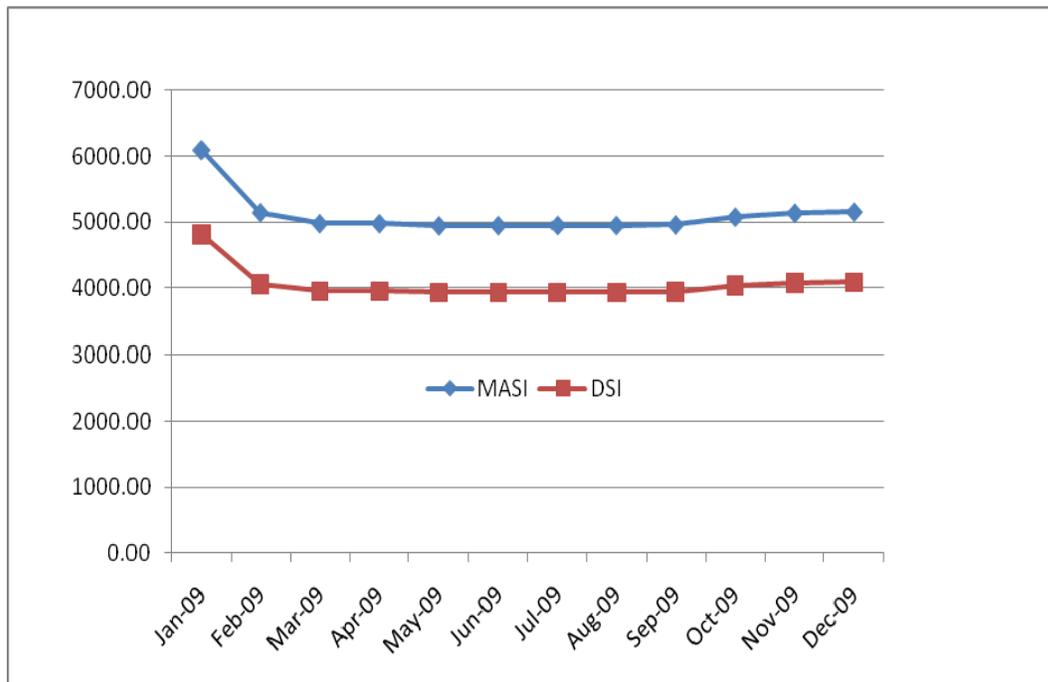




MALAWI STOCK EXCHANGE

## ANNUAL MARKET PERFORMANCE REVIEW

2009



MALAWI STOCK EXCHANGE

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# MALAWI STOCK EXCHANGE LIMITED

## ANNUAL MARKET PERFORMANCE REVIEW FOR 1<sup>st</sup> JAN. TO 31<sup>st</sup> DEC. 2009

### 1.0 INTRODUCTION

1.1 This report reviews and analyses the performance of the stock market during the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2009. The report also discusses the country's economic position during the review period and how this has impacted on the general performance of the stock market.

1.2 Key data of the market is as follows:

YEAR –TO-DATE INDEX LEVEL AND RETURN				
	INDEX LEVEL	YEAR –TO-DATE INDEX RETURN		
		LOCAL CURRENCY	US DOLLAR	
MASI*	6091.15	(15.37) %	(18.50) %	
DSI**	4815.55	(15.13) %	(18.26) %	
<b>TOP CAPITAL GAINER IN 2009</b>				
COUNTER	STANDARD			
CAPITAL GAIN %	8.24			
<b>TOP FOUR TRADED COUNTERS BY VOLUME IN 2009</b>				
COUNTER	TNM	MPICO	NBS	FMB
% TRADED	85.47	4.84	3.15	1.50
<b>TOP FOUR TRADED COUNTERS BY VALUE IN 2009</b>				
COUNTER	TNM	PCL	ILLOVO	NBS
% TRADED	34.94	16.51	13.11	8.20

\* Malawi All Share Index

\*\* Domestic Share Index

## 2 MARKET PERFORMANCE

### 2.2 Trading Performance Statistics

The Malawi Stock Exchange registered a strong and steady growth in the last quarter of 2009 as it transacted a total of 257,715,731 shares at total turnover of MK1,058.94 million (US\$7.38 million) against 28,431,355 shares at a total consideration of MK387.95 million (US\$2.76 million) traded in the third quarter. In 2009, a total of 592,420,289 shares were transacted at a total turnover of MK2,877.64 million (US\$20.31 million) in 1,795 deals. In 2008, the market transacted a total of 607,526,587 shares at a total turnover of MK8,390.07 million

(US\$59.70 million) in 3,291 deals. This reflects a marginal decrease in volume by 2.5 % but by 65.7 % in terms of value.

The highest sales in volume terms were transacted in the month of December 2009 with 188,605,161 shares while in value, November had a total consideration of MK458.95 million (US\$3.21m). The least share sales were registered in September 2009 with 4,974,207 shares at a total turnover of MK122.97 million (US\$0.875 m).

**TABLE 1: TRADING SUMMARY FOR 1<sup>st</sup> JAN. – 31<sup>st</sup> DECEMBER 2009**

MONTH	DEALS	SHARES	VALUE MK	VALUE US\$
Jan-09	200	16,686,916	188,040,134.60	1,337,378.24
Feb-09	201	141,622,425	453,032,354.10	3,222,075.01
Mar-09	137	38,994,578	219,733,541.35	1,562,757.68
Apr-09	141	12,764,321	184,896,892.45	1,314,995.97
May-09	142	20,068,636	147,661,986.45	1,050,197.85
Jun-09	140	76,136,327	237,385,933.45	1,688,321.16
Jul-09	166	11,035,059	144,404,391.00	1,027,032.90
Aug-09	176	12,422,089	120,567,761.85	857,491.14
Sep-09	130	4,974,207	122,974,867.00	874,602.98
Oct-09	128	13,320,489	166,337,656.30	1,182,250.98
Nov-09	118	55,790,081	458,953,351.60	3,213,323.76
Dec-09	116	188,605,161	433,653,252.20	2,980,042.37
TOTAL 2009	1,795	592,420,289	2,877,642,122.35	20,310,470.04
TOTAL 2008	3,291	607,526,587	8,390,068,997.95	59,700,613.96
% CHANGE	-45.46	-2.49	-65.70	-65.98

## 2.2 Market Capitalisation and Index

The Malawi Stock Exchange turned around in the last quarter of 2009 where it posted a return on index of 3.88%. On a year to year basis, the Malawi All Share Index (MASI), decreased from 6091.15 points registered in the first quarter of 2009 to 5154.95 points registered as at 31<sup>st</sup> December, 2009, giving a yearly return on index of -15.37 % in Malawi Kwacha terms and -18.50 % in US Dollar terms.

The Domestic Share Index (DSI) that measures the average price movement of only domestic counters yielded a return on Index of -15.13 percent ( -18.26% in US\$ terms) from 4815.55 points to 4087.19 points during the same corresponding review period of 1<sup>st</sup> January to 31<sup>st</sup> December 2009. The lowest point was registered in July when the MASI was 4947.94 points, while the DSI was at 3931.61 points.

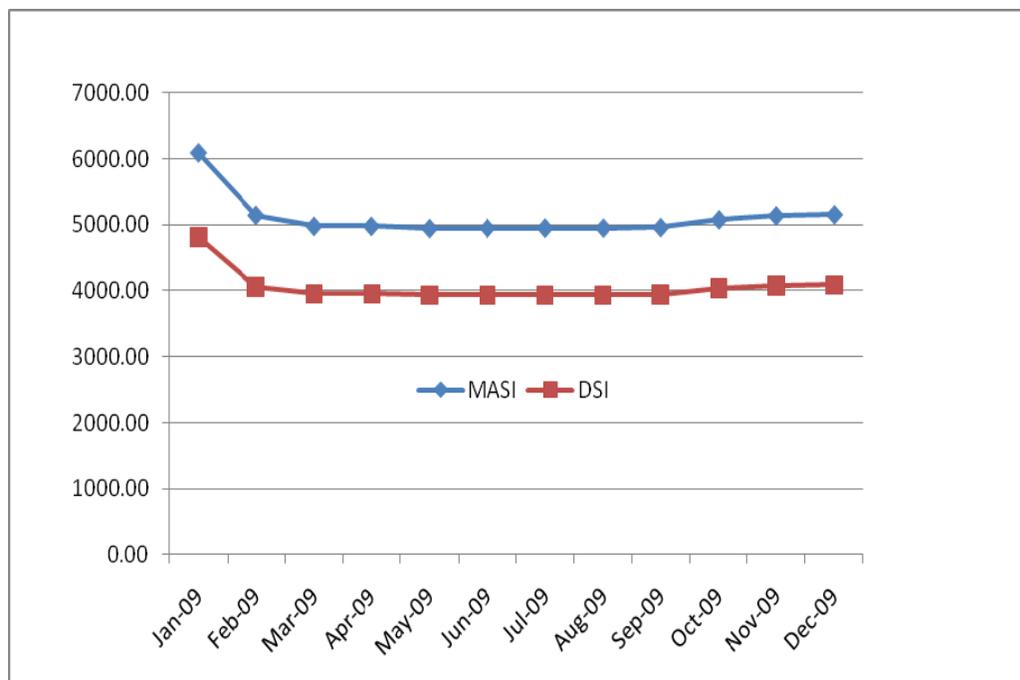
Total market capitalization for the Malawi registered shares decreased from MK250,990.38 million (US\$1,785.11 m) to MK215,624.76 million (US\$1,476.93 m) as at 31<sup>st</sup> December 2009 reflecting a decline by -14.25 % in Malawi Kwacha and 17.42 % in US Dollar terms. The decrease in the market capitalization was due to a decrease in the share prices of most of the traded stocks except for Standard Bank which had registered a price increase during the review period.

**Table 2: Market Capitalization and Index - 2009**

<b>MARKET CAPITALISATION AND INDEX : THE YEAR 2009</b>					
<b>QTR</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>MKT. CAP</b>	<b>MSE</b>
<b>Ending</b>	<b>MKm</b>	<b>MKm*</b>	<b>US\$m</b>	<b>US\$m*</b>	<b>Index</b>
1st QTR	1,590,304.6800	250,990.38	11,310.6912	1,785.1137	6091.150
2nd QTR	835,732.3600	204,426.98	5,943.8691	1,453.9191	4952.110
3rd QTR	896,259.5700	207,562.79	6,374.2400	1,476.1962	4962.210
4th QTR	1,172,148.0700	215,624.76	8,028.6809	1,476.9315	5154.950
<b>2009</b>	<b>1,172,148.0700</b>	<b>215,624.76</b>	<b>8,028.5599</b>	<b>1,476.9315</b>	<b>5154.950</b>
<b>2008</b>	<b>1,839,275.7600</b>	<b>251,447.07</b>	<b>13,081.65</b>	<b>1,788.39</b>	<b>6091.15</b>
<b>2007</b>	<b>1,769,228.67</b>	<b>181,399.98</b>	<b>12,610.30</b>	<b>1,292.94</b>	<b>4849.79</b>
<b>% Δ 08-09</b>		<b>-14.25</b>		<b>-17.422</b>	<b>-15.37</b>

\* Excludes non-Malawi register Old Mutual plc shares

**FIG 1: MALAWI ALL SHARE AND DOMESTIC SHARE INDEX – JAN - DEC. 2009**



### 2.3 Market Liquidity

The turnover velocity, an indicator of the liquidity of assets traded on the market (**TVT/MCAP\***), 1.33 % in 2009 compared to 3.33 % recorded in 2008.

The ratio of Market Capitalisation to Gross Domestic Product (**MCAP\*/GDP**) recorded liquidity level of 38.44 % in the review period while in 2008, the liquidity was at 44.83 %. The liquidity ratio of Shares Traded to Shares in Issue was 3.40% compared to 3.51% in 2008.

**Table 3: Market Liquidity**

MARKET LIQUIDITY : THE YEAR 2009					
QTR	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/Mkt. Cap	TVT/Mkt. Cap*	Shares Traded/Shares In Issue* %
Ending	%	%	%	%	
1st QTR	245.46	38.739	0.05413	0.3430	1.141179
2nd QTR	128.99	31.552	0.06820	0.2788	0.630263
3rd QTR	138.33	32.036	0.04329	0.1869	0.163179
4th QTR	180.91	33.281	0.09034	0.4911	1.479136
<b>2009</b>	<b>208.98</b>	<b>38.443</b>	<b>0.24550</b>	<b>1.3346</b>	<b>3.400142</b>
<b>2008</b>	<b>327.92</b>	<b>44.829</b>	<b>0.456</b>	<b>3.337</b>	<b>3.510</b>
<b>2007</b>	<b>474.45</b>	<b>48.646</b>	<b>0.293</b>	<b>2.855</b>	<b>5.150</b>

## 2.4 Company Trading Performance

The market recorded trading activity on all counters during the year 2009. TNM registered the biggest trading volume and value of 506,316,082 shares and a total turnover of MK1,005.48 million representing 85.47 % of the total volume of shares traded and a total turnover of 34.9%, respectively.

The top performing stock as measured by capital gains through a share price rise was Standard Bank by 8.34 % driven by positive half year results and anticipated earnings growth well above the 2008 results. The counter traded from an opening price of K85.00 per share and closed at MK92.00 per share. BHL, PIM and SUNBIRD were steady during the review period while the following registered capital loss; OML (-39.76%), MPICO (-39.53%), NITL (-26.19%), PCL (-20.49%), REAL (-17.86%), FMB (-16.67%), ILLOVO (-12.00%), NBM (-6.35%), NICO (-5.26%) and NBS (-3.45%).

**Table 4: COMPANY TRADING STATISTICS**

COMPANY TRADING STATISTICS :THE YEAR 2009					
Company	Opening Price	Closing Price	% Price Change	Share Vol. Trade	% Traded
BHL	615	615	0.00	250,000	0.04
FMB	1200	1000	-16.67	8,897,597	1.50
ILLOVO	12500	11000	-12.00	3,579,160	0.60
MPICO	430	260	-39.53	28,653,272	4.84
NBM	6300	5900	-6.35	4,053,841	0.68
NBS	1450	1400	-3.45	18,644,209	3.15
NICO	950	900	-5.26	7,759,198	1.31
NITL	2100	1550	-26.19	3,825,381	0.65
PCL	20500	16300	-20.49	3,528,375	0.60
PIM	625	625	0.00	429,910	0.07
REAL	280	230	-17.86	3,241,093	0.55
STANDARD	<b>8500</b>	<b>9200</b>	<b>8.24</b>	2,208,343	0.37
SUNBIRD	890	890	0.00	546,684	0.09
TNM	330	200	-39.39	<b>506,316,082</b>	<b>85.47</b>
OML Plc	41500	25000	-39.76	487,144	0.08
				<b>592,420,289</b>	<b>100.00</b>

### 3 MARKET DEVELOPMENT

- 3.1 National Bank of Malawi listed additional 8,390,038 ordinary shares on 7<sup>th</sup> July, 2009 resulting from bonus issue of shares to its shareholders in the ratio of 1 bonus share for every 54.53 ordinary shares held.
- 3.2 On 17<sup>th</sup> August, 2009 the Malawi Stock Exchange listed additional 111,250,000 ordinary shares of FMB resulting from bonus issue of shares to its members in the ratio of 5 ordinary shares for every 100 ordinary shares held by its members.
- 3.3 Standard Bank issued additional 13,334,084 ordinary shares to its members as bonus shares in the ratio of 1 ordinary share for every 15 ordinary shares held. The additional bonus shares were listed on the Exchange on 28<sup>th</sup> September, 2009.

### 4 ECONOMIC POSITION

#### 4.1 Inflation Rates

The year on year headline inflation for the year ending November 2009 decreased to 7.2% from 7.3% registered in the month of October 2009. Compared to the corresponding year of 2008, the headline inflation was at 9.6% in the month of November, 2008. The decrease was largely associated with a decrease in the food index by 0.1 percent and non food inflation by 0.2 percent.

#### 4.2 Exchange Rates

The Kwacha depreciated by 3.69 percent against the Dollar during the review period of January to December 2009 from its trading position of MK140.6019/US\$ to MK145.9951/US\$. Against the British Pound Sterling and South African Rand the Kwacha depreciated by 3.67 percent and 22.12 percent respectively. The Kwacha though experienced some steadiness in the first half of the year it however experienced pressure due lack of foreign exchange in the market which lead to its depreciation to the current levels.

The Malawi Kwacha during the year under review from 1<sup>st</sup> January, 2009 to 31<sup>st</sup> December 2009, moved in value as follows: -

**TABLE 5: EXCHANGE RATES: 1<sup>st</sup> JAN – 31<sup>st</sup> DEC 2009**

CURRENCY	1 <sup>st</sup> January'09	31 <sup>st</sup> December'09	% CHANGE
MK/US Dollar	140.6019	145.9951	- 3.69
MK/GBP	228.6207	237.3189	- 3.67
MK/ZAR	15.9614	20.4944	- 22.12
MK/EUR	204.1233	212.6456	- 4.01

### 4.3 Interest Rates

End of period (January to December 2009) RBM Bill Rates, TB Rates and commercial bank's prime rates were as follows:-

**Table 6: RBM, TB Commercial Banks' Prime Rates and Inflation Rates**

<b>RBM BILLS</b>				
<b>TENOR</b>	<b>January'08</b>	<b>December'08</b>	<b>January'09</b>	<b>December'09</b>
63 Days	7.99	12.99	-	9.00
91 Days	9.11	13.40	-	-
<b>TREASURY BILLS</b>				
91 Days	7.70	13.42	13.37	7.15
182 Days	15.00	13.32	13.32	10.79
273 Days	19.58	13.53	13.53	10.26
<b>RBM and COMMERCIAL BANKS LENDING RATES</b>				
RBM Discount Rates	15.0	15.0	15.0	15.0
Prime Rates	21.0	19.58	19.58	19.58
Inflation Rate	7.7	9.9	10.1	7.2 (Nov.)

### 4.4 Fuel Shortage

The country experienced a critical fuel shortage in November, 2009 which significantly curtailed service and production. The private sector attributed the crisis to a shortage of foreign exchange while the Government attributed it to maintenance works on the Tete Bridge in Mozambique which slowed / stopped delivery by Malawian fuel tankers. The fuel supply normalized in December, 2009.