



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 10 August 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 K6.46 billion was allotted against applications of K11.96 billion resulting in a 46% 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 (OMOs) during the week under review. Maturities of government securities were K10.69 billion resulting in a net injection of K4.23 billion (Source: RBM).

Interbank

Liquidity levels increased to an average of K11.44 billion a day during the week under review from K4.09 billion a day during the previous week. Access on the Lombard Facility (Discount Window Borrowing) averaged K10.53 billion a day during the week under review, decreasing from K13.18 billion a day during the previous week at an average rate of 18.00%. Interbank borrowing averaged K9.81 billion per day in the week under review, decreasing from K9.92 billion per day in the previous week. The average interbank borrowing rate increased to 15.44% from 15.27% in the previous week (Source: RBM).

2. Stock Market

The stock market was bullish during the week under review with the Malawi All Share Index (MASI) increasing to 31,282.19 points from 31,263.14 points. This was due to an increase in the Domestic Share Index (DSI) to 20,531.06 from 20,513.69 points while the Foreign Share Index (FSI) remained steady at 8,237.32 points. The increase was as a result of share price gains in BHL to K8.00 from K7.00 and NBM to K310.01 from K310.00 (Source: MSE).

3. Local Development

Revenue from the country's major export crop, tobacco, has risen by 35% compared to last year and could exceed US\$300 million by the end of the season later this month. Tobacco Control Commission, the tobacco industry regulator, has attributed this increase from an influx of tobacco imports from neighbouring Zambia and Mozambique which went above the local tobacco production estimates (Source: Reuters).

4. Regional Developments in the Week

- Chinese investors who signed an agreement to build a US\$10 billion metallurgical complex in South Africa hope to start the construction in 2019. China committed to **invest US\$14.7 billion in South African economy. South Africa's president is on a mission to kick-start economic growth** after a decade of stagnation and is targeting US\$100 billion in new investments over five years (Source: Reuters).
- **Egypt's annual inflation rate dropped in July 2018 after a surge a month earlier when cuts to energy subsidies imposed by the IMF** loan deal hit the economy. The **country's urban consumer inflation slowed to an annual** average 13.5% in July 2018 from 14.4% in June 2018. Core inflation fell to the lowest rate since March 2016 to 8.54% in July 2018 from 10.9% in June 2018 (Source: Reuters).

5. Global Developments in the Week

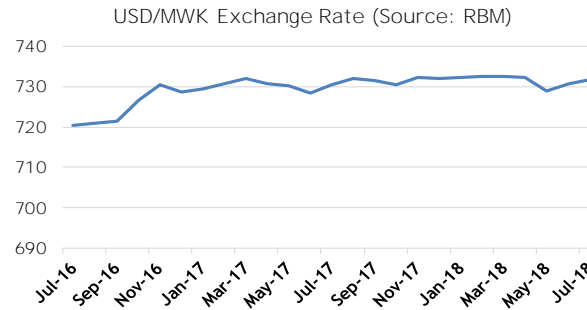
- Consumer prices in the US rose significantly in a decade in July 2018, strengthening the case for the Federal Reserve to keep raising interest rates. The core measure of the Consumer Price Index, which excludes food and fuel, rose by 2.4% from a year earlier, the biggest rise since September 2008 (Source: Bloomberg).
- **Canada's jobless rate returned to four-decade lows in July 2018 on stronger than expected employment gains, adding evidence that the country's economy is growing.** The unemployment rate declined to 5.8% from 6% in June 2018, matching the lowest level since the 1970s. The economy added 54,100 jobs in July 2018, marking a second straight month of exceptionally strong labour market gains (Source: Reuters).

Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	3-Aug-18	10-Aug-18
Counter				MK/Share	MK/Share
Blantyre Hotels	14.38%	13.26	1.31	7.00	↑ 8.00
ILLOVO	0.00%	24.18	4.68	240.00	240.00
MPICO	0.92%	8.80	1.62	19.50	19.50
NBM	6.23%	7.56	1.79	310.00	↑ 310.01
NBS Bank	0.00%	-23.08	2.01	8.66	8.66
NICO	2.78%	5.06	2.50	54.00	54.00
NITL	1.73%	4.56	1.18	75.00	75.00
PCL	3.24%	2.34	0.74	772.00	772.00
Standard Bank	1.59%	12.93	2.18	670.00	670.00
Sunbird	0.63%	15.58	2.02	145.00	145.00
TNM	2.40%	19.15	8.62	25.00	25.00
FMBCH	0.00%	14.81	3.60	159.99	159.99
OMU	0.00%	10.36	1.54	2,513.25	2,513.25
DSI	2.38%	13.17	3.98	20,513.69	↑ 20,531.06
FSI	0.08%	14.62	3.48	8,237.32	8,237.32
MASI	1.71%	13.59	3.84	31,263.14	↑ 31,282.19

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

	2017	2018
MASI Return (YTD)	35.89%	44.84%



Foreign Exchange Reserves (Source: RBM)

	1-Aug-18 (US\$ million)	8-Aug-18 (US\$ million)
Gross Official	750.83	752.79
Private Sector	347.23	348.13
Total	1,098.06	1,100.92

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.59	3.60
Private Sector	1.66	1.67
Total	5.25	5.27

Exchange Rates - Middle Rates (Source: RBM)

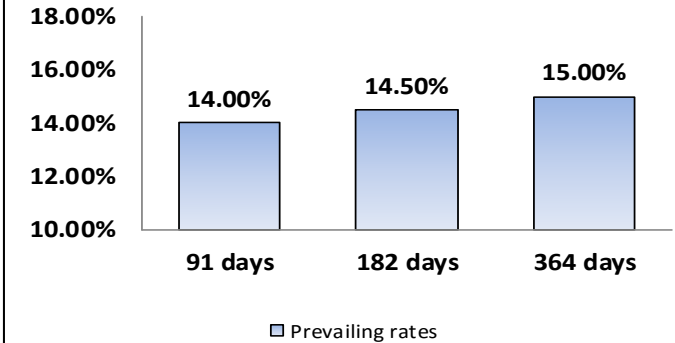
CURRENCY	3-Aug-18	10-Aug-18	% Change
MK/US Dollar	725.99	726.11	↓ -0.02%
MK/GBP	943.06	929.56	↑ 1.43%
MK/ZAR	53.81	52.91	↑ 1.67%
MK/EUR	840.62	831.10	↑ 1.13%

Global Market Rates (Source: Bloomberg, WSJ)

	3-Aug-18	10-Aug-18	% Change
US Fed Rate	2.000%	2.000%	→ 0.000%
US Libor (3 months)	2.341%	2.338%	↓ -0.002%
US Libor (6 months)	2.529%	2.517%	↓ -0.012%
US Treasury yield (10 years)	2.960%	2.890%	↓ -0.070%
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 10 August 2018 (Source: RBM)



Government Securities for Week ending 10 August 2018 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	666.70	14.00%
182 days TB	2,190.50	14.50%
364 days TB	3,603.10	15.00%
OMOs	-	-
Total	6,460.30	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%	4.00%		
WORLD BANK	4.00%	3.70%		
GOVERNMENT	5.00%	4.50%	6.00%	6.00%
RBM	5.10%	4.00%		
Average Real GDP	4.60%	3.96%	5.40%	5.40%

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