

Foreign exchange market developments

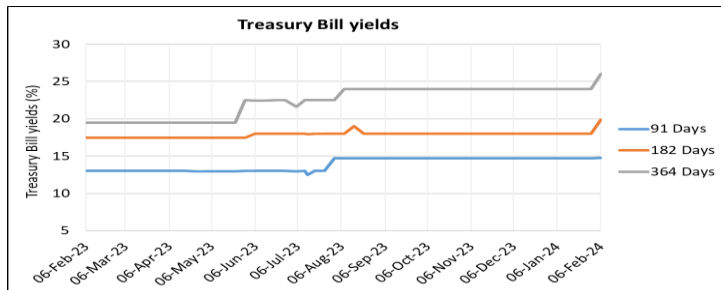
During the week, the Kwacha depreciated against the USD but appreciated against the GBP, EUR, and ZAR, as indicated by TT exchange rates in the table below:

| Closing TT middle exchange rates as at the end of the week | | | | |
|---|-----------|-----------|-----------|--|
| Currency | 9-Feb-24 | % Δ | 2-Feb-24 | |
| USD | 1698.7853 | ↓ 0.14% | 1696.3262 | |
| GBP | 2211.5405 | ↑ -0.56% | 2224.0415 | |
| EUR | 1880.8021 | ↑ -1.01% | 1899.8981 | |
| ZAR | 91.9884 | ↑ -1.55% | 93.4389 | |
| Opening foreign exchange bureaux middle rates as at the end of the week | | | | |
| Currency | 9-Feb-24 | % Δ | 2-Feb-24 | |
| USD | 1924.2708 | ↓ 0.08% | 1922.7083 | |
| GBP | 2390.0000 | ↓ 0.49% | 2378.3333 | |
| EUR | 2083.2292 | ↓ 0.51% | 2072.6042 | |
| ZAR | 103.7708 | ↓ 0.38% | 103.3750 | |
| Foreign exchange reserves position | | | | |
| | 31-Dec-23 | 30-Nov-23 | 31-Oct-23 | |
| Gross official foreign exchange reserves (USD'm) | 242.58 | 165.20 | 179.33 | |
| Gross official reserves import cover (months) | 0.97 | 0.66 | 0.72 | |
| Benchmark import cover for official reserves (months) | 3.00 | 3.00 | 3.00 | |
| Private sector foreign exchange reserves (USD'm) | 433.01 | 413.20 | 396.88 | |
| Private sector reserves import cover (months) | 1.73 | 1.65 | 1.59 | |
| Total economy foreign exchange reserves (USD'm) | 675.59 | 578.40 | 576.21 | |
| Total economy import cover (months) | 2.70 | 2.31 | 2.31 | |

Data source: Reserve Bank of Malawi (RBM)

Government securities

The Government raised K34.30b from auction of Treasury Bills and K0.78b from auction of a 10-year Treasury Note during the week. Maturities of Government securities for the week amounted to K16.15b and maturities of OMO repos amounted to K17.97b. These transactions resulted in a net withdrawal of K0.96b from the market, compared to a net injection of K2.04b in the previous week (Source: RBM).



| Treasury Bill auctions | | | |
|-----------------------------------|-----------|-------------|-----------|
| Auction date | 6-Feb-24 | % pts Δ | 30-Jan-24 |
| Amount offered - cost value (K'm) | 13,158.00 | ↑ 36.42% | 9,645.00 |
| Applied - cost value (K'm) | 39,554.09 | ↑ 33077.39% | 119.22 |
| Allotted - cost value (K'm) | 34,304.25 | ↑ 28673.91% | 119.22 |
| Overall rejection rate | 13.27% | ↑ 13.27 | 0.00% |
| 91 days yield | 14.8048% | ↑ 0.1048% | 14.7000% |
| 182 days yield | 19.8751% | ↑ 1.8751% | 18.0000% |
| 364 days yield | 25.9994% | ↑ 1.9994% | 24.0000% |
| All-type yield | 20.2264% | ↑ 1.3264% | 18.9000% |

| Treasury Note and Bond auctions | | | |
|-----------------------------------|----------|-----------|-----------|
| Auction date | 6-Feb-24 | 30-Jan-24 | 25-Jan-24 |
| Tenors | 10 yr TN | 5 yr TN | 10 yr TN |
| Coupon rate | 15.00% | 12.50% | 15.00% |
| Amount offered - cost value (K'b) | 39.73 | 45.41 | |
| Total applied - cost value (K'b) | 0.79 | 5.52 | 8.09 |
| Total allotted - cost value (K'b) | 0.78 | 5.52 | 8.09 |
| Allotted - weighted average ytm | 33.00% | 30.00% | 33.00% |

| Current yields for Treasury Notes and Bonds | | | |
|---|----------------------|--------------|--------------|
| Tenor | Last auction's yield | Last auction | Next auction |
| 2-year TN | 26.75% | 18-Jan-24 | 26-Mar-24 |
| 3-year TN | 28.00% | 05-Jan-24 | 20-Feb-24 |
| 5-year TN | 30.00% | 30-Jan-24 | 05-Mar-24 |
| 5-year Development Bond | 28.00% | 28-Nov-23 | TBA |
| 7-year TN | 32.00% | 05-Jan-24 | 27-Feb-24 |
| 7-year Development Bond | 32.00% | 16-Jan-24 | TBA |
| 10-year TN | 33.00% | 06-Feb-24 | TBA |
| 10-year Development Bond | 23.35% | 26-Apr-22 | TBA |

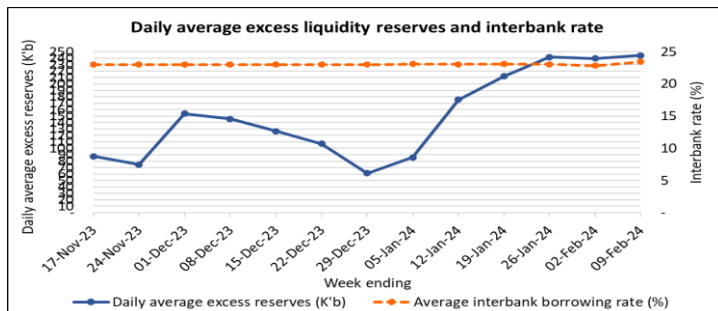
| Upcoming auctions of Treasury Notes and Bonds | | | |
|---|---------------|--------------|----------------------------|
| Auction date | Tenor (years) | Amount (K'b) | Last auction's coupon rate |
| 20-Feb-24 | 3-year TN | 45.41 | 11.00% |
| 27-Feb-24 | 7-year TN | 49.95 | 13.50% |
| 05-Mar-24 | 5-year TN | 48.33 | 12.50% |
| 12-Mar-24 | 3-year TN | 53.41 | 11.00% |
| 26-Mar-24 | 2-year TN | 60.22 | 10.00% |

| Projected maturities | | | |
|-------------------------|----------|-----------|-----------|
| Week ending | 9-Feb-24 | 16-Feb-24 | 23-Feb-24 |
| TBs, PNs & TNs (K'm) | 16,152 | 19,596 | 88,328 |
| OMO repos (K'm) | 17,973 | 31,203 | 0 |
| OMO reverse repos (K'm) | 0 | 0 | 0 |

Data source: RBM

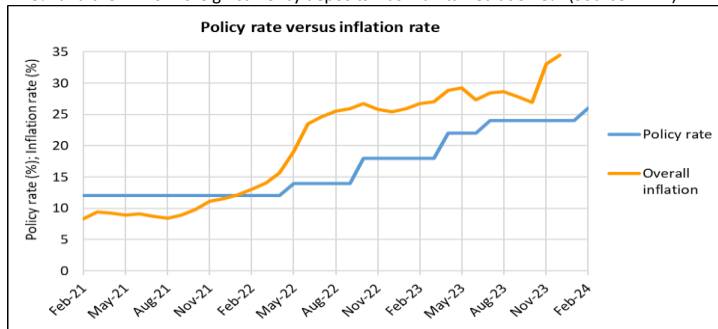
Market liquidity and interbank market activity

Average daily excess liquidity reserves increased to K244.48b during the week from K239.53b in the previous week. Daily average interbank borrowing decreased to K22.82b from K30.99b. Borrowing on the Lombard facility amounted to K45.0b during the week, decreasing from K175.0b in the previous week. The average interbank borrowing rate increased to 23.42% from 22.83%. The Lombard rate remained fixed at 24.20% (Source: RBM).



Monetary policy

The Monetary Policy Committee (MPC) held its first meeting of 2024 on 31st January and 1st February 2024 during which they decided to raise the Policy rate by 200 basis points from 24.0% to 26.0%. The decision was intended to counter inflationary pressures and restore price stability. Lombard rate was maintained at 20 basis points above the Policy rate (26.2%), the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits was maintained at 7.75% and the LRR on foreign currency deposits was maintained at 3.75% (Source: RBM).



| Market Reference Rate | | | |
|-----------------------|--------|---------|--------|
| Rate | Feb-24 | % pts Δ | Jan-24 |
| | 24.90% | ↑ 1.30 | 23.60% |
| Inflation Rate | | | |
| Rate | Dec-23 | % pts Δ | Nov-23 |
| | 34.5% | ↑ 1.40 | 33.1% |

Malawi Stock Exchange (MSE) trading activity

The Malawi All Share Index (MASI) registered a loss of -0.53% to close the week at 115,033.98 points from 115,644.01 points in the previous. The market traded 6,756,528 shares at a consideration of K417.62m in 229 trades, compared to 3,131,933 shares traded at a consideration of K417.21m in 198 trades in the previous week. The year-to-date return on MASI stood at 3.68% as at the end of the week compared to 12.70% for the same period in 2023 (Source: MSE).

| Stock market trading activity | | | |
|-------------------------------|-------------------|-----------|-------------------|
| | 09-Feb-24 | % Δ | 02-Feb-24 |
| MASI | 115,033.98 | ↓ -0.53% | 115,644.01 |
| DSI | 86,113.05 | ↓ -0.29% | 86,359.86 |
| FSI | 20,746.56 | ↓ -1.79% | 21,124.59 |
| Traded volume | 6,756,528 | ↑ 115.73% | 3,131,933 |
| Number of trades | 229 | ↑ 15.66% | 198 |
| Value of shares traded (K'm) | 417.62 | ↑ 0.10% | 417.21 |
| Market capitalisation (K'm) | 6,225,393.50 | ↓ -0.54% | 6,259,012.47 |
| Gainers | | | |
| | Closing price (K) | % Δ | Opening price (K) |
| ILLOVO | 1350.02 | ↑ 0.001% | 1350.01 |
| NBM | 2101.75 | ↑ 0.001% | 2101.72 |
| NITL | 411.45 | ↑ 0.005% | 411.43 |
| Losers | | | |
| | Closing price (K) | % Δ | Opening price (K) |
| FMBCH | 415.00 | ↓ -1.81% | 422.63 |
| MPICO | 14.75 | ↓ -0.94% | 14.89 |
| NICO | 200.00 | ↓ -2.13% | 204.36 |
| TNM | 15.00 | ↓ -6.25% | 16.00 |

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