



NICO Asset Managers

“INVEST today for tomorrow”

WEEKLY MARKET UPDATE

Week ending 7 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 K1.96 billion was allotted against applications of K1.96 billion resulting in a nil rejection rate. The average rates for allotments were 21.30% for 91 days, 21.99% for 182 days and 23.00% for 364 days tenors. Open Market Operations (OMO) totalled K18.85 billion at an average rate of 22.50%. Maturities of government securities were K35.80 billion resulting in a net injection of K14.99 billion (Source: RBM).

Interbank

Liquidity levels decreased to K4.73 billion a day during the week under review from K5.54 billion a day during the previous week. Access on the Lombard facility (Discount Window Borrowing) increased to an average of K16.16 billion per day from K10.47 billion per day at an average rate of 24.00% for both weeks. Interbank borrowing averaged K9.61 billion per day in the week under review, increasing from K4.53 billion per day in the previous week. The average interbank borrowing rate for the week increased to 21.74% from 21.38% 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 16,017.55 points from 15,772.51 points. This was due to the increase in the Domestic Share Index (DSI) to 12,581.64 points from 12,386.77 points due to share price gains in FMB to K18.61 from K18.51, NBM to K265.00 from K262.00, NICO to K13.50 from K12.08, NITL to K40.00 from K36.50 and Standard Bank to K600.00 from K570.01. The Foreign Share Index (FSI) was stable at 2,325.21 points. A total of 1,077,570 shares were transacted during the week at a total consideration of K60.07 million in 12 deals (Source: MSE).

3. Local Developments

- As at the end of the twelfth week of the 2017 tobacco marketing season, 81.87 million kilograms (2016: 78.18 million kilograms) of tobacco were traded at an average price of US\$1.94/kg (2016: US\$1.53/kg) resulting in a total value of US\$158.90 million (2016: US\$119.37 million) (Source: TCC).
- The Monetary Policy Committee (MPC) of the Reserve Bank of Malawi met from 4 to 5 July 2017 to review the recent economic developments and decide on the monetary policy stance in order to consolidate the gains made in stabilising the economy. After taking into account the disinflation process, the policy rate has been reduced by 4 percentage points to 18% while the Liquidity Reserve Requirement has been maintained at 7.5% (Source: RBM).

4. Regional Developments in the Week

- The IMF has stated that South Africa's economy is extremely vulnerable to external shocks and funding shortfalls. Policy uncertainty as a result of political turbulence could also weigh on business and consumer confidence. South Africa's economy fell into a recession in the first quarter of 2017 and is suffering from high unemployment rates at about 28% (Source: Reuters).
- Uganda's private-sector activity expanded in June 2017, buoyed by stronger domestic demand and loose monetary policy. Uganda's Purchasing Managers Index (PMI) rose to 52.8 in June 2017 from 51.0 in May 2017. Uganda's private sector continues to improve, supported by the easing of monetary policy (Source: Reuters).

5. Global Developments in the Week

- The US trade deficit narrowed in May 2017, mainly due to the recovery in US exports. A report from the US Commerce Department has shown that the US trade deficit fell by 2.3% to US\$46.5 billion as a result of rising shipments of cars and consumer goods (Source: CNBC).
- Global debt has hit a record level in the first quarter of 2017, mainly driven by emerging markets. Data from the Institute of International Finance (IIF) has shown that global debt reached US\$217 trillion (327% of GDP) during the first quarter of 2017. Total debt in emerging markets has increased by 5%, mainly due to the soaring debt levels in China. China's total debt is projected to have surpassed 304% of GDP as of May 2017 (Source: BBC).

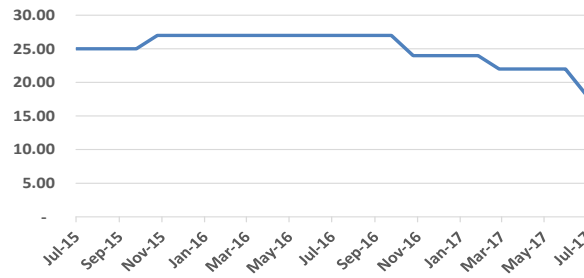
Stock Market (Source: Malawi Stock Exchange)

	Div yield	P/E	P/BV	30-Jun-17	7-Jul-17
Counter				MK/Share	MK/Share
Blantyre Hotels	4.94%	5.94	0.55	20.25	20.25
FMB	2.69%	5.68	1.37	18.51	↑ 18.61
ILLOVO	0.00%	21.78	4.21	216.15	216.15
MPICO	0.00%	9.24	0.66	8.00	8.00
NBM	6.75%	7.45	1.82	262.00	↑ 265.00
NBS Bank	0.00%	N/A	0.64	6.00	6.00
NICO	2.96%	5.15	0.44	12.08	↑ 13.50
NITL	2.50%	N/A	0.83	36.50	↑ 40.00
PCL	2.19%	3.98	0.66	570.00	570.00
Standard Bank	4.26%	7.25	2.24	570.01	↑ 600.00
Sunbird	0.63%	12.53	1.27	64.00	64.00
TNM	3.54%	11.42	4.49	9.33	9.33
Old Mutual	2.92%	12.12	0.92	1,850.00	1,850.00
DSI	3.08%	8.88	1.66	12,386.77	↑ 12,581.64
FSI	2.92%	12.12	0.92	2,325.21	2,325.21
MASI	2.93%	11.82	0.95	15,772.51	↑ 16,017.55

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

	2016	2017
MASI Return (YTD)	-11.21%	20.25%

Monetary Policy Rate (%)



Foreign Exchange Reserves (Source: RBM)

	30-Jun-17	4-Jul-17
	(US\$ million)	(US\$ million)
Gross Official	678.70	682.89
Private Sector	356.40	360.96
Total	1,035.10	1,043.85

	Import Cover (Months)	Import Cover (Months)
Gross Official	3.25	3.27
Private Sector	1.71	1.73
Total	4.96	5.00

Exchange Rates - Middle Rates (Source: RBM)

Currency	30-Jun-17	7-Jul-17	% Change
MK/USD	725.45	725.15	↑ 0.04%
MK/GBP	944.09	940.59	↑ 0.37%
MK/ZAR	55.73	54.02	↑ 3.08%
MK/EUR	829.91	827.68	↑ 0.27%

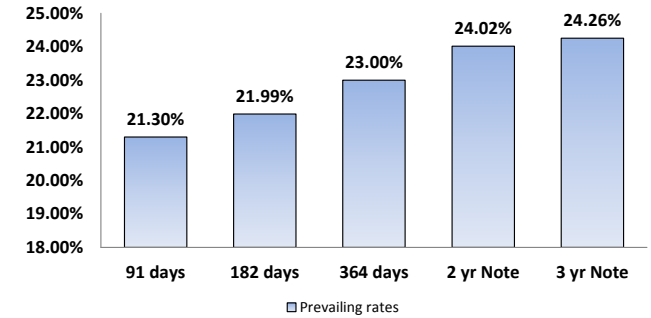
Global Market Rates (Source: Bloomberg)

	30-Jun-17	7-Jul-17	% Change
US Fed Rate	1.00%	1.00%	→ 0.00%
US Libor (3 months)	1.30%	1.30%	→ 0.00%
US Libor (6 months)	1.45%	1.46%	↑ 0.01%
US Treasury yield (10 years)	2.27%	2.37%	↑ 0.10%
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 7 July 2017 (Source: RBM)



Government Securities Auction Results for week ending 7 July 2017 (Source: RBM)

TENORS	VOLUME (K'MILLION)	AVERAGE RATE
91 days TB	290.43	21.30%
182 days TB	280.54	21.99%
364 days TB	1,390.78	23.00%
OMO	18,852.00	22.50%
Total	20,813.75	22.20%

Malawi Real GDP Projections

	Real GDP Growth				
	2016	2017	2018	2019	2020
EIU	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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