENTS

The market was marginally bullish during the week ended 6<sup>th</sup> July, 2018 on account of a MK3.00 gain on NICO. Trades were reported on four counters, namely; FMBCH, MPICO, NBS and NICO as trading activity improved from the previous week. Market turnover increased to MK7.5 million from MK2.6 million in the previous week. Trade volume was also on the incline from 0.3 million shares to 0.4 million shares.

NICO was the sole price mover, inching upwards to MK49.00 from MK46.00. The gain pushed the DSI 64.83 points to 20,098.30 points from 20,033.47 points. The FSI was steady at 8,237.82 points but the gains on the DSI were enough to see the MASI rise to 30,808.06 points from 30,736.95 points.

#### ECONOMIC EVENTS

##### *The RBM Maintains the Policy Rate at 16 percent*

The Monetary Policy Committee met on 3rd and 4th July, 2018 to review recent global and domestic economic developments and decide the Reserve Bank's monetary policy stance. Supporting disinflation in the medium term remains the Bank's priority as the committee decided to maintain the Bank's main policy tool, the Policy Rate (PR) at 16 percent. The committee further decided to maintain the Lombard rate at 200 bps above policy rate and leave the Liquidity Reserve Requirement (LRR) unchanged at 7.5 percent.

The policy stance has been taken in view of achieving the Bank's medium-term inflation target of 5 percent. The bank identified an upward inflation risk emanating from fiscal pressures as well as rising global oil prices in the near term. The committee was bearish on the economy's 2018 growth prospects and estimated real GDP growth at 4.0 percent, down from 5.1 percent in 2017. The committee attributed the bearish sentiments on a projected slump in agriculture output.

| Treasury Bill Tenors (days) | 91        | 182       | 364       |
|-----------------------------|-----------|-----------|-----------|
| Applied for (MK' m)         | 1,437.60  | 2,602.40  | 5,503.40  |
| Allotted (MK' m)            | 600.00    | 100.60    | 1,598.80  |
| % Rejection                 | 58.26%    | 96.13%    | 70.95%    |
| Average                     | 13.99     | 14.50     | 15.00     |
| Current yield (%)           | 14.00     | 14.50     | 15.00     |
| Previous yield (%)          | 14.00     | 14.50     | 15.00     |
| Δ in Yield (%)              | (0.00)    | -         | -         |
| Highest Accepted Yield (%)  | 13.99     | 14.50     | 15.00     |
| Lowest Accepted Yield (%)   | 14.00     | 14.50     | 15.00     |
| Spread                      | (0.01)    | -         | -         |
| Auction date                | 03-Jul-18 | 03-Jul-18 | 03-Jul-18 |
| Settlement date             | 05-Jul-18 | 05-Jul-18 | 05-Jul-18 |
| Maturity date               | 04-Oct-18 | 03-Jan-19 | 04-Jul-19 |
| Next auction                | 10-Jul-18 | 10-Jul-18 | 10-Jul-18 |

The Treasury Bill auction held on 3<sup>rd</sup> July, 2018 was characterised by rejections on all tenors. The RBM allotted MK2.3 billion out of MK9.5 billion that was subscribed, representing a 75.9 percent rejection rate. Yields were unchanged from the previous week at 14.5 percent and 15.0 percent on the 182-TB and 364-TB but fell marginally by 1bps on the 91-TB.

Liquidity in the money market was high compared to previous week as excess reserves in the banking system increased to MK22.7 billion from MK1.4 billion. The increase in liquidity resulted in overnight interbank lending rate dropping from 16.2 percent to 14.4 percent.

The Malawi Kwacha weakened against the GBP, EUR and JPY but gained against the ZAR. The USD was trading firm at MK725.65. Import cover increased to 5.39 months from 5.27 months on account of 1.65 percent and 3.13 percent gains in gross public reserves and private sector reserves respectively.

| FX Movement | 05-Jul-18 | 29-Jun-18 | % Δ Wk | 31-Dec-17 | % Δ Ytd | Volatility |
|-------------|-----------|-----------|--------|-----------|---------|------------|
| MWK/USD     | 725.65    | 725.65    | 0.00   | 725.65    | 0.00    | 0.00       |
| MWK/GBP     | 957.28    | 949.60    | 0.81   | 974.35    | (1.75)  | 2.78       |
| MWK/EUR     | 844.61    | 844.10    | 0.06   | 865.10    | (2.37)  | 1.12       |
| MWK/JPY     | 6.77      | 6.75      | 0.22   | 6.63      | 2.10    | 0.03       |
| MWK/ZAR     | 53.16     | 53.22     | (0.11) | 58.74     | (9.49)  | 0.24       |

Source: NBM (Indicative TT Middle Rate)

| Foreign Exchange Reserves            | 02-Jul-18 | 29-Jun-18 | 31-Dec-17 | % Δ Wk | % Δ Ytd |
|--------------------------------------|-----------|-----------|-----------|--------|---------|
| Gross Official Reserves (US\$ ml)    | 740.12    | 728.10    | 761.97    | 1.65   | (2.87)  |
| Gross Official Import Cover (months) | 3.54      | 3.48      | 3.65      | 1.72   | (3.01)  |
| Private Sector Reserves (US\$ ml)    | 386.18    | 374.47    | 414.03    | 3.13   | (6.73)  |
| Private Sector Import Cover (months) | 1.85      | 1.79      | 1.98      | 3.35   | (6.57)  |

Source: RBM

| Inflation (%) | May-18 | Apr-18 | % Δ month | May-18 | % Δ Yr |
|---------------|--------|--------|-----------|--------|--------|
| Headline      | 8.9    | 9.7    | (0.80)    | 12.30  | (3.40) |
| Food          | 9.5    | 10.0   | (0.50)    | 11.20  | (1.70) |
| Non-Food      | 8.4    | 8.9    | (0.50)    | 13.50  | (5.10) |

Source: RBM

For further advice on investment matters, please contact us on:  
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