



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 11 August 2017

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 K3.00 billion was allotted against applications of K14.82 billion resulting in a 79.74% rejection rate. The average rates for allotments were 16.17% for 91 days, 17.15% for 182 days and 18.11% for 364 days tenors. Open Market Operations (OMO) totalled K36.58 billion at an average rate of 17.00%. Maturities of government securities were K40.39 billion resulting in a net injection of K0.81 billion (Source: RBM).

Interbank

Liquidity levels decreased to K7.18 billion a day during the week under review from K13.64 billion a day during the previous week. Access on the Lombard facility (Discount Window Borrowing) decreased to an average of K1.90 billion per day from K2.29 billion per day at an average rate of 20.00% for both weeks. Interbank borrowing averaged K5.87 billion per day in the week under review, decreasing from K7.01 billion per day in the previous week. The average interbank borrowing rate for the week decreased to 16.83% from 17.68% the previous week (Source: RBM).

2. Stock Market

The stock market was bullish in the week under review. The Malawi All Share Index (MASI) increased to 18,101.06 points from 17,067.33 points. This was due to the increase in the Domestic Share Index (DSI) to 14,238.24 points from 13,416.34 points as a result of share price gains in FMB to K25.00 from K18.61, NITL to K60.00 from K56.11 and TNM to K14.03 from K11.02 despite a share price loss in Standard Bank to K624.93 from K625.00. The Foreign Share Index (FSI) was stable at 2,325.21 points. A total of 1,294,433,375 shares were transacted during the week at a total consideration of K28.49 billion in 26 deals (Source: MSE).

3. Local Developments

- The tobacco marketing season is coming to an end, with only one auction floor still running. As at the end of the seventeenth week of the 2017 tobacco marketing season, 105.25 million kilograms (2016: 118.75 million kilograms) of tobacco were traded at an average price of US\$1.99/kg (2016: US\$1.57/kg) resulting in a total value of US\$209.89 million (2016: US\$185.75 million) (Source: TCC).
- TNM has released its financial results for the half year ended 30 June 2017. The company has registered a 71.73% increase in net profits to K4.75 billion from K2.77 billion due to high levels of service revenue and moderate subscriber growth. The board of directors have declared a first interim dividend amounting to K1.51 billion (2016: K1.00 billion) representing K0.15 per share (2016: K0.10 per share) (Source: TNM).

4. Regional Developments in the Week

- The IMF has revised Botswana's 2017 and 2018 economic growth forecasts to 4.5% and 4.8% respectively, due to rising diamond demand, energy investments and public reforms. The IMF's projection is more bullish than government forecasts projected at 4.2% in 2017 (Source: IMF).
- Zambia's central bank has cut its benchmark lending rate by 150 basis points to 11%, citing lower inflation and weak economic growth. This is the third monetary policy rate reduction in 2017 (Source: Reuters).

5. Global Developments in the Week

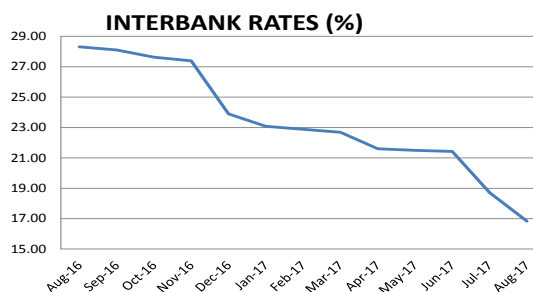
- The tensions between North Korea and the US have led to a global slide in Asian equity markets, causing investors to flee to less risky assets and currencies. The US Dollar has also hit an eight week low against the Japanese Yen, depreciating by 0.77% on 10 August 2018. The Japanese Yen is considered a safe haven currency and often sought in times of geopolitical tension mainly because Japan has a huge current account surplus (Source: CNBC).
- Oil prices dropped by 0.54% to US\$51.34 per barrel on 11 August 2018, mainly due to persistent oil oversupply although data from crude inventories in the US have shown that oil production fell sharply during the week. Rising output from Nigeria and Libya is undermining OPEC's attempts to limit oil production (Source: BBC).

Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	4-Aug-17	11-Aug-17
Counter				MK/Share	MK/Share
Blantyre Hotels	4.00%	7.33	0.68	25.00	25.00
FMB	2.00%	7.62	1.84	18.61	↑ 25.00
ILLOVO	0.00%	21.97	4.25	218.00	218.00
MPICO	0.00%	10.46	0.74	9.05	9.05
NBM	6.62%	7.59	1.86	270.00	270.00
NBS Bank	0.00%	N/A	2.78	6.50	6.50
NICO	1.54%	9.92	0.84	26.00	26.00
NITL	1.67%	N/A	1.24	56.11	↑ 60.00
PCL	2.19%	3.98	0.66	570.00	570.00
Standard Bank	4.09%	7.55	2.34	625.00	↓ 624.93
Sunbird	0.63%	12.53	1.27	64.00	64.00
TNM	2.35%	17.17	6.76	11.02	↑ 14.03
Old Mutual	2.92%	12.12	0.92	1,850.00	1,850.00
DSI	2.67%	9.77	1.91	13,416.34	↑ 14,238.24
FSI	2.92%	12.12	0.92	2,325.21	2,325.21
MASI	2.90%	11.95	0.96	17,067.33	↑ 18,101.06

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

	2016	2017
MASI Return (YTD)	-11.32%	35.89%



Foreign Exchange Reserves (Source: RBM)

	4-Aug-17 (US\$ million)	9-Aug-17 (US\$ million)
Gross Official	695.79	692.45
Private Sector	360.51	347.57
Total	1,056.30	1,040.02

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.33	3.31
Private Sector	1.72	1.68
Total	5.05	4.99

Exchange Rates - Middle Rates (Source: RBM)

Currency	4-Aug-17	11-Aug-17	% Change
MK/USD	725.27	725.29	↓ 0.00%
MK/GBP	952.50	942.00	↑ 1.10%
MK/ZAR	54.21	53.87	↑ 0.63%
MK/EUR	861.48	854.02	↑ 0.87%

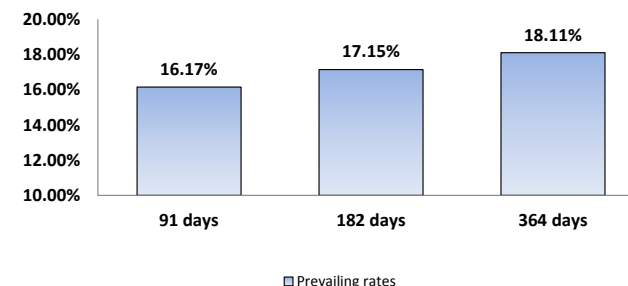
Global Market Rates (Source: Bloomberg)

	4-Aug-17	11-Aug-17	% Change
US Fed Rate	1.00%	1.00%	→ 0.00%
US Libor (3 months)	1.31%	1.31%	→ 0.00%
US Libor (6 months)	1.45%	1.45%	→ 0.00%
US Treasury yield (10 years)	2.24%	2.20%	↓ -0.04%
BOE Rate	0.25%	0.25%	→ 0.00%
ECB Rate	0.00%	0.00%	→ 0.00%

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

*ECB= European Central Bank

Prevailing Government Security Interest Rates as at 11 August 2017 (Source: RBM)



Government Securities Auction Results for week ending 11 August 2017 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	35.91	16.17%
182 days TB	9.21	17.15%
364 days TB	2,956.46	18.11%
OMO	36,577.00	17.00%
Total	39,578.58	17.11%

Malawi Real GDP Projections

	Real GDP Growth				
	2016	2017	2018	2019	2020
EU	2.90%	4.40%	4.80%	4.30%	3.90%
IMF	2.30%	4.50%	5.00%		
WORLD BANK	2.50%	4.40%	4.50%	4.50%	
GOVERNMENT	2.70%	5.00-6.00%			
RBM	2.70%	4.00-5.00%			
Average Real GDP	2.62%	4.43%	4.77%	4.40%	3.90%

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