

MALAWI STOCK EXCHANGE

QUARTERLY MARKET REPORT

JULY – SEPTEMBER 2002

MALAWI STOCK EXCHANGE

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MALAWI STOCK EXCHANGE LIMITED

THIRD QUARTER MARKET REPORT - 2002

1.0 MARKET PERFORMANCE

1.1 Market Statistics

During the period July to September, 2002 a total of 7,759,860 shares were traded on the stock exchange at a total turnover of MK56,980,092.40 (US\$731,057.17) in 62 trades. Same quarter last year, the market transacted 26,786,520 shares at a total consideration of MK223,467,398.50 (US\$3,125,879.10) in 322 trades. This reflects a 71.03 percentage decrease in terms of volume and a 74.5% decrease in terms of value, registered from the same quarter last year.

The third quarter performance review however, shows a remarkable improvement from the second quarter 2002 performance. The share volume increased by 306.25% from 1,910,133 shares registered during the second quarter 2002 to 7,759,860 shares recorded in the third quarter. In terms of value, the market recorded a 159.68% increase from MK21,942,016 to MK56,980,092.4 during the same review period.

The highest sales of shares were registered in the month of September, 2002 with 4,830,700 shares traded at a total market value of MK34,927,335 (US\$442,568) in 18 trades. The Malawi All Share Index (MASI) opened the quarter in the first week of July at 363.17 points and slightly surged in the fourth week of July to 363.06 points. The index constantly lost ground during the quarter under review to close the quarter at 307.98 points reflecting a 15.17 percentage decrease. The decrease in the MASI emanated from a decrease in both the Domestic and Foreign Share Indices, both of which exhibited a downward trend from 288.81 points and 148.31 points to 251.46 points and 125.69 points respectively, during the same review period.

TABLE 1. MARKET STATISTICS

MARKET STATISTICS: SECOND QUARTER 2002					
WEEK	MKT. CAP	MKT. CAP	TURNOVER	VOLUME of	MASI
Ended	MKm	MKm*	MKm	Shares	
Jul-02	457,135.35	11,769.77	19.180	1,832,470	363.06
Aug-02	457,298.04	11,932.47	2.873	1,096,690	362.85
Sep-02	388,334.88	10,906.44	34.927	4,830,700	307.98
3rd Qtr. 02	388,334.88	10,906.44	56.980	7,759,860	307.98
3rd Qtr. 01	578,776.26	11,837.15	223.367	26,786,520	488.77
2001	543,218.65	10,517.09	1,453.403	115,749,308	458.74

* Excludes non-Malawi register Old Mutual plc shares

1.2 Market Liquidity

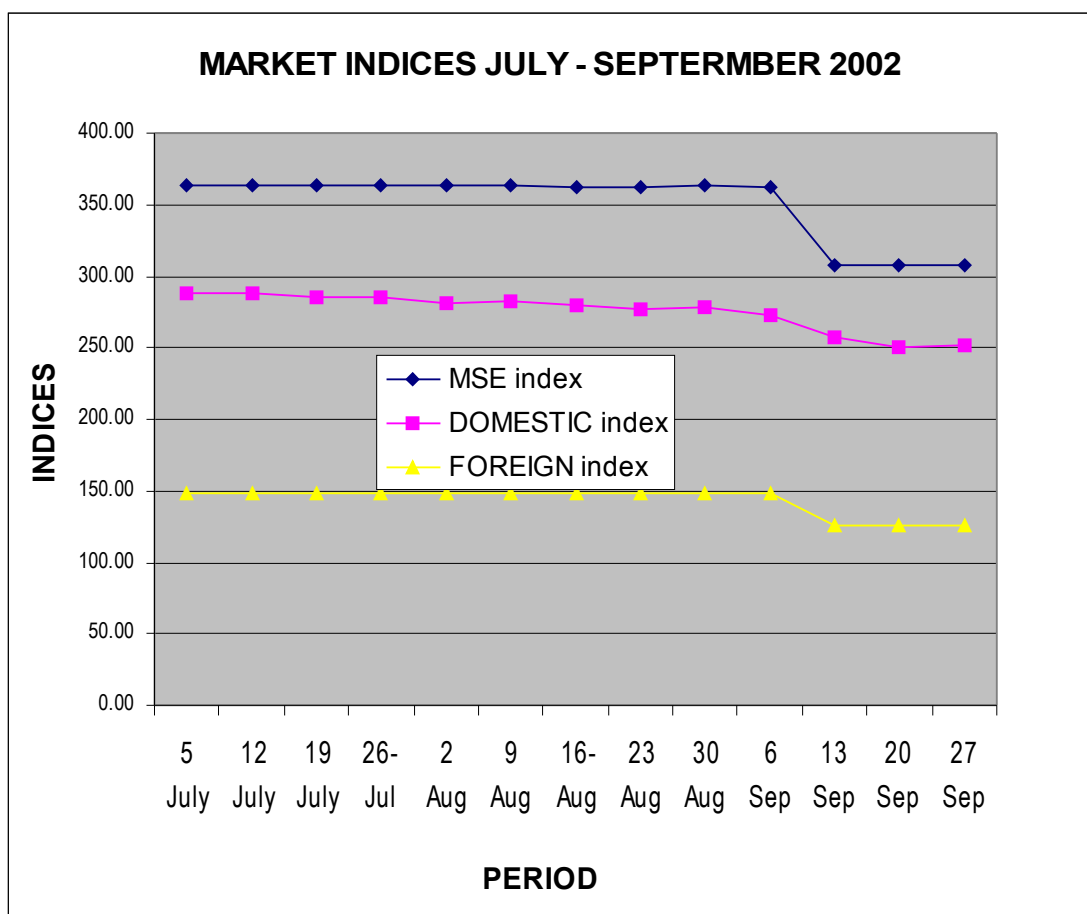
The market exhibited liquidity increase of 179.2% from 0.19% registered during period April to June 2002 to 0.52% registered during the period July to September 2002. The market liquidity as measured by the ratio of Total Value of Trades to GDP (TVT/GDP) recorded the liquidity level of 0.042% reflecting a 159.76% increase from the liquidity level of 0.016% registered in the second quarter of 2002. The increase in the liquidity levels during the review period is due to an increase in the volume and value of trades transacted during the quarter under review.

TABLE 2. MARKET LIQUIDITY

MARKET LIQUIDITY: THIRD QUARTER 2002					
WEEK	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/GDP	TVT/Mkt. Cap*	Shares Traded/Shares In Issue* %
Ended	%	%	%	%	
Jul-02	334.06	8.601	0.01402	0.1630	0.111106
Aug-02	334.18	8.720	0.00210	0.0241	0.057521
Sep-02	283.78	7.970	0.02552	0.3202	0.248210
3rd Qtr. 02	283.78	7.970	0.04164	0.5224	0.398716
3rd Qtr. 01	597.60	12.222	0.23100	1.88700	1.65000
2001	597.60	12.222	0.92300	7.5480	6.60200

* Excludes non-Malawi register Old Mutual plc shares

FIG. 1. MARKET INDICES



1.3 Company Trading Performance

During the quarter under review, the market recorded trading activity in all counters. Commercial Bank of Malawi was the most traded counter with a trade volume of 4,031,000 shares accounting for 51.95% of the quarterly total. The least traded stock was Blantyre Hotels Limited with 39,820 shares accounting for 0.51%. The highest price gainer during the review period was NICO by a 22.5% price increase from an opening price of MK2.00 to MK2.45 per share. Price losers in the quarter under review were Commercial Bank of Malawi (-9.33%), National Bank of Malawi (-14.63%), Press Corporation Limited (-13.33%), Packaging Industries Malawi (-15.91%), SUCOMA (-7.22%) and Old Mutual Limited (-15.25%) with respective counters closing at MK6.80, MK7.00, MK13.00, MK1.85, MK4.50, and MK100.00 per share. Blantyre Hotels Limited and Sunbird Tourism Limited registered no price change and closed the quarter at MK4.45 and MK1.85 per share respectively.

TABLE 3. COMPANY TRADING STATISTICS

COMPANY TRADING STATISTICS: THIRD QUARTER 2002					
Company	Opening Price	Closing Price	Change in Price	Share Vol. Trade	% Traded
BHL	4.42	4.45	0.03	39,820	0.513
CBM	7.50	6.80	-0.70	4,031,000	51.947
NBM	8.20	7.00	-1.20	2,355,410	30.354
NICO	2.00	2.45	0.45	99,300	1.280
PCL	15.00	13.00	-2.00	12,770	0.165
PIM	2.20	1.85	-0.35	290,160	3.739
SUCOMA	4.85	4.50	-0.35	22,600	0.291
SUNBIRD	1.85	1.85	0.00	868,200	11.188
OML	118.00	100.00	-18.00	40,600	0.523
				7,759,860	100.000

2.0 MARKET DEVELOPMENT

- The Stock Exchange during the quarter under review, granted a listing of 261,582,580 ordinary shares in Sunbird Tourism Limited on the Malawi Stock Exchange Bourse at an offer price of MK1.85 per share. The listing of sunbird increased the number of stocks to nine with total market capitalization of MK388,244.34 million.
- The market experienced the first capital raising of approximately MK188,270,050 by SUCOMA through rights issue to its existing shareholders at a subscription cash price of 475 tambala per share.

3.0 ECONOMIC PERFORMANCE

The annual national inflation rate for the month of August, 2002 went up to 16.7% from 16.1% recorded in the preceeding month of July 2002. The increase in the rate is as a result of an increase in both the urban and rural inflation rates, which have inched upwards from 16.8% to 18% and from 15.7% to 15.9% respectively. The upturn in the rates emanated from an increase in the food index, which has increased by 70 basis points resulting from price increases of cereals and cereal products.

The exchange rate for the Kwacha against the US Dollar shot up from MK76.1956 registered in July to MK80.2546 registered in September 2002. This translates to a 5.06 percentage points depreciation of the Malawi Kwacha against the US Dollar due to increased demand of the US Dollar against low foreign exchange earnings coupled with slow inflow of donor funds.

The Bank rate was adjusted downwards to 43.0% in the month of July 2002 from 46.8%, which had prevailed since June 2001. The commercial bank's prime rates however remained unchanged within the range of 44-46%. Despite the downward adjustment of the discount rate, the commercial bank's lending rates are still perceived to be exorbitant to most investors and have attracted a widespread public outcry on the high cost of borrowing. Such high interest rates have counterproductive effects on the economy by reducing private investments due to the high cost of borrowing. It is therefore recommended to concerned authorities to consider bringing down interest rates through proper fiscal management but at the same time taking cognisance of other macroeconomic fundamentals that should induce savings to have a balanced and growth economy.

The yields in the treasury bills market exhibited a marginal downward trend during the quarter under review. The 91-days TB yield decreased from 40.48% registered in July to 37.52% in September, 2002 and the 182-days yield decreased from 43.03% to 41.08% in the same period. The yield on the 271-days dropped from 44.01% registered in July to 41.70% registered in September, 2002.

In the RBM bills market, the 63-days RBM bill yield dropped from 41.30% recorded in July to 40.10% recorded in September 2002 and the 91-days tenor yield slipped downwards by 41.3 basis points from 48.47% to 48.27% during the same review period.

TABLE 4. MACROECONOMIC INDICATORS

KEY MACROECONOMIC INDICATORS					
	Sept. 2001	Dec. 2001	July 2002	August 2002	Sept. 2002
Inflation Rate	28.0	22.1	16.1	16.7	16.7
RBM Bank Rate	46.80	46.80	43.0	43.0	43.0
Prime Rate	45 – 46.00	45 – 46.00	44 – 46.0	44 – 46.0	44 – 46.0
TB YIELD					
91 Days T-Bill	32.95	45.67	40.48	38.71	37.52
182 Days T-Bill	42.72	45.52	43.03	41.36	41.08
271 Days T-Bill	41.26	45.02	44.01	41.51	41.70
RBM BILL YIELD					
63 Days RBM Bill	45.80	46.36	41.30	40.28	48.47
91 Days RBM Bill	45.51	46.37	40.10	40.11	48.27
EXCHANGE RATES					
MK/US\$	61.7882	67.333	76.1956	76.7402	80.2546
MK/GBP	91.1039	97.589	119.4255	118.2196	125.6173
MK/ZAR	6.9824	5.138	7.7975	7.3237	7.6839
MK/YPY	0.5350	0.534	0.6671	0.6540	0.6696
MK/ZWD	1.1453	1.250	1.4149	1.4250	1.4903