

MALAWI

Political and economic news

Malawi diaspora remittances quadruple, hit K136bn

Malawi earned \$186m (K136bn) in remittances through money transfer operators and foreign currency denominated accounts last year, according to the Reserve Bank of Malawi (RBM). The 12-month figure for 2018 is nearly four times the \$38m the country received in 2017 through remittances, a development the RBM has said strengthens the country's foreign exchange position. In 2017, figures show that remittances from Malawi by expatriates to their country of origin via wire, mail or online transfers amounted to \$1.4m per month but the receipts have jumped to an average of \$16m per month in 2018. RBM spokesperson Mbane Ngwira said the country has been on a vigorous drive to increase remittances into the country in order to bolster foreign exchange reserves. He disclosed that the central bank and ministry of foreign affairs are putting up a web portal to record database of Malawians in diaspora and have in place Malawi diaspora engagement policy. *(Source: Nation)*

Government introduces as two-year recurring treasury note

Government has introduced a two-year treasury note at a coupon rate of 10pc – a marketable government debt security with a fixed interest rate and maturity between one and 10 years- to help treasury raise money to refinance debt. The auction for the note, which after primary auction may be listed on the MSE, will be conducted on a multiple price bid basis whereby each successful bidder pays the price quoted for the amount tendered. According to the RBM, the treasury note which will be issued monthly or otherwise as prescribed by government, does not have a fixed amount and will be issued only for debt restructuring purposes. *(Source: Nation)*

Banks minimum capital set at \$5m

A latest directive on capital adequacy for banks has set \$5m (K3.7bn) as the minimum capital for all banking institutions to be maintained at all times. The Financial Services (Capital Adequacy for Banks) Directive 2018, published on the RBM website, says banks shall maintain a minimum core capital of kwacha equivalent of \$5m or such higher amount as determined by the registrar of financial institutions. The directive sets \$1.5m as the minimum capital for a leasing company or a discount house. RBM says the directive is designed to ensure an adequate cushion of capital to absorb losses. The directive also seeks to protect the interest of depositors, creditors and the general public in addition to ensuring that banks maintain internationally recognised prudent capital requirements. The directive also restricts a bank from investing in or holding publicly traded shares of another bank. It also stipulates that the amount of shares held by the public in a bank shall not exceed 10pc of the bank's paid up capital at all times. It also restricts the bank from owning or holding shares in any non-profit institution whose aggregate value exceeds 10pc of the bank's core capital. *(Source: Daily Times)*

MPC eases interest rates significantly

The Monetary Policy Committee (MPC) in its January meeting effected policy decisions that have reduced the policy rate, cut the liquidity reserve rate (LRR) for both foreign and local deposits and significantly reduced the Lombard rate margin from 200bps to 40bps above the policy rate. The guideline interest rate; known as the policy rate, has been slashed by 150bps from 16pc to 14.5pc. This is the guiding rate which the Reserve Bank of Malawi (RBM) uses as a base for lending to banks – when banks access the Lombard facility. The Lombard rate itself, previously set at 200bps above the policy rate, has been reduced to only 40bps above the same. Put into perspective, when banks seek accommodation from the RBM window, the rate at which they will access the facility will now be 14.9pc compared to 18pc –which was prevalent before the current MPC interventions. Additionally, the Liquidity Reserve Requirement (LRR) – a percentage of customer deposits that banks are required to maintain in cash and/or RBM balances – has

been reduced from 7.5pc to 5pc for all local currency deposits, whereas on foreign currency deposits, it has been halved from 7.5pc to 3.75pc. The trio of Policy rate, Lombard rate and LRR has an effect on the cost of money to banks as the first two impact the bank when they access a credit facility while LRR is a pool of a bank's funds which does not earn any revenue. Based on these, banks decide how much they can charge for the money when lending – hence the expectation that bank lending rates will reduce. In arriving at these decisions, the MPC has explained that monetary policy decisions are based on a forward-looking framework. The MPC notes that risks to inflation have reduced in 2019 as shocks to inflation - such as electricity tariff hikes, fuel price increases and food inflation due to dry spells - have so far dissipated. The committee projected stable foreign exchange rate in 2019 continuing on the trend from mid-2016 noting foreign currency reserves stood at 3.61 months of imports in December 2018; which otherwise is a peak of lean period for foreign currency. (Source: MPC statement and Cedar Capital Research)

Company news

Trading statements update

Increase in earnings

- NBS bank expects its FY18 earnings to be at least 130% better than its loss of K1.1bn reported in FY17. This puts its expected earnings at a minimum of K1.4bn and forward PE of 20.5x.
- TNM earnings to be at least 25% higher than FY17 – earnings to be around K16.3bn with a forward PE of 17.4x.

Decrease in earnings

- NITL expects its FY18 to be 25% lower than FY17 – thus earnings are expected at K1.6bn mainly due to a reduction in share value gains.
- BHL expects its FY18 earnings to 30 September 2018 to be 30% lower than FY2017. This puts its earnings around K358m and forward PE of 30.4x

Market activity and colour

The market traded 9.7m shares worth K556.9m (\$752K) in 73 trades during the week. Compared to the previous week, the market traded 5m shares worth K88.1m (\$119K) in 48 trades. The index inched up as a result of a combination of a rise in NBM and a decrease in the price of TNM.

January Roundup

The month of January saw 46.7m shares valued at K2.3bn (\$3.2m) change hands in 221 trades. This compares to 36.7m shares worth K1.3bn (\$1.8m) traded in January 2018. This represents 76.9pc rise in value traded in Jan 2019 on the similar period last year. In terms of volumes traded, Jan 2019 went up 27.2pc on the previous year.

The index fell 0.6pc month on month as a result of decreases in the prices of TNM, NBM and NICO which negated a gain of 37pc in the newly listed ICON. However, the index rose 29.6% y/y from 22,223 at the end of January 2018 to 28,808.89 as at 31 January 2019.

All counters were active during the month with the highlights being the listing of ICON on 21 January; making it the second property company after MPICO and the listing by way of issue for cash of 122m shares of FMBCH which were issued to Old Mutual Investment Group. NICO traded 6m shares at a special bargain price of K30 per share.

Trading Summary for the week

Trading Summary for
28 Jan to 1 February 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	13.00	13.00		33,754	438,802.00	2	10,916,759,165
FMBCH	100.00	100.00		4,035,202	403,520,200.00	24	245,825,000,000
ICON	12.00	12.00		0	0.00	0	80,160,000,000
ILLOVO	200.00	200.00		86	17,200.00	1	142,688,878,200
MPICO	13.00	13.00		22,000	286,000.00	1	29,874,616,980
NBM	312.70	315.00	0.7% ↑	20,696	6,514,677.00	8	147,083,497,470
NBS	10.00	10.00		723,386	7,233,860.00	10	29,105,733,560
NICO	42.00	42.00		5,038	211,596.00	1	43,807,726,032
NITL	75.00	75.00		9,872	740,400.00	2	10,125,000,000
OMU	2,513.25	2,513.25		6	15,079.50	1	14,647,228,540
PCL	1,140.00	1,140.00		0	0.00	0	137,091,634,800
STANDARD	670.00	670.00		21	14,070.00	1	157,227,668,540
SUNBIRD	145.00	145.00		2,035	295,075.00	1	37,929,474,100
TNM	28.48	28.40	-0.3% ↓	4,850,317	137,633,866.00	21	285,148,780,000
				9,702,413	556,920,825.50	73	1,371,631,997,387

INDEX (week)	29,322.93	29,328.77	0.0% ↑
INDEX (month)	28,808.89	29,328.77	1.8% ↑
INDEX (year)	28,983.64	29,328.77	1.2% ↑

(Source: MSE)

Trading Summary for the month January 2019

Trading Summary for
1 to 31 January 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	13.00	13.00		312,740	4,065,620.00	10	10,916,759,165
FMBCH	100.00	100.00		4,157,741	415,774,100.00	34	245,825,000,000
ICON	8.75	12.00	37.1% ↑	4,071,360	48,856,340.00	9	80,160,000,000
ILLOVO	200.00	200.00		1,055,575	211,115,000.00	9	142,688,878,200
MPICO	13.20	13.00		1,500,935	19,561,571.60	21	29,874,616,980
NBM	332.02	315.00	-5.1% ↓	192,506	60,236,838.40	17	147,083,497,470
NBS	10.00	10.00		1,112,530	11,125,300.00	21	29,105,733,560
NICO	43.00	42.00	-2.3% ↓	6,733,002	202,388,697.00	8	43,807,726,032
NITL	75.00	75.00		29,068	2,180,100.00	6	10,125,000,000
OMU	2,513.25	2,513.25		5,330	13,395,627.25	4	14,647,228,540
PCL	1,140.00	1,140.00		513,743	585,667,000.00	10	137,091,634,800
STANDARD	670.00	670.00		239	160,130.00	3	157,227,668,540
SUNBIRD	145.00	145.00		95,438	13,838,510.00	6	37,929,474,100
TNM	28.00	26.00	-7.1% ↓	26,993,590	769,314,953.00	63	261,051,700,000
				46,773,797	2,357,679,787.25	221	1,347,534,917,387

INDEX (month)	28,983.64	28,808.89	-0.6% ↓
INDEX (year)	28,983.64	28,808.89	-0.6% ↓
INDEX (y/y)	22,223.00	28,808.89	29.6% ↑

(Source: MSE)

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.