



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 3 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 K9.96 billion was allotted against applications of K9.96 billion resulting in a 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 (OMOs) during the week under review. Maturities of government securities were K7.98 billion resulting in a net withdraw of K1.97 billion (Source: RBM).

Interbank

Liquidity levels increased to an average of K4.09 billion a day during the week under review from K2.47 billion a day during the previous week. Access on the Lombard Facility (Discount Window Borrowing) averaged K13.18 billion a day during the week under review, increasing from K9.24 billion a day during the previous week at an average rate of 18.00%. Interbank borrowing averaged K9.92 billion per day in the week under review, increasing from K6.83 billion per day in the previous week. The average interbank borrowing rate increased to 15.27% from 13.73% in the previous week (Source: RBM).

2. Stock Market

The stock market was slightly bearish during the week under review with the Malawi All Share Index (MASI) decreasing to 31,263.14 points from 31,263.67 points. This was due to a slight decrease in the Foreign Share Index (FSI) to 8,237.32 points from 8,237.82 points, while the Domestic Share Index (DSI) remained steady at 20,513.69 points. The decline was as a result of a share price loss in FM BCH to K159.99 from K160.00 (Source: MSE).

3. Local Development

National Bank of Malawi Plc has released its financial statements for the half year ended 30 June 2018 in which the Bank registered a 10% decrease in the after-tax profit to K8.54 billion from K9.53 billion on account of slow real sector activity which led to lower than expected demand for some of the Bank's products. However, growth of 17% and 19% was recorded in the bank's loan book and customer deposits respectively, contributing to overall growth in the Statement of Financial Position of 19% to K409 billion from K343 billion from the previous corresponding period. The directors have resolved to pay an interim dividend amounting to K2.5 billion (2017: K3.32 billion) representing K5.35 per share (Source: NBM).

4. Regional Developments in the Week

- Kenya's economy, as estimated by the central bank, is expected to grow by 6.2% in 2018. In the first quarter of 2018, the economy grew by 5.7% as a result of increase in farming activities which accounts for most of the country's output. This year's estimates have been based on the likely expansions in the tourism and agricultural sectors (Source: Reuters).
- South Africa's unemployment rate rose in the second quarter of 2018 from 26.7% of the labour force to 27.2%. The country experienced more job losses in its manufacturing sector from 6.0 million unemployed individuals in the first three months of the year to 6.1 million people currently (Source: Reuters).

5. Global Developments in the Week

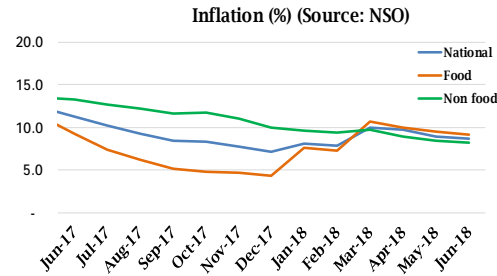
- Turkey's central bank has raised the country's inflation estimate for 2018 and 2019. The 2018 inflation estimate has been revised upwards to 13.4% from 8.4%. In 2019, the inflation rate has been revised to 9.3% from an estimate of 6.5%. The revision is partly due to the rising prices of imports the country is currently facing (Source: Reuters).
- Russia's inflation is likely to be higher than previously estimated as a result of the Russian parliament's approval to raise the Value Added Tax (VAT) rate as a way of raising government funds. The inflation is therefore expected to increase to 3.8% by the end of 2018 and 4.3% by the end of 2019 (Source: Reuters).

Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	27-July-18	3-Aug-18
Counter				MK/Share	MK/Share
Blantyre Hotels	16.43%	11.60	1.14	7.00	7.00
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	310.00
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	160.00	↓ 159.99
OMU	0.00%	10.36	1.54	2,513.25	2,513.25
DSI	2.38%	13.17	3.98	20,412.69	20,513.69
FSI	0.08%	14.62	3.48	8,980.82	↓ 8,237.32
MASI	1.71%	13.59	3.84	31,263.67	↓ 31,263.14

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

	2017	2018
MASI Return (YTD)	28.13%	44.75%



Foreign Exchange Reserves (Source: RBM)

	25-Jul-18	1-Aug-18
	(US\$ million)	(US\$ million)
Gross Official	757.18	750.83
Private Sector	340.81	347.23
Total	1,097.99	1,098.06

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.62	3.59
Private Sector	1.63	1.66
Total	5.25	5.25

Exchange Rates - Middle Rates (Source: RBM)

CURRENCY	27-Jul-18	3-Aug-18	%Change
MK/US Dollar	725.99	725.99	⇒ 0.00%
MK/GBP	951.33	943.06	↑ 0.87%
MK/ZAR	54.96	53.81	↑ 2.09%
MK/EUR	845.34	840.62	↑ 0.56%

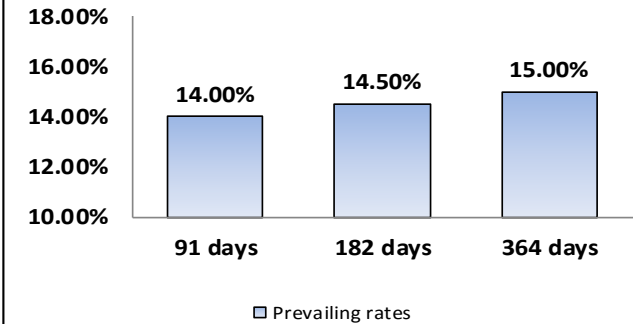
Global Market Rates (Source: Bloomberg, WSJ)

	27-Jul-18	3-Aug-18	%Change
US Fed Rate	2.000%	2.000%	⇒ 0.000%
US Libor (3 months)	2.339%	2.341%	↑ 0.002%
US Libor (6 months)	2.531%	2.529%	↓ -0.002%
US Treasury yield (10 years)	2.970%	2.960%	↓ -0.010%
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 3 August 2018 (Source: RBM)



Government Securities for Week ending 3 August 2018 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	2,785.60	14.00%
182 days TB	4,677.80	14.50%
364 days TB	2,493.40	15.00%
OMOs		15.00%
Total	9,956.90	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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