



**NICO Asset Managers**

“INVEST today for tomorrow”

# WEEKLY MARKET UPDATE

Week ending 28 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 K7.93 billion was allotted against applications of K7.93 billion resulting in a nil rejection rate. The average rates for allotments were 16.94% for 91 days, 17.95% for 182 days and 18.99% for 364 days tenors. Open Market Operations (OMO) totalled K15.65 billion at an average rate of 17.67%. Maturities of government securities were K18.17 billion resulting in a net withdrawal of K5.42 billion (Source: RBM).

### Interbank

Liquidity levels decreased to K3.85 billion a day during the week under review from K7.61 billion a day during the previous week. Access on the Lombard facility (Discount Window Borrowing) increased to an average of K8.57 billion per day from K8.01 billion per day at an average rate of 20.00% for both weeks. Interbank borrowing averaged K14.80 billion per day in the week under review, increasing from K13.71 billion per day in the previous week. The average interbank borrowing rate for the week marginally decreased to 18.00% from 18.04% 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 17,009.98 points from 16,693.07 points. This was due to the increase in the Domestic Share Index (DSI) to 13,370.74 points from 13,118.77 points as a result of share price gains in MPICO to K9.05 from K8.50, NBM to K266.00 from K265.99, NICO to K25.05 from K17.00, NITL to K56.11 from K50.00 and TNM to K10.73 from K10.14 despite share price losses in ILLOVO to K216.15 from K218.00 and NBS Bank to K6.05 from K6.88. The Foreign Share Index (FSI) was stable at 2,325.21 points. A total of 218,428,946 shares were transacted during the week at a total consideration of K1.40 billion in 25 deals (Source: MSE).

## 3. Local Developments

- The tobacco marketing season is coming to an end, and two of the four auction floors have been officially closed. As at the end of the fifteenth week of the 2017 tobacco marketing season, 100 million kilograms (2016: 101.42 million kilograms) of tobacco were traded at an average price of US\$1.99/kg (2016: US\$1.56/kg) resulting in a total value of US\$198.65 million (2016: US\$158.67 million) (Source: TCC).
- The Agricultural Development and Marketing Corporation (Admarc) has resumed the purchase of maize from farmers at its unit markets as government has provided K4 billion for the exercise. Admarc is buying maize at K170 per kg and selling maize harvested from the previous season at K250 per kg (Source: Admarc).

## 4. Regional Developments in the Week

- Zambia's inflation rate slowed in July 2017 to 6.6% from 6.8% the previous month. Food inflation eased to 5.3% from 5.8%, the lowest drop since July 2011 mainly due to lower costs of cereals and bread. On the other hand, non-food inflation went up to 8.1% from 8.0%, boosted by higher housing rentals (Source: Reuters).
- Ghana's central bank cut its benchmark interest rate by 150 basis points to 21% on 24 July 2017. The anticipated cut was due to lower risks to inflation and slightly stable local currency. The central bank has stated that inflation will continue to decline and converge to its medium-term target of 8% (Source: Reuters).

## 5. Global Developments in the Week

- OPEC has resolved to place a cap on Nigerian oil output in order to help clear excessive global oil stocks and support flagging oil prices. Nigeria had been exempt from the OPEC production cut deal in order to help its oil industry recover. The Brent Crude rose by 1% to US\$48.50, helped by the news of the cap (Source: CNBC).
- China has agreed to allow imports of rice from the US, for the first time in history. The agreement follows contentious talks between the countries, which have resulted in little progress on many key matters. China is the world's largest producer and consumer of rice, and this agreement will help give US rice farmers access to this big market (Source: BBC).

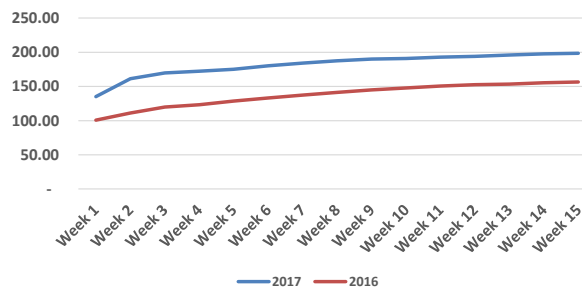
### Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	21-Jul-17	28-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	218.00	↓ 216.15
MPICO	0.00%	10.46	0.74	8.50	↑ 9.05
NBM	6.72%	7.48	1.83	265.99	↑ 266.00
NBS Bank	0.00%	N/A	2.59	6.88	↓ 6.05
NICO	1.60%	9.55	0.81	17.00	↑ 25.05
NITL	1.78%	N/A	1.16	50.00	↑ 56.11
PCL	2.19%	3.98	0.66	570.00	570.00
Standard Bank	3.93%	7.85	2.43	650.00	↑ 650.00
Sunbird	0.63%	12.53	1.27	64.00	64.00
TNM	3.08%	13.13	5.17	10.14	↑ 10.73
Old Mutual	2.92%	12.12	0.92	1,850.00	1,850.00
DSI	2.84%	9.61	1.79	13,118.77	↑ 13,370.74
FSI	2.92%	12.12	0.92	2,325.21	2,325.21
MASI	2.91%	11.89	0.95	16,693.07	↑ 17,009.98

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

	2016	2017
MASI Return (YTD)	-8.11%	27.70%

TOBACCO AVERAGE PRICES (US CENTS/KG)



### Foreign Exchange Reserves (Source: RBM)

	21-Jul-17	26-Jul-17
	(US\$ million)	(US\$ million)
Gross Official	693.30	706.78
Private Sector	362.03	354.05
<b>Total</b>	<b>1,055.33</b>	<b>1,060.83</b>

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.32	3.38
Private Sector	1.73	1.69
<b>Total</b>	<b>5.05</b>	<b>5.07</b>

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

Currency	21-Jul-17	28-Jul-17	% Change
MK/USD	725.14	725.29	↓ -0.02%
MK/GBP	940.65	948.39	↓ -0.82%
MK/ZAR	55.61	55.77	↓ -0.29%
MK/EUR	843.26	847.57	↓ -0.51%

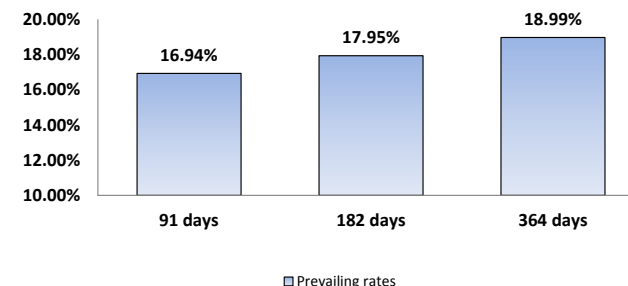
### Global Market Rates (Source: Bloomberg)

	21-Jul-17	28-Jul-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%	1.46%	↑ 0.00%
US Treasury yield (10 years)	2.27%	2.32%	↑ 0.05%
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

\*FCR= European Central Bank

### Prevailing Government Security Interest Rates as at 28 July 2017 (Source: RBM)



### Government Securities Auction Results for week ending 28 July 2017 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	1,428.31	16.94%
182 days TB	770.64	17.95%
364 days TB	5,735.59	18.99%
OMO	15,654.00	17.67%
<b>Total</b>	<b>23,588.54</b>	<b>17.89%</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%			
<b>Average Real GDP</b>	<b>2.62%</b>	<b>4.43%</b>	<b>4.77%</b>	<b>4.40%</b>	<b>3.90%</b>

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