



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 30 March 2018

1. Money Market

Government Securities

During the week under review there were Treasury bill auctions for the 91 days, 182 days and 364 days tenors in which a total of K17.58 billion was allotted against applications of K17.58 billion, resulting in nil rejection rate. The average rates for allotments were 14.00% for 91 days, 14.50% for 182 days and 15.00% for 364 days tenors. There were no Open Market Operations (OMO) during the week under review. Maturities of government securities were K53.18 billion resulting in a net injection of K35.59 billion (Source: RBM).

Interbank

Liquidity levels increased to an average of K15.66 billion a day during the week under review from K8.64 billion a day during the previous week. Access on the Lombard Facility (Discount Window Borrowing) averaged K8.37 billion during the week under review from K2.10 billion a day during the previous week at an average rate of 18.00%. Interbank borrowing averaged K9.74 billion per day in the week under review, decreasing from K10.03 billion per day in the previous week. The average interbank borrowing rate for the week increased to 13.92% from 13.89% in the previous week (Source: RBM).

2. Stock Market

The stock market was bullish in the week under review with the Malawi All Share Index (MASI) increasing to 25,286.79 points from 24,997.62 points. This was due to an increase in both the Domestic Share Index (DSI) to 18,009.73 points from 17,992.24 points and the Foreign Share Index (FSI) to 5,197.43 from 4,943.25 points. This was as a result of share price gains in MPICO to K18.30 from K17.94, NBM to K280.00 from K279.95, FMBCH to K100.00 from K95.00 and OML to K2,360.00 from K2,300.00. A total of 5,867,546 shares were transacted at a total consideration of K216.04 million in 27 deals (Source: MSE).

3. Local Development

- The Reserve Bank of Malawi (RBM) has maintained the policy rate at 16% during its first Monetary Policy Committee (MPC) meeting held on 27-28 March 2018. In coming up with this decision, the Committee observed that despite sustained decelerations in inflation in 2017, upside risks to inflation outlook still persist, requiring a cautious monetary policy stance. The RBM has projected economic growth for 2018 at 4%, which is lower than the 5.1% estimated growth in 2017. This is driven by irregular rainfall pattern and the spread of fall army worms which have negatively impacted this year's agricultural output (Source: RBM).

4. Regional Developments in the Week

- Nigeria decided not to join an African free trade zone last week saying it needs to carry out more consultations. Other African leaders agreed to form a US\$3 trillion continental free-trade zone encompassing 1.2 billion people, but 11 countries including Nigeria and South Africa did not sign up. (Source: Reuters).
- South Africa's central bank cut its base lending rate by 25 basis points to 6.5% on 28 March 2018 in light of the improved inflation outlook and the moderation of risks to the forecast. Headline inflation rate is expected to remain unchanged at 4.9% in 2018 and 5.2% in 2019, lower than an earlier projected 2019 economic growth rate of 5.4%. The South African Reserve Bank projects a 1.7% economic growth in 2018 from an estimated 1.3% in 2017 on account of improved business and consumer confidence (Source: South African Reserve Bank).

5. Global Developments in the Week

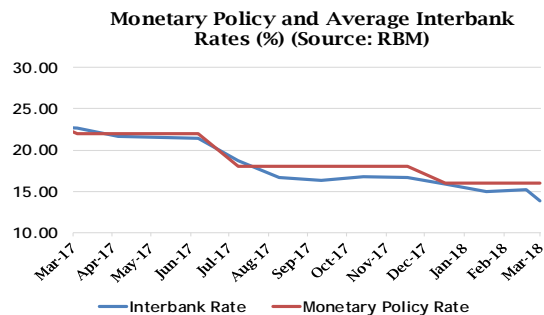
- Canada's GDP unexpectedly shrank in January 2018 by 0.1% and this was the largest decline since May 2016, weighed down by a 3.6% drop in oil production and gas extraction and slow down in real estate activity. The drop in the January output puts the economy on track for negative 2% growth since 2015. On the other hand, the December 2017 growth estimate was revised up to 0.2% from the initial 0.1% (Source: Bloomberg).
- German unemployment has extended its decline in March 2018 as companies in the country boosted their labour force and saw the number of people out of job drop by 19,000 against the projected 15,000. The jobless rate dropped to a record low of 5.3% in March 2018 (Source: Bloomberg).

Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	23-Mar-18	29-Mar-18
Counter				MK/Share	MK/Share
Blantyre Hotels	3.57%	8.21	0.76	28.00	28.00
ILLOVO	0.00%	24.18	4.68	240.00	240.00
MPICO	0.00%	21.15	1.50	17.94	↑ 18.30
NBM	6.39%	7.87	1.93	279.95	↑ 280.00
NBS Bank	0.00%	N/A	3.72	8.70	8.70
NICO	0.83%	18.31	1.56	48.00	48.00
NITL	2.33%	3.34	0.86	55.00	55.00
PCL	2.08%	4.21	0.70	602.00	602.00
Standard Bank	1.75%	11.77	1.98	610.00	610.00
Sunbird	0.84%	5.06	1.53	110.05	110.05
TNM	3.00%	15.32	6.89	20.00	20.00
FMBCH	0.00%	30.50	5.33	95.00	↑ 100.00
Old Mutual	2.29%	15.47	1.17	2,300.00	↑ 2,360.00
DSI	2.21%	11.68	2.14	17,992.24	↑ 18,009.73
FSI	2.24%	15.62	1.19	4,943.25	↑ 5,197.43
MASI	2.24%	15.26	1.23	24,997.62	↑ 25,286.79

MASI = Malawi All Share Index, DSI= Domestic Share Index, FSI= Foreign Share Index

	2017	2018
MASI Return (YTD)	9.44%	17.08%



Foreign Exchange Reserves (Source: RBM)

	21-Mar-18 (US\$ million)	27-Mar-18 (US\$ million)
Gross Official	655.59	678.77
Private Sector	355.25	349.16
Total	1,010.84	1,027.93

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.14	3.25
Private Sector	1.70	1.67
Total	4.84	4.92

Exchange Rates - Middle Rates (Source: RBM)

CURRENCY	23-Mar-18	29-Mar-18	% Change
MK/US Dollar	725.69	725.69	0.000%
MK/GBP	1,024.24	1,021.77	0.241%
MK/ZAR	61.24	61.71	-0.756%
MK/EUR	895.21	894.77	0.049%

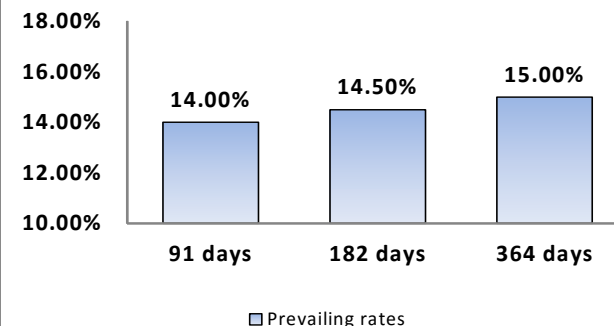
Global Market Rates (Source: Bloomberg, WSJ)

	23-Mar-18	29-Mar-18	% Change
US Fed Rate	1.250%	1.250%	0.000%
US Libor (3 months)	2.271%	2.302%	0.031%
US Libor (6 months)	2.434%	2.453%	0.019%
US Treasury yield (10 years)	2.820%	2.760%	-0.060%
BOE Rate	0.500%	0.500%	0.000%
ECB Rate	0.000%	0.000%	0.000%

*LIBOR = London Interbank Offered Rates *BOE= Bank of England

*ECB= European Central Bank

Prevailing Government Security Interest Rates as at 29 March 2018 (Source: RBM)



Government Securities Auction Results for Week ending 29 March 2018 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	4,689.72	14.00%
182 days TB	1,083.18	14.50%
364 days TB	11,811.74	15.00%
OMOs	-	
Total	17,584.65	14.50%

Malawi Real GDP Projections

	Real GDP Growth Projections			
	2017	2018	2019	2020
EIU	4.40%	3.60%	4.80%	4.80%
IMF	4.50%	3.00%-5.00%		
WORLD BANK	4.40%	4.50%	4.50%	
GOVERNMENT	5.00%			
RBM	5.10%	4.00%		
Average Real GDP	4.68%	4.40%	4.65%	4.80%

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