



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 4 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 K2.44 billion was allotted against applications of K12.97 billion resulting in an 81.23% rejection rate. The average rates for allotments were 17.00% for 91 days, 17.95% for 182 days and 19.00% for 364 days tenors. Open Market Operations (OMO) totalled K41.85 billion at an average rate of 17.00%. Maturities of government securities were K20.61 billion resulting in a net withdrawal of K23.67 billion (Source: RBM).

Interbank

Liquidity levels increased to K13.64 billion a day during the week under review from K3.85 billion a day during the previous week. Access on the Lombard facility (Discount Window Borrowing) decreased to an average of K2.29 billion per day from K8.57 billion per day at an average rate of 20.00% for both weeks. Interbank borrowing averaged K7.01 billion per day in the week under review, decreasing from K14.80 billion per day in the previous week. The average interbank borrowing rate for the week decreased to 17.68% from 18.00% 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 17,067.33 points from 17,009.98 points. This was due to the increase in the Domestic Share Index (DSI) to 13,416.34 points from 13,370.74 points as a result of share price gains in ILLOVO to K218.00 from K216.15, NBM to K270.00 from K266.00, NBS Bank to K6.50 from K6.05, NICO to 26.00 from K25.05 and TNM to K11.02 from K10.73 despite a share price loss in Standard Bank to K625.00 from K650.00. The Foreign Share Index (FSI) was stable at 2,325.21 points. A total of 9,389,147 shares were transacted during the week at a total consideration of K439.68 million in 23 deals (Source: MSE).

3. Local Developments

- The tobacco marketing season is coming to an end, with three of the four auction floors officially closed. As at the end of the sixteenth week of the 2017 tobacco marketing season, 103.35 million kilograms (2016: 110.22 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\$205.77 million (2016: US\$173.20 million) (Source: TCC).
- The Famine Early Warning Systems Network has stated that food insecurity in Malawi is expected to be minimal until the next harvest in 2018. However, few areas in the extreme north and south may experience stressed outcomes as a result of abnormal dryness and armyworm infestations (Source: FEWSNET).

4. Regional Developments in the Week

- The World Bank has stated that Mozambique's economy is likely to grow by 4.6% in 2017, driven by the recovery of coal, aluminium, gas and improved agricultural output. In 2016, Mozambique was hit by an economic downturn brought by low commodity prices, droughts and internal conflicts (Source: World Bank).
- South Africa's trade surplus rose to 10.67 billion Rand in June 2017 from 7.22 billion Rand in May 2017. Exports fell by 0.6% to 102.14 billion Rand while imports fell by 4.2% to 91.47 billion Rand in June 2017 (Source: Reuters).

5. Global Developments in the Week

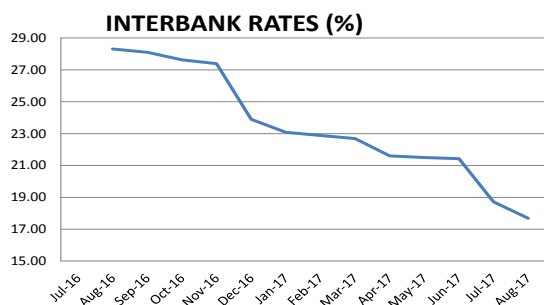
- Japan's industrial production rebound in June 2017, as global demand continues to support the nation's economic recovery. Industrial output rose by 1.6% in June 2017 from a 3.6% decline in May 2017, mainly due to higher production of cars and chemicals. This reflects a pickup in manufacturing activity (Source: CNBC).
- The Eurozone economy grew by 0.6% in the second quarter of 2017 from 0.5% the previous quarter, boosted by improved business and consumer confidence. Unemployment in the region has also dropped to its lowest since 2009. The IMF has stated that the outlook for the region has improved especially in countries like France, Germany, Italy and Spain (Source: BBC).

Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	28-Jul-17	4-Aug-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%	21.97	4.25	216.15	↑ 218.00
MPICO	0.00%	10.46	0.74	9.05	9.05
NBM	6.62%	7.59	1.86	266.00	↑ 270.00
NBS Bank	0.00%	N/A	2.78	6.05	↑ 6.50
NICO	1.54%	9.92	0.84	25.05	↑ 26.00
NITL	1.78%	N/A	1.16	56.11	56.11
PCL	2.19%	3.98	0.66	570.00	570.00
Standard Bank	4.09%	7.55	2.34	650.00	↓ 625.00
Sunbird	0.63%	12.53	1.27	64.00	64.00
TNM	2.99%	13.48	5.31	10.73	↑ 11.02
Old Mutual	2.92%	12.12	0.92	1,850.00	1,850.00
DSI	2.83%	9.64	1.80	13,370.74	↑ 13,416.34
FSI	2.92%	12.12	0.92	2,325.21	2,325.21
MASI	2.91%	11.89	0.95	17,009.98	↑ 17,067.33

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

	2016	2017
MASI Return (YTD)	-9.86%	28.13%



Foreign Exchange Reserves (Source: RBM)

	28-Jul-17 (US\$ million)	2-Aug-17 (US\$ million)
Gross Official	693.43	695.93
Private Sector	350.91	361.91
Total	1,044.34	1,057.84

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.32	3.33
Private Sector	1.68	1.73
Total	5.00	5.06

Exchange Rates - Middle Rates (Source: RBM)

Currency	28-Jul-17	4-Aug-17	% Change
MK/USD	725.29	725.27	↑ 0.00%
MK/GBP	948.39	952.50	↓ -0.43%
MK/ZAR	55.77	54.21	↑ 2.80%
MK/EUR	847.57	861.48	↓ -1.64%

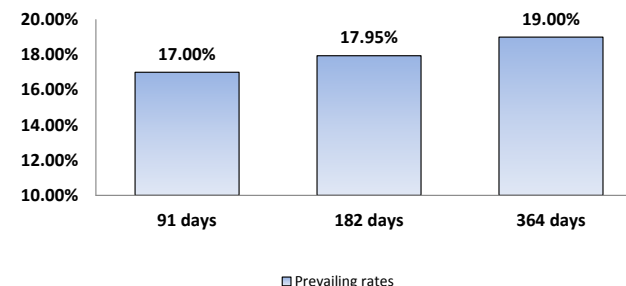
Global Market Rates (Source: Bloomberg)

	28-Jul-17	4-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)	1.46%	1.45%	↓ -0.01%
US Treasury yield (10 years)	2.32%	2.24%	↓ -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 4 August 2017 (Source: RBM)



Government Securities Auction Results for week ending 4 August 2017 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	1,193.62	17.00%
182 days TB	1,240.00	17.95%
364 days TB	2.00	19.00%
OMO	41,850.00	17.00%
Total	44,285.62	17.74%

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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