



**NICO Asset Managers**

“INVEST today for tomorrow”

# WEEKLY MARKET UPDATE

Week ending 21 July 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 K13.11 billion was allotted against applications of K13.11 billion resulting in a nil rejection rate. The average rates for allotments were 16.98% for 91 days, 17.82% for 182 days and 19.00% for 364 days tenors. Open Market Operations (OMO) totalled K23.95 billion at an average rate of 17.80%. Maturities of government securities were K26.35 billion resulting in a net withdrawal of K10.70 billion (Source: RBM).

### Interbank

Liquidity levels increased to K7.61 billion a day during the week under review from K6.23 billion a day during the previous week. Access on the Lombard facility (Discount Window Borrowing) decreased to an average of K8.01 billion per day from K8.97 billion per day at an average rate of 20.00% for both weeks. Interbank borrowing averaged K13.71 billion per day in the week under review, increasing from K8.71 billion per day in the previous week. The average interbank borrowing rate for the week increased to 18.04% from 17.86% 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 16,693.07 points from 16,245.61 points. This was due to the increase in the Domestic Share Index (DSI) to 13,118.77 points from 12,763.00 points as a result of share price gains in MPICO to K8.50 from K8.00, NBM to K265.99 from K265.00, NBS Bank to K6.88 from K6.00, NICO to K17.00 from K14.80, Standard Bank to K650.00 from K625.00 and TNM to K10.14 from K9.40. The Foreign Share Index (FSI) was stable at 2,325.21 points. A total of 5,997,054 shares were transacted during the week at a total consideration of K142.79 million in 32 deals (Source: MSE).

## 3. Local Developments

- As at the end of the fourteenth week of the 2017 tobacco marketing season, 94.37 million kilograms (2016: 92.41 million kilograms) of tobacco were traded at an average price of US\$1.98/kg (2016: US\$1.55/kg) resulting in a total value of US\$186.46 million (2016: US\$143.52 million) (Source: TCC).
- Tax revenue collection for the month of June 2017, amounted to K74.11 billion against a monthly projection of K66.18 billion, resulting in a surplus of K7.93 billion. Cumulatively, total tax revenues collected in the 2016/17 fiscal year amounted to K767.61 billion against a projection of K725.06 billion, thereby registering a surplus of K42.56 billion (Source: MRA).

## 4. Regional Developments in the Week

- South Africa's central bank unexpectedly cut its benchmark lending rate by 25 basis points to 6.75% on 20 July 2017, for the first time in 5 years. The cut was mainly due to weak economic growth and an improved inflation outlook. The governor of the Reserve Bank of South Africa, Lesetja Kganyago has stated that monetary policy alone cannot spur enough growth to take the economy out of recession (Source: Reuters).
- Zimbabwe's budget deficit rose to US\$1.4 billion (10% of GDP) in 2016, a sharp increase from the initial projection of US\$150 million. The high budget deficit was as a result of unbudgeted subsidies to farmers and the high cost of food imports following the devastating drought (Source: Reuters).

## 5. Global Developments in the Week

- China's economy grew at an annual rate of 6.9% in the second quarter of 2017, well above the country's annual growth target of 6.5%. This is mainly due to the unexpected strength in property market. China has grown by 6.9% in both the first and second quarters of 2017, higher than the growth rate of 6.7% recorded during the same period in 2016. If the growth trend continues, 2017 may be the first year in which China's growth rate has accelerated since 2010 (Source: BBC).
- The UK's inflation rate dropped unexpectedly to 2.6% in June 2017 from 2.9% in May 2017. This is the first fall in inflation rate since October 2016, mainly due to lower petrol and diesel prices. This fall in inflation could ease pressure on the Bank of England to raise interest rates (Source: BBC).

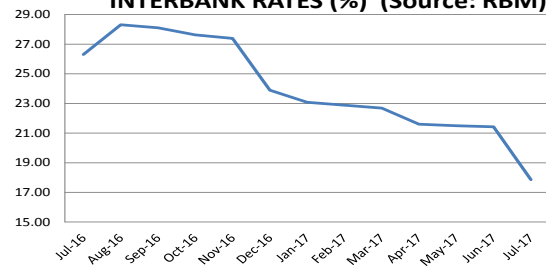
### Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	14-Jul-17	21-Jul-17
Counter				MK/Share	MK/Share
Blantyre Hotels	4.00%	7.33	0.68	25.00	25.00
FMB	2.69%	5.68	1.37	18.61	18.61
ILLOVO	0.00%	21.78	4.21	216.15	216.15
MPICO	0.00%	9.82	0.70	8.00	8.50 ↑
NBM	6.72%	7.48	1.83	265.00	265.99 ↑
NBS Bank	0.00%	N/A	2.94	6.00	6.88 ↑
NICO	2.35%	6.48	0.55	14.80	17.00 ↑
NITL	2.00%	N/A	1.03	50.00	50.00
PCL	2.19%	3.98	0.66	570.00	570.00
Standard Bank	3.93%	7.85	2.43	625.00	650.00 ↑
Sunbird	0.63%	12.53	1.27	64.00	64.00
TNM	3.25%	12.41	4.88	9.40	10.14 ↑
Old Mutual	2.92%	12.12	0.92	1,850.00	1,850.00
DSI	2.90%	9.43	1.76	12,763.00	13,118.77 ↑
FSI	2.92%	12.12	0.92	2,325.21	2,325.21
MASI	2.91%	11.87	0.95	16,245.61	16,693.07 ↑

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

	2016	2017
MASI Return (YTD)	-10.25%	25.32%

### INTERBANK RATES (%) (Source: RBM)



### Foreign Exchange Reserves (Source: RBM)

	14-Jul-17 (US\$ million)	19-Jul-17 (US\$ million)
Gross Official	692.68	684.01
Private Sector	363.44	373.75
<b>Total</b>	<b>1,056.12</b>	<b>1,057.76</b>

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.31	3.27
Private Sector	1.74	1.79
<b>Total</b>	<b>5.05</b>	<b>5.06</b>

### Exchange Rates - Middle Rates (Source: RBM)

Currency	14-Jul-17	21-Jul-17	% Change
MK/USD	725.01	725.14	↓ -0.02%
MK/GBP	939.54	940.65	↓ -0.12%
MK/ZAR	54.88	55.61	↓ -1.34%
MK/EUR	826.88	843.26	↓ -1.98%

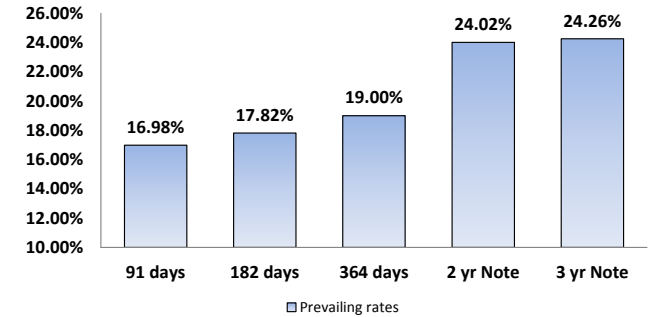
### Global Market Rates (Source: Bloomberg)

	14-Jul-17	21-Jul-17	% Change
US Fed Rate	1.00%	1.00%	→ 0.00%
US Libor (3 months)	1.30%	1.31%	↑ 0.01%
US Libor (6 months)	1.46%	1.45%	↓ 0.00%
US Treasury yield (10 years)	2.35%	2.27%	↓ -0.08%
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 21 July 2017 (Source: RBM)



### Government Securities Auction Results for week ending 21 July 2017 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	190.34	16.98%
182 days TB	358.92	17.82%
364 days TB	12,557.06	19.00%
OMO	23,951.00	17.80%
<b>Total</b>	<b>37,057.32</b>	<b>17.90%</b>

### 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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