



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 18 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 K5.79 billion was allotted against applications of K11.10 billion resulting in a 47.86% rejection rate. The average rates for allotments were 16.10% for 91 days, 17.00% for 182 days and 17.68% for 364 days tenors. Open Market Operations (OMO) totalled K105.19 billion at an average rate of 17.00%. Maturities of government securities were K98.85 billion resulting in a net withdrawal of K12.13 billion (Source: RBM).

Interbank

Liquidity levels decreased to K7.07 billion a day during the week under review from K7.18 billion a day during the previous week. Access on the Lombard facility (Discount Window Borrowing) decreased to an average of K0.98 billion per day from K1.90 billion per day at an average rate of 20.00% for both weeks. Interbank borrowing averaged K1.67 billion per day in the week under review, decreasing from K5.87 billion per day in the previous week. The average interbank borrowing rate for the week decreased to 15.36% from 16.83% 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 18,602.91 points from 18,101.06 points. This was due to the increase in the Domestic Share Index (DSI) to 14,637.26 points from 14,238.24 points as a result of share price gains in FMB to K27.51 from K25.00, ILLOVO to K227.00 from K218.00, MPICO to K9.11 from K9.05, Standard Bank to K624.95 from K624.93 and TNM to K15.00 from K14.03. The Foreign Share Index (FSI) was stable at 2,325.21 points. A total of 25,540,690 shares were transacted during the week at a total consideration of K850.54 million in 35 deals (Source: MSE).

3. Local Developments

- The tobacco marketing season has come to an end with the last auction floor closing on 14 August 2017. As at the end of the eighteenth week of the 2017 tobacco marketing season, 106.45 million kilograms (2016: 124.19 million kilograms) of tobacco were traded at an average price of US\$2.00/kg (2016: US\$1.57/kg) resulting in a total value of US\$212.38 million (2016: US\$195.42 million). Clearance sales may occur in the weeks to follow (Source: TCC).
- Headline inflation for July 2017 stood at 10.20%, a decline from 11.30% the previous month. Food inflation stood at 7.40% from 9.30% in June 2017 while non-food inflation stood at 12.70% from 13.20% in June 2017 (Source: NSO).

4. Regional Developments in the Week

- Democratic Republic of Congo's central bank has stated that it expects inflation to rise to 48% by the end of 2017 from 25% in 2016. The persistently low commodity prices and high government deficits have contributed to the country's accelerating inflation rates (Source: Reuters).
- Botswana's unemployment rate has declined to 17.6% in 2016 from 19.9% in 2011. Official statistics have shown that of the 1.26 million citizens who are aged 18 years and older, an estimated 838,002 are economically active while 147,101 are unemployed (Source: Reuters).

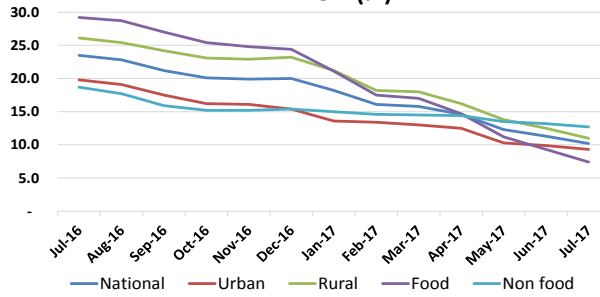
5. Global Developments in the Week

- The IMF has warned China that its credit growth is on a dangerous path, raising the risk of a sharp slowdown in economic growth. The Chinese government has pledged to double the size of the economy between 2010 and 2020 and this has led to sharp rise in the country's debt, estimated at US\$28 trillion in 2016. The IMF has stated that China's debt to GDP ratio will rise from 235% in 2016 to 300% by 2020 if the credit boom is not deflated (Source: The Financial Times).
- Wall Street suffered turbulent trading on 17 August 2017 due to rising political uncertainty and terror threats in Spain. All of the stocks on the Dow Jones Industrial Average (which tracks the 30 biggest US listed companies) fell as the index dropped by 1.2%. The terrorist attack in Barcelona and ongoing speculation that one of the US President's economic advisers would resign unnerved investors, leading to the slide in the stock market (Source: BBC).

Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	11-Aug-17	18-Aug-17
Counter				MK/Share	MK/Share
Blantyre Hotels	4.00%	7.33	0.68	25.00	25.00
FMB	1.82%	8.39	2.02	25.00	↑ 27.51
ILLOVO	0.00%	22.87	4.42	218.00	↑ 227.00
MPICO	0.00%	10.53	0.75	9.05	↑ 9.11
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	60.00	60.00
PCL	2.19%	3.98	0.66	570.00	570.00
Standard Bank	4.09%	7.55	2.34	624.93	↑ 624.95
Sunbird	0.63%	12.53	1.27	64.00	64.00
TNM	2.20%	18.35	7.23	14.03	↑ 15.00
Old Mutual	2.92%	12.12	0.92	1,850.00	1,850.00
DSI	2.60%	10.52	1.96	14,238.24	↑ 14,637.26
FSI	2.92%	12.12	0.92	2,325.21	2,325.21
MASI	2.89%	11.98	0.96	18,101.06	↑ 18,602.91
MASI = Malawi All Share Index, DSI= Domestic Share Index, FSI= Foreign Share Index					
		2016	2017		
MASI Return (YTD)		-9.60%	39.66%		

INFLATION (%)



Foreign Exchange Reserves (Source: RBM)

	11-Aug-17 (US\$ million)	17-Aug-17 (US\$ million)
Gross Official	692.46	679.79
Private Sector	339.01	334.21
Total	1,031.47	1,014.00

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.31	3.25
Private Sector	1.62	1.60
Total	4.93	4.85

Exchange Rates - Middle Rates (Source: RBM)

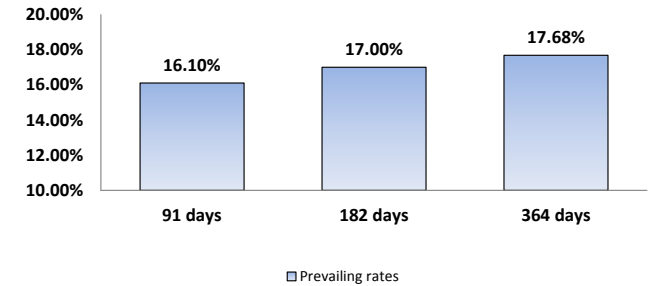
Currency	11-Aug-17	18-Aug-17	% Change
MK/USD	725.29	725.27	↑ 0.00%
MK/GBP	942.00	935.30	↑ 0.71%
MK/ZAR	53.87	54.66	↓ -1.45%
MK/EUR	854.02	851.17	↑ 0.33%

Global Market Rates (Source: Bloomberg)

	11-Aug-17	18-Aug-17	% Change
US Fed Rate	1.00%	1.00%	→ 0.00%
US Libor (3 months)	1.31%	1.32%	↑ 0.01%
US Libor (6 months)	1.45%	1.46%	↑ 0.01%
US Treasury yield (10 years)	2.20%	2.19%	↓ -0.01%
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 18 August 2017 (Source: RBM)



Government Securities Auction Results for week ending 18 August 2017 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	381.69	16.10%
182 days TB	2,232.91	17.00%
364 days TB	3,170.81	17.68%
OMO	105,191.00	17.00%
Total	110,976.41	16.95%

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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