



NICO Asset Managers
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WEEKLY MARKET UPDATE

Week ending 24 November 2023

1. Money Market

Government Securities

The Government Treasury Bills auction held during the week raised a total of K1.62 billion from total applications of K1.62 billion, resulting in a nil rejection rate. The average yield for the 364 days tenor was 24.00%, there were no applications for the 91 days and 182 days tenor (Previous week: 91 days: 14.70%, 182 days: 18.00%, 364 days: 24.00%). Treasury Note (2yr) auction held during the week raised a total of K7.64 billion from applications of K6.52 billion, resulting in a 14.66% rejection rate. Total maturities for the week stood at K19.44 billion, resulting in a net injection of K11.30 billion.

Interbank Market

Liquidity levels (excess reserves after Central Bank Operations) decreased to a daily average of K67.97 billion from K91.42 billion recorded in the previous week. The volume on interbank overnight borrowing increased to an average of K46.45 billion at 23.00% (previous week: K38.80 billion at 23.00%). Access to the Lombard facility during the week in review averaged K53.42 billion at an average rate of 24.20% (previous week: K51.54 billion at 24.20%) (Source: RBM).

2. Stock Market

The MASI closed the week at 113,206.94 points (previous week: 113,517.44 points), the Domestic Share Index (DSI) closed at 88,948.77 points (previous week: 89,255.06 points) and the Foreign Share Index (FSI) closed at 15,048.88 points (previous week: 15,048.88 points). The decrease in MASI and DSI was due to share price losses in Airtel, FDH Bank, ICON, Illovo, NBS Bank, NICO, and TNM despite the share price gain in Standard Bank. A total volume of 7.56 million shares were traded during the week at a value of K4.42 billion in 274 deals (Source: MSE).

3. Local Market Developments

According to a report released by the International Monetary Fund (IMF), Malawi needs almost US\$1.0 billion in debt relief from its creditors by 2027, as it battles severe medicine, fuel and fertilizer shortages due to chronic foreign currency shortages. The report states that the country needs US\$887.0 million in debt relief from 2023 to 2027 from its commercial creditors and US\$99.0 million from its bilateral creditors. Malawi has a 2023-2027 financing gap, the difference between its export revenues and the cost of imports and servicing external debt of US\$1.6 billion. The gap is expected to be filled by the debt restructuring, with the rest from grants, concessional loans, and the IMF loan (Source: Reuters).

4. Regional Developments in the Week

During the week in review, the South African reserve Bank (SARB) kept its main lending rate unchanged at 8.25% in a unanimous decision by its monetary policy committee (MPC). It was the third meeting in a row that the bank has left its repo rate on hold. Inflation rose sharply to 5.9% year-on-year in October from 5.4% in September 2023, approaching the upper end of the central bank's target range of 3%-6%. The central bank governor Lesetja Kganyago expressed that the uptick was unwelcome and the serious upside risks remained. Reuters Analysts expect the SARB to cut interest rates in early 2024, but some have warned it might delay its easing cycle until later over high inflation. The South African Reserve Bank's MPC has said it wants to see inflation sustainably around the midpoint of its target range before considering rate cuts (Source: Reuters).

5. Global Developments in the Week

According to data released by the Statistisches Bundesamt (Germany's statistical office), Germany's economy shrank slightly in the third quarter compared with the previous three months. The figure confirmed an initial estimate, published in late October, that saw Europe's largest economy shrink by 0.1%. Germany has been among the weakest economies in Europe this year as high energy costs, weak global orders and higher interest rates have taken their toll. Adjusted gross domestic product (GDP) contracted by 0.4% year-on-year in the third quarter. Private consumer spending, which accounts for about two-thirds of GDP, was 0.3% lower than in the previous quarter. Germany's central bank said that the German economy will likely shrink again in the fourth quarter and show signs of slight improvement in 2024 (Source: Reuters).

