

# **MALAWI STOCK EXCHANGE**

## **THIRD QUARTER MARKET REPORT - 2001**

### **1.0 INTRODUCTION**

This report covers the period from July to September, 2001. The report aims at highlighting on the country's economic situation, stock market development activities and the future outlook of the Malawian capital market.

### **2.0 ECONOMIC OUTLOOK**

Inflation in August went up to 29.9 % from 26.5 % in the preceeding month of July, 2001. The upward movement of the rate is as a result of an increase in both the urban inflation and rural inflation rates which have moved from 38.7 % and 19.8% in the month of July to 41.5 % and 23.5 % in the month of August, respectively. The upturn in the rates emanated from an increase in the food index due to the price push effect of maize following reports of maize deficit, which is estimated at 125,000 metric tonnes.

The Malawi Kwacha continued to gain in its value vis-à-vis all the currencies of the country's major trading partners during the period under review. The Kwacha has appreciated by 22.50 % against the Us Dollar from MK 75.689/US\$ in July to MK61.788/US\$ in September. Against the British Pound Sterling, the Kwacha has gained by 16.85 % during the same period. The gain in the value of the Kwacha is as a result of the accumulated foreign reserves, which are currently registered at 5.6 months of import cover. The appreciation of the Kwacha seems to have reached its optimum level as evidenced by its stagnation around the MK60.00 to MK62.00 range to the US Dollar.

Within the sub-region, the Kwacha strengthened against the Zimbabwean Dollar due to the economic instability, which has hit the Zimbabwean economy resulting from the land invasion of white farmers by the local Zimbabwean citizens. The Zimbabwean economic instability trickled down to the South African economy, which ignited the depreciation of the Rand against the Kwacha by 37.83% during the period under review.

The Reserve Bank Rate as at 28<sup>th</sup> September, 2001 was at 46.8% reflecting no change from the month of July, 2001. The commercial banks however adjusted their lending rates from 48.0 - 54.0 % range to 45.0 - 46.0 % range during the period under review. The 91 days T-bill yield dropped from 37.38% to close at 32.95% on 28<sup>th</sup> September, 2001. The yield on the 182 days T-bill went up to 42.72 % from 39.0 % while as the 271 days T-bill closed off in September at 41.26 % reflecting a 2.36 percentage drop from the month of July, 2001.

### 3.0 MARKET PERFORMANCE

#### 3.1 Market Statistics.

During the quarter under review, a total of 26,786,520 shares were traded on the exchange at a total consideration of MK223,367,399 (US\$3,125,879) in 322 transactions compared to 1,006,140 shares traded during the second quarter of the year at a total turnover of MK43,543,207 (US\$563,669) in 338 deals. In the third quarter last year, a total of 14,267,284 shares at a total turnover of MK106,585,931 (US\$ 1,793,825) were transacted at the exchange in 773 trades. This reflects an increase of 87.75% in terms of volume and 109.57 in terms of value though with a 58.34 % decrease in terms of deals transacted in the market during the same time last year. The highest sales value was achieved in the month of July with a total turnover of MK135,181,858 (US\$1,800,084) in 98 trades. The Malawi All Share Index exhibited a downward trend during the period under review. It opened the quarter at 499.93 points in July and dropped to 488.84 points in August before closing off at 488.77 points in September, 2001.

<b>MARKET STATISTICS: July – Sept. 2001</b>					
<b>WEEK</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>TURNOVER</b>	<b>VOLUME of</b>	<b>MSE</b>
<b>Ended</b>	<b>MKm</b>	<b>MKm*</b>	<b>MKm</b>	<b>Shares</b>	<b>Index</b>
Jul-01	591,979.64	11,185.94	135.182	16,607,360	499.93
Aug-01	578,854.05	11,914.95	61.171	7,957,060	488.84
Sep-01	578,776.26	11,837.15	27.014	2,222,100	488.77
<b>TOTAL</b>	578,776.26	11,837.15	223.367	26,786,520	-
<b>YTD 2001</b>	578,776.26	11,837.15	371.908	40,170,472	488.77
<b>YTD 2000</b>	613,751.29	11,224.81	552.10	115,749,308	518.40

\* Excludes non-Malawi register Old Mutual plc shares

#### 3.2 Market Liquidity.

The market liquidity level during the period under review was registered at 1.89% with an annualised rate of 7.55% reflecting an increase from the second quarter levels of 0.37 % with an annualised rate of 1.5%. The liquidity level as measured by the ratio of Total Value of trades to GDP (TVT/GDP) also exhibited an upward movement from the last quarter level of 0.04% with an annualised rate of 0.18% to 0.23% with an annualised rate of 0.92%. The increase in the liquidity levels is attributable to an increase in the volume and value of trades transacted during the quarter under review.

<b>MARKET LIQUIDITY : July – Sept. 2001</b>					
<b>WEEK</b>	<b>Mkt. Cap/GDP</b>	<b>Mkt. Cap/GDP*</b>	<b>TVT/GDP</b>	<b>TVT/Mkt. Cap*</b>	<b>Shares Traded/</b>
<b>Ended</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>Shares</b>
Jul-01	611.23	11.550	0.140	1.209	1.024
Aug-01	597.68	12.302	0.063	0.513	0.490
Sep-01	597.60	12.222	0.028	0.228	0.137
<b>TOTAL</b>	597.60	12.222	0.231	1.887	1.650
<b>YTD 2001</b>			0.923	7.548	6.602
<b>YTD 2000</b>			0.591	4.919	2.243

\* Excludes non-Malawi register Old Mutual plc shares

### 3.3 Company Trading

The quarter under review recorded trading activity in all of the eight listed stocks. National Bank of Malawi was the most sought after stock with a trade volume of 18,382,100 shares accounting for 68.62% of the quarterly total. Blantyre Hotels Limited was the least traded stock with 30,000 shares accounting for 0.11%. The highest price gainer was NICO by a 20% price increase from an opening price of K1.25 per share to K1.50 per share. Losers in the quarter under review were Press Corporation Limited (-2.94%), Packaging Industries Malawi Ltd.(-5.77%) and Old Mutual plc (-2.39%) with respective counters closing at K16.50, K2.45 and K160.00 per share.

<b>Company Trading Statistics: July – Sept. 2001.</b>					
<b>Company</b>	<b>Opening Price</b>	<b>Closing Price</b>	<b>Change in Price</b>	<b>Share Vol. Trade</b>	<b>% Traded</b>
BHL	4.37	4.40	0.03	30,000	0.112
CBM	7.75	8.00	0.25	445,640	1.664
NBM	6.20	7.00	0.80	18,382,100	68.624
NICO	1.25	1.50	0.25	83,600	0.312
PCL	17.00	16.50	-0.50	2,915,100	10.883
PIM	2.60	2.45	-0.15	480,790	1.795
SUCOMA	5.20	5.30	0.10	4,283,290	15.990
OML	163.91	160.00	-3.91	166,000	0.620
				<b>26,786,520</b>	<b>100.00</b>

### 4.0 MARKET DEVELOPMENT

- The exchange has granted a licence to a second stockbroking company, Nicorp Securities Limited, which is expected to start its operation early next year, 2002 in partnership with Corporate securities Limited, a member of Zimbabwe Stock Exchange.
- The Reserve Bank of Malawi through the Malawi Stock Exchange has approved two more issues of commercial paper. The paper is not listed yet at the stock exchange but the exchange hopes to benefit from its involvement in the future due to public awareness and improved market liquidity once listed and traded on the Exchange.
- The Malawi Stock Exchange and the Reserve Bank of Malawi are in the process of reviewing / finalising a revised draft of the new Malawi Securities Law to replace the existing Capital Market Development Act of 1990.
- The Malawi Stock Exchange will shortly hold a series of half-day stock market investment seminars/workshops for corporates and institutions as part of its market awareness and development programmes.

## 5.0 CONCLUSION

The market has exhibited increased performance during the quarter under review as evidenced by an increase in most of the market performance indicators. The average daily volume has increased from 16,228 shares registered in the second quarter of 2001 to 418,539 shares registered in the third quarter of the year. The daily volume registered in the quarter under review also reflects an 87.75 % increase from the same quarter of 2000, which registered 222,926 shares. The average daily value also exhibited similar upward trends of 412.98% increase from the second quarter of 2001 and 109.57% increase from the third quarter of 2000.

COMPARATIVE QUARTERLY STATISTICAL ANALYSIS					
	Trades	Shares Vol.	Turnover MK	Turnover US\$	
First quarter 2001	485	12,377,812	104,996,690	1,322,799	
Second quarter 2001	338	1,006,140	43,543,207	563,669	
Third quarter 2001	322	26,786,520	223,367,399	3,125,879	
% Δ from 2 <sup>nd</sup> quarter 01	- 4.73	2,562.31	412.98	454.56	
Third quarter 2000	773	14,267,284	106,585,931.3	1,793,825.01	
% Δ from 3 <sup>rd</sup> quarter 00	- 58.34	87.75	109.57	74.26	
	2 <sup>nd</sup> Qter. 01	3 <sup>rd</sup> Qter. 01	3 <sup>rd</sup> Qter. 00	% Δ from 2 <sup>nd</sup> Qter. 2001	% Δ from 3 <sup>rd</sup> Qter. 2000
Daily TVT (MK)	702,325.92	3,490,115.60	1,665,406.25	396.937	109.57
Daily TVT (US\$)	9,091.44	48,841.86	28,031.25	437.229	74.24
Daily TST	16,228.06	418,539.38	222,926.31	2479.108	87.75
Daily Trades (Deals)	5	5	12	0	- 54.34
MOVEMENT OF KEY MACROECONOMIC INDICATORS					
	July, 2001	August, 2001	Sept., 2001	Sept. 2000	
Inflation Rate	26.5	29.9	29.9	30.0	
RBM Bank Rate	46.8	46.8	46.8	44.50	
Prime Rate	48.00-54.00	45.00-46.00	45.00-46.00	45.00	
TREASURY BILLS					
3 Months T-Bill	33.89	40.50	32.95	25.93	
6 Months T-Bill	39.00	43.12	42.72	36.64	
9 Months T-Bill	41.71	41.04	41.26	34.05	
RBM BILLS					
45 Days RBM Bill	-	-	-	36.96	
63 Days RBM Bill	38.25	42.49	45.80	-	
91 Days RBM Bill	39.34	41.00	45.51	-	
EXCHANGE RATES					
US\$	75.689	65.9530	61.7882	74.265	
GBP	106.425	95.1370	91.1039	110.40	
Rand	9.5379	7.9625	6.9824	10.818	
DEM	32.8279	30.8811	29.2266	34.158	
Yen	0.6196	0.5629	0.5350	0.707	
Z\$	1.4043	1.2236	1.1453	1.431	