

MALAWI

Political and economic news

Banking assets hit K1.5 trn, pensions soar in 2017

Assets for the country's banking sector rose 26.8 pc in 2017 to K1.5trn (USD 2.1bn) according to the latest Financial Institutions Supervision Report by the RBM. The growth is attributed to significant investments in money market instruments which increased by K34.3bn to K315.2bn in 2017, despite declining rates. The report further notes that investment in long term paper grew to K40.3bn from K12.7bn in 2016. Interbank lending is said to have increased from K34.3bn in 2016 to K50.5bn reflecting improved liquidity conditions in the banking sector as well as improved relations among banks, thereby minimising recourse to the central bank window. Cash and assets due from other banks increased by K38.9bn to K315.2bn and other uncategorised assets shot up by K59.6bn to K219.2bn in 2017. By contrast, intermediation by banks remained flat recording 1.1% growth to MWK 422.1bn in 2017. This dismal growth in loans was due to number of factors including weak demand for credit and cautious credit policies. In a related development, assets for the pension sector are reported to have gone up 39.8 pc to K532.2bn in 2017. The central bank attributes the increase to growth in pension contributions as more companies and institutions registered their employees on pension schemes. *(Source: The Daily Times)*

Three banks eye Malawi market

RBM says it is vetting applications for three commercial banks to enter the local market, a development that could bring the total number of banks in the country to 12. The need to have three more banks enter the market is one of the targets the central bank set for this year according to RBM governor Dalitso Kabambe. He said the RBM set lofty targets and half way through the year, some managers have already achieved 90 pc of their targets and hopes that by the end of the year most would achieve their annual targets. RBM's targets included increasing the number of account holders to two million from 1.2m; get seven more companies to list on the MSE and issue three private bonds, among others. *(Source: The Nation)*

Company news

NFB lists the first corporate bond on MSE

New Finance Bank (NFB) – one of the country's commercial banks – listed a four-year K4bn bond – making it the first ever corporate bond to be listed on the Malawi Stock Exchange (MSE). The bond has been listed as an introduction having already been subscribed for through a private placement. The bank intends to raise a total of K14bn in three tranches over a three-year period and the listing marks the first tranche under the programme. NFB looks to raise K5bn each in the two subsequent years. The corporate bond has a coupon rate of 18 pc – priced at a premium to the recent 365-day treasury bill which is averaging 15 pc. The MSE has so far listed a number of government bonds which have tended to run to maturity without trading on the secondary market. However the listing of the corporate bond is expected to raise awareness and generate interest of the domestic and international investors in the bond market and thus contribute to the deepening of the market, according to NFB's CEO Zandile Shaba. *(Source: Daily Times and Cedar Capital Research)*

PCL expects 50% increase in 1H18

Press Corporation plc (PCL) has issued a trading update in which it advises investors to expect at least 50% increase in 1H18 profits compared to 1H17. We think the conglomerate will benefit from reversal of losses from the likes of MTL and the retail division while the heavy hitters will remain TNM and NBM. We have issued a full report on

the counter this week – we find PCL to be a value trap on account of its illiquidity and huge conglomerate discount. We remain NUETRAL as a result. *(Source: Company filings and Cedar Capital Research)*

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
Standard Bank	2017	Final	MWK 4.26	TBA
BHL	2017	Final	MWK 0.15	TBA
SUNBIRD	2017	Final	MWK 0.63	27-Jul-18
PCL	2017	Final	MWK 20.00	TBA
NICO	2017	Final	MWK 1.00	TBA

(Source: Company filings)

Market activity and colour

The market traded 2m shares worth MWK 52.5m (USD 71K) in 29 trades during the week. In the previous week the market traded 383K shares worth MWK 7.5m in 12 trades. TNM was the dominant counter with 2m shares worth K50m while paltry volumes were recorded for FMBCH and NBM – making it only three active counters during the week.

The market continues to be affected by slow conversion of shares to CSD.

Cedar Capital Limited
4th Floor, Livingstone Towers
Sir Glyn Jones Road
P O Box 3340
Blantyre, Malawi
+265 1 831 995
Feedback: nzimar@cedarcapital.mw

This document is confidential and issued for the information of internal and external clients of Cedar Capital Limited registration 8700. It is subject to copyright and may not be reproduced in whole or in part without written permission. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cedar Capital in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/ security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisors to assist the user in reaching any decision. Cedar Capital will accept no responsibility of whatsoever nature in respect of any statement, opinion, recommendation or information contained in this document.