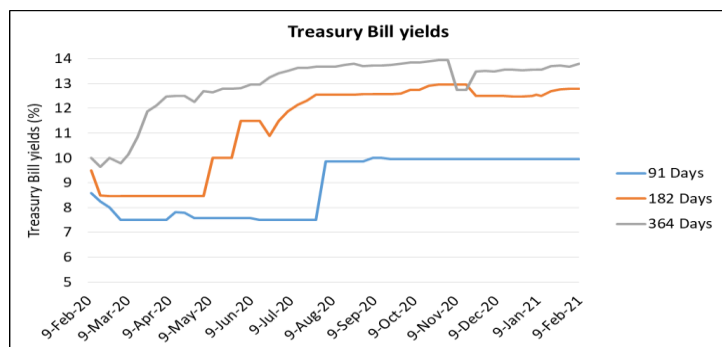


Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) registered a loss of 0.75% to close the week at 32,731.80 points from 32,977.97 points in the previous week due to share price losses in NBS (-0.05%), OMU (-0.04%), PCL (-8.36%) and TNM (-0.05%) which outweighed gains in AIRTEL (0.04%) and STANDARD (0.001%). The year-to-date return on MASI stands at 1.05% compared to -6.35% for the same period in 2020 (Source: MSE).

Government securities

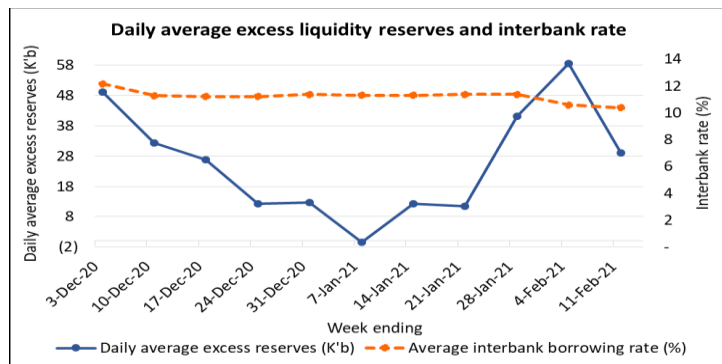
Government raised K23.31b during the week's auction for Treasury Bills (TBs) compared to K29.32b raised in the previous week, representing a decrease of 20.5% in the amount raised through TBs compared to the previous week. The auction registered a rejection rate of 18.59% on the submitted bids. The all-type average TB yield slightly increased to 12.19% from 12.14% in the previous week due to increases in the 91-day and 364-day yields to 9.96% and 13.80%, respectively, from 9.95% and 13.68% in the previous week. The 182-day yield was stable at 12.80% (Source: RBM). Overall, TB yields have steadily increased over the past year as shown in the chart below.



During the week, K24.69b was also raised by Government through auctions of 2-year, 5-year and 7-year Treasury notes (TN) at average yields of 16.50%, 19.97% and 20.50%, respectively. Maturities of Government securities for the week amounted to K26.41b, resulting in a net withdrawal of K21.59b from the market, compared to a net withdrawal of K10.69b in the previous week (Source: RBM).

Market liquidity and interbank market activity

Consequently, the average daily excess liquidity reserves decreased to K29.09b from K58.55b recorded in the previous week. Interbank borrowing for the week amounted to K22.05b compared to K4.90b in the previous week. Accordingly, the average interbank borrowing rate decreased to 10.38% from 10.58%. Borrowing on the Lombard Facility amounted to K500.00m at the fixed rate of 12.20% (Source: RBM).



Foreign exchange market developments

The Kwacha depreciated by 0.05% against the USD to close the week at K774.17 per USD. The Kwacha also depreciated against GBP, EUR and ZAR by 0.87%, 1.40% and 2.40%, respectively. Gross official forex reserves were last recorded at USD502.98m (2.41 months of import cover) on 31st January 2021 from USD574.26m (2.75 months of import cover) recorded on 31st December 2020 (Source: RBM). The reserves are below the recommended minimum of 3 months of import cover. The situation is expected to prevail until the onset of the 2021 tobacco marketing campaign.

Stock market				
	12-Feb-21		% Δ	5-Feb-21
MASI	32,731.80	↓	-0.75%	32,977.97
DSI	27,861.25	↓	-0.78%	28,080.20
FSI	1,613.96	↓	-0.01%	1,614.08
Gainers		Closing price (K)	% Δ	Opening price (K)
AIRTEL	27.98	↑	0.04%	27.97
STANDARD	1200.02	↑	0.001%	1200.01
Losers		Closing price (K)	% Δ	Opening price (K)
NBS	20.45	↓	-0.05%	20.46
OMU	2,199.00	↓	-0.04%	2,199.98
PCL	1199.97	↓	-8.36%	1309.47
TNM	19.38	↓	-0.05%	19.39
Treasury Bill auctions				
Auction date	9-Feb-21		% pts Δ	2-Feb-21
Amount offered - cost value (K'm)	9,417.00	→	0.00%	9,417.00
Applied - cost value (K'm)	28,628.65	↓	-2.37%	29,323.89
Allotted - cost value (K'm)	23,306.91	↓	-20.52%	29,323.89
Overall rejection rate	18.59%	↑	18.59	0.00%
91 days yield	9.96%	↑	0.07%	9.95%
182 days yield	12.80%	→	0.00%	12.80%
364 days yield	13.80%	↑	0.84%	13.68%
All-type yield	12.19%	↑	0.34%	12.14%
Treasury Note auctions				
Auction date	9-Feb-21	2-Feb-21		28-Jan-21
Tenors	2, 5 & 7 years	3 years		2, 3, 5 & 7 years
Coupon rate	10%, 12.5% & 13.5%	11.00%		10%, 11%, 12.5% & 13.5%
Amount offered - cost value (K'b)		47.76		
Total applied - cost value (K'b)	24.69	16.35		64.94
Total allotted - cost value (K'b)	24.69	16.35		64.94
Allotted - weighted average ytm	16.5%, 19.97% & 20.5%	18.66%		16.5%, 18.69%, 19.94% & 20%
Current yields for Treasury Notes				
Tenor	Last auction's yield	Last auction		Next auction
2-year	16.50%	9-Feb-21		TBA
3-year	18.66%	2-Feb-21		TBA
5-year	19.97%	9-Feb-21		TBA
7-year	20.50%	9-Feb-21		TBA
10-year	22.50%	22-Dec-20		16-Feb-21
Upcoming Treasury Note auctions				
Auction date	Tenor	Amount (K'b)		Coupon rate
16-Feb-21	10	10.64		15.00%
Projected maturities				
Week ending	12-Feb-21	19-Feb-21		26-Feb-21
TBs, PNs & TNs (K'm)	7,613	4,727		11,398
OMO repos (K'm)	0	0		0
OMO reverse repos (K'm)	18,800	9,781		70,535
Reference rate				
Rate	Feb-21	% pts Δ		Jan-21
	12.00%	↓	-0.10	12.10%
Inflation rate				
Rate	Dec-20	% pts Δ		Nov-20
	7.6%	↑	0.3	7.3%
Indicative opening mid exchange rates				
	12-Feb-21	% Δ		5-Feb-21
USD	774.1693	↓	0.05%	773.7980
GBP	1068.1214	↓	0.87%	1058.8652
EUR	938.6803	↓	1.40%	925.6945
ZAR	52.9072	↓	2.40%	51.6654
Gross official foreign exchange reserves position				
	31-Jan-21	31-Dec-20		30-Nov-20
Reserves (USD'm)	502.98	574.26		584.89
Import cover (months)	2.41	2.75		2.80

Sources: MSE, RBM, NSO, AHL

COVID-19 update

Cumulative confirmed COVID-19 cases in Malawi stood at 28,630 as at 12th February 2021, out of which 14,147 are active. The country continues to register high levels of daily new infections in the second wave which has forced Government to enforce strict preventive measures. So far, 13,347 people have recovered while 926 have died from the disease (Source: Ministry of Health). Globally, total confirmed cases of COVID-19 amounted to 108.02m, with recoveries of more than 60.45m and 2.37m deaths as at 12th February 2021 (Source: Johns Hopkins University and Medicine). The rollout of vaccines for COVID-19 is expected to control the pandemic. In Malawi, Government has announced that it will rollout the vaccines in March 2021, with health workers and people with opportunistic conditions prioritized.

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