

## MALAWI

### Political and economic news

#### *June inflation up 10bps to 9pc*

Malawi's headline inflation inched up 10 bps m/m to 9pc courtesy of an increase in food inflation. Malawi has seen early pressure mounting on food prices despite registering a bumper crop yield partly due to adverse weather from cyclone Idai which affects parts of the southern region of the country. An inflation update released by the National Statistical Office (NSO) indicated that headline inflation for June 2019 was 40bps higher y/y; compared to 8.6pc recorded in June 2018. NSO further said that food inflation for June 2019 was recorded at 13.7pc while non-food inflation was at 5.4pc. The Reserve Bank of Malawi medium term inflation target is 5pc by 2021 which would help the monetary authorities quest to reduce interest rates further by bring the policy rate to around 11pc. *(Source: Daily Times)*

#### *Afreximbank earmarks \$1.4bn for investment in Malawi*

African Export-Import Bank (Afreximbank) president Benedict Orama said his bank has set aside \$1.4bn (K1.1trn) for investment in the country on his recent visit to meet business persons with bankable projects and sign financing agreements with the government. The \$1.4bn facility is made up of various loans towards specific projects with a minimum threshold of \$10m. According to the concept note prepared by Export Development Fund (EDF), the facility is expected to transform the country's development architecture. The projects include development of an international airport in the lakeshore district of Mangochi, a holiday resort at Cape Maclear and a logistics park, all in the same tourist district. Other projects include industrial parks in the cities of Lilongwe and Blantyre and other private sector-driven projects including Liwonde dry port. *(Source: Nation)*

#### *NBS recovery on course as half year earnings rise 193pc*

NBS Bank Plc (NBS) released its 1H19 results with earnings increasing 193.5pc to K1.4bn (\$1.9m) on the comparative period last year – although it has to be pointed out that this is coming off a low base. It still is a good indicator of the bank's recovery given earnings for the six-month period are just over 80pc of the full year 2018. This is largely underpinned by increases in interest income and a reduction in loan loss provisions.

Interest income grew 90.8pc to K11.2bn compared to 1H18 and representing 87pc of the full year 2018. This was driven by a 58.5pc increase in the loan book, over a similar period last year, to K30.7bn and quite remarkably, a 76pc rise on December 2018 book. Investment in money market securities also grew over 108pc to K74.2bn. Customer deposits grew 34.8pc to K113bn compared to 1H18 – thus the growth in loan book was supported by an increase in customer deposits and improvements in loan/deposit ratio which rose from 23.07 to 27.1 over the two comparable periods.

Net interest margins have shrunk from 9.3pc at December 2018 to 7.5pc by June 2019 – reflecting reduced spreads in the falling interest rate environment. The monetary authorities have made two downward adjustments to the policy rate during the period with the rate now sitting at 13.9pc. At the end of January 2019; a cocktail of downward adjustments to the policy rate, Lombard rate and the Liquidity reserve requirement depressed commercial banks' base lending rates from an average of 26pc down to 14.9pc. A further one percent adjustment to the policy rate was effected in May 2019 to bring the base lending rate to 13.9pc.

The bank continues to grapple with costs as expenses grew 24.3pc to K10.8bn compared to 1H18. Although cost to income ratio has shown a declining trend from June 2018 which

was 92.7pc down to 88.1pc in December 2018 and currently at 83.8pc; it is still considered high for a bank. The directors put this down to branch rationalisation costs which are not expected to recur going forward.

NBS bank needs to continue to consolidate its gains by continuing to grow its loan book cautiously to avoid slipping back to the doldrums of delinquent loans, rein in the costs and build resilience of its capital for further growth. We think the necessary first steps towards this goal have been taken. The bank's stock price has increased 16.5pc to K10.50 within the month of August reflecting the market's belief in NBS as a turnaround stock. At current levels, NBS is trading at a historic 12-month rolling PE of 11.6x and we expect FY19 earnings to be at least K3bn – giving it a forward PE of 10.2x. We therefore rate the stock as a **HOLD**.

#### NBS Bank Plc

HY 19 NBS (MK '000)	30-JUN-19	30-JUN-18	% CHG
Interest income	11,216,936	5,877,864	90.8%
Interest expense	-2,665,774	-1,500,890	-77.6%
Net interest income	8,551,162	4,376,974	95.3%
Other income	4,371,278	5,098,497	-14.2%
Net income	12,922,440	9,475,471	36.4%
Operating expenses	-10,803,232	-8,690,453	-24.3%
Profit before impairment losses	2,119,208	785,018	169.9%
Impairment provisions	-30,730	-102,228	69.9%
Profit before tax	2,088,478	682,790	205.7%
Income tax expenses	-682,876	-203,894	-234.9%
Net profit after tax	1,405,602	478,896	193.9%

## Corporate action

### Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
PCL	2018	Final	K20.00	23-Aug-19
NBM	2019	Interim	K5.35	06-Sep-19
STANDARD	2019	Interim	K8.95	06-Sep-19
TNM	2019	Interim	K0.25	13-Sep-19

## Market activity and colour

### June 2019 market roundup

The month of June saw low trading activity as active institutional investors and high net worth individuals who sit on various boards of directors entered the closed period as the June reporting period approached. All directors and senior management of a listed company are prohibited from dealing in the company's securities for a period starting from 30 days prior to reporting date until the results are released to the public. June, therefore tends to be a low market activity month. During the month 14.1m shares worth K807.6m (\$1.1m) traded on the exchange in 192 trades. This compares to 139m shares valued at

K9.1bn (\$12.1m) in 381 trades transacted during the previous month of May 2019. This represents drops of 90pc in volume and 91pc in value.

By comparison, June 2018 registered even lower numbers as the market was hampered by a newly introduced electronic trading system which was far from settled. The market traded 6.4m shares worth MWK 212.4m (USD 289K) in 88 trades. Therefore June 2019 is an improvement on the comparative month last year.

The index opened the month at 29,246.08 and closed at 29,956.00 representing a rise of 2.4pc thanks to increases in the prices of Standard Bank –which somehow rebounded to K630.00 from K499 representing 26.3pc increase and NBM which went up 1.4% to K370.00. A 0.5pc decrease in the price of OMU to K2,500.00 was not enough to stem the rise by Standard Bank. The index registered a 3.4% rise on year-to-date from a January opening of 28,728.11.

By comparison from June 2018; the index dropped 1.4pc from 30,376.95 as banking stock led by FMBCH; which was at K160; underwent market correction.

**Trading Summary  
for the month of June 2019**

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.95	12.95		5,730	74,203.50	2	10,874,771,630
FMBCH	85.00	85.00		2,046,639	173,964,133.00	4	208,951,250,000
ICON	10.00	10.00		243,864	2,438,640.00	12	66,800,000,000
ILLOVO	210.00	210.00		323	67,830.00	2	149,823,322,110
MPICO	19.50	19.50		2,061,603	40,201,258.50	19	44,811,925,470
NBM	364.99	370.00	1.4% ↑	19,376	7,169,123.00	18	172,764,743,060
NBS	9.00	9.00		3,064,888	27,583,988.00	24	26,195,160,204
NICO	48.50	48.50		46,657	2,262,464.50	5	50,587,493,156
NITL	75.00	75.01	0.0% ↑	1,483,000	111,238,700.00	9	10,126,350,000
OMU	2,513.08	2,500.00	-0.5% ↓	58,023	128,857,500.00	11	27,998,187,500
PCL	1,400.00	1,400.00		107,872	151,020,800.00	16	168,358,148,000
STANDARD	499.00	630.00	26.3% ↑	30,476	18,032,748.00	13	147,840,942,060
SUNBIRD	138.00	138.00		9,293	1,282,434.00	1	36,098,396,040
TNM	29.00	28.99	0.0% ↓	4,946,270	143,441,342.00	56	291,072,645,500
<b>Totals</b>				<b>14,124,014</b>	<b>807,635,164.50</b>	<b>192</b>	<b>1,412,303,334,730</b>
<b>INDEX (month)</b>	<b>29,246.08</b>	<b>29,956.00</b>	<b>2.4% ↑</b>				
<b>INDEX (year to date)</b>	<b>28,983.64</b>	<b>29,956.00</b>	<b>3.4% ↑</b>				
<b>INDEX (June 2018)</b>	<b>30,376.95</b>	<b>29,956.00</b>	<b>-1.4% ↓</b>				

(Source: MSE)

## July 2019 market round up

During the month of July 2019, the market traded 27m shares worth K2.2bn (\$2.9m) in 204 trades. This compares to 14.1m shares worth K807.6m (\$1.1m) traded in the previous month of June 2019. This was almost double the volume and 172.8pc increase in value m/m.

Comparing to July 2018, the market traded 13.7m shares with a total value of K590.2m (US\$803K) in 97 trades. While the volume is comparable to previous period last year, the values traded are 272.9pc higher in the period under review by comparison. July 2018 was a slow month due to a newly introduced electronic trading system with most of the investors' holdings not yet dematerialised in the Central Securities Depository.

The index retreated 1.8pc during the month from an opening position of 29,956 to 29,413.02 on account of a drop in TNM which shed 8.7pc to K26.48. This is a seasonal fluctuation for one of the most liquid counters which responds to demand elasticity. However, while year-to-date gains were partly reversed; a 1.5pc rise was recorded y-t-d.

The index fell 5.9pc on July 2018 as banking stock prices corrected during the year.

### Trading Summary for the month of July 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.95	12.95		15,995	207,135.25	2	10,874,771,630
FMBCH	85.00	85.00		0	0.00	0	208,951,250,000
ICON	10.00	10.00		1,321,608	13,216,080.00	28	66,800,000,000
ILLOVO	210.00	210.00		36,539	7,673,190.00	11	149,823,322,110
MPICO	19.50	19.50		10,956,384	213,649,529.00	30	44,811,925,470
NBM	370.00	370.01	0.0% ↑	96,907	35,856,237.87	22	172,769,412,377
NBS	9.00	9.01	0.1% ↑	12,077,476	104,201,605.73	18	26,224,265,938
NICO	48.50	48.50		137,698	6,678,103.50	14	50,587,493,156
NITL	75.01	75.01		520,970	39,077,916.00	12	10,126,350,000
OMU	2,500.00	2,500.00		38,761	96,902,500.00	5	27,998,187,500
PCL	1,400.00	1,400.00		1,300,316	1,564,882,402.00	21	168,358,148,000
STANDARD	630.00	630.00		177,497	111,766,110.10	11	147,840,942,060
SUNBIRD	138.00	138.00		1,420	195,960.00	1	36,098,396,040
TNM	28.99	26.48	-8.7% ↓	341,342	9,320,668.54	29	265,871,116,000
<b>Totals</b>				<b>27,022,913</b>	<b>2,203,627,437.99</b>	<b>204</b>	<b>1,387,135,580,281</b>

<b>INDEX (month)</b>	<b>29,956.00</b>	<b>29,413.02</b>	<b>-1.8% ↓</b>
<b>INDEX (year to date)</b>	<b>28,983.64</b>	<b>29,413.02</b>	<b>1.5% ↑</b>
<b>INDEX (July 2018)</b>	<b>31,263.14</b>	<b>29,413.02</b>	<b>-5.9% ↓</b>

(Source: MSE)

### Trading activity report for month to 23 August

During the three-week period to 23 August, the market has registered trades involving 17.4m shares worth K681.1m (\$0.9m) in 251 trades. The index has lost 0.9pc to 29,153.01 over the period on account of a 5.9pc or K5 drop in FMBCH to K80.00 and 1.8pc decrease in TNM to K26.01. FMBCH group remains under pressure due to the economic turmoil in Zimbabwe where its major subsidiary; formerly Barclays Zimbabwe is based. NBS put up a 16.5pc rise to K10.50 but its overall weight on the index is minimal compared to the two risers. The year-to-date increase has been reduced to 0.6pc.

### Trading Summary for the period 1 to 23 August 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.95	12.95		3,770	48,821.50	1	10,874,771,630
FMBCH	85.00	80.00	-5.9% ↓	18,985	1,586,699.00	3	196,660,000,000
ICON	10.00	10.00		4,364,184	43,641,540.00	24	66,800,000,000
ILLOVO	210.00	210.00		17,359	3,645,330.00	3	149,823,322,110
MPICO	19.50	19.50		1,178,135	22,973,632.00	23	44,811,925,470
NBM	370.01	370.03	0.0% ↑	44,624	16,511,790.58	15	172,778,751,012
NBS	9.01	10.50	16.5% ↑	6,791,981	61,682,341.30	52	30,561,020,238
NICO	48.50	48.50		625,945	30,357,608.50	18	50,587,493,156
NITL	75.01	75.01		129,000	9,676,180.00	9	10,126,350,000
OMU	2,500.00	2,500.00		14,558	36,395,000.00	3	27,998,187,500
PCL	1,400.00	1,400.00		264,782	330,694,800.00	8	168,358,148,000
STANDARD	630.00	630.01	0.0% ↑	19,504	12,287,642.00	4	147,843,288,742
SUNBIRD	138.00	138.00		76,398	10,542,924.00	8	36,098,396,040
TNM	26.48	26.01	-1.8% ↓	3,886,344	101,056,107.83	80	261,152,104,500
<b>Totals</b>				<b>17,435,569</b>	<b>681,100,416.71</b>	<b>251</b>	<b>1,374,473,758,398</b>

<b>INDEX (month)</b>	<b>29,413.02</b>	<b>29,153.01</b>	<b>-0.9% ↓</b>
<b>INDEX (year to date)</b>	<b>28,983.64</b>	<b>29,153.01</b>	<b>0.6% ↑</b>

(Source: MSE)

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