MarketIQ Malawi

What Constitutes a Bear Market on the Malawi Stock Exchange?

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Executive Summary

The Malawi All Share Index (MASI) declined by 18.3 percent from its November 2025 peak to June 2026, prompting some commentary to describe the move as a market collapse. This note assesses that characterisation against the Malawi Stock Exchange's (MSE) own return history, rather than relying only on bear market conventions developed for larger and lower returning markets.

The conventional global bear market threshold is a 20 percent decline from a recent peak. That rule is useful in many markets, but it may be too blunt for the MSE given the exchange's unusually high nominal return profile. Between January 2020 and June 2026, the MASI returned approximately 1,632 percent (17x) in nominal terms, equivalent to an annualised return of about 55 percent. Over that period, the index traded within 5 percent of its rolling all-time high (ATH) on 84 percent of trading days, and the median rolling 6-month return was +19.3 percent. In that context, even a flat or mildly negative 6-month return is historically unusual.

This note therefore proposes an MSE-specific market phase framework based primarily on rolling 6-month MASI returns. Under the proposed framework, a rolling 6-month return below -10 percent is classified as a bear-market episode. On that basis, the 2026 decline qualifies as the first bear-market episode in the January 2020 - June 2026 sample period.

The current decline is concentrated mainly in banking counters. That concentration matters. Banks account for almost 70 percent of MSE market capitalisation, meaning that a banking sector sell-off has a large and direct effect on the index. The fact that several non-bank counters have continued to rise does not make the decline insignificant; it only shows that the weakness

is not evenly distributed across the exchange. A banking-led decline is still a serious market event because the banking sector dominates the index.

The evidence therefore points to a banking-led bear market episode rather than a broad-based collapse across all listed counters. The pressure on banks reflects identifiable policy, liquidity and valuation factors, including lower government securities issuance, declining government securities yields, new listed-equity exposure limits for pension funds and life insurers, valuation repricing, and concerns around domestic debt restructuring.

The proposed framework should be treated as provisional, given the short sample period and the small number of listed counters, but it provides a useful starting point for classifying MSE market phases in a way that reflects the exchange's own behaviour.

1. The MSE's Medium-Term Historical Character

To assess whether a decline qualifies as a bear market, it is necessary to begin with the market's own return profile. A threshold that is meaningful in a developed market may not be well calibrated to a small, high-return and relatively illiquid frontier exchange like the MSE.

Over the 6.5 years from January 2020 to June 2026, the MASI delivered a total nominal return of approximately 1,632 percent, equivalent to a seventeen-fold increase in nominal value. The annualised nominal return over the period was approximately 55 percent. This places the MSE among the highest-returning equity markets globally on a nominal local-currency basis, and certainly among the standout performers in Africa. Over this period, three return features stand out:

i. The MASI has spent most of the sample period close to its historical high. It traded within 5 percent of its rolling all-time high on 84 percent of all trading days.
ii. The typical 6-month return has been strongly positive. The median rolling 6-month MASI return was +19.3 percent, while a 6-month return below +8.5 percent already fell within the bottom quartile of the historical distribution.
iii. The rolling 12-month MASI return has not been negative at any point in the sample. The weakest 12-month return was still positive, at +11.5 percent.

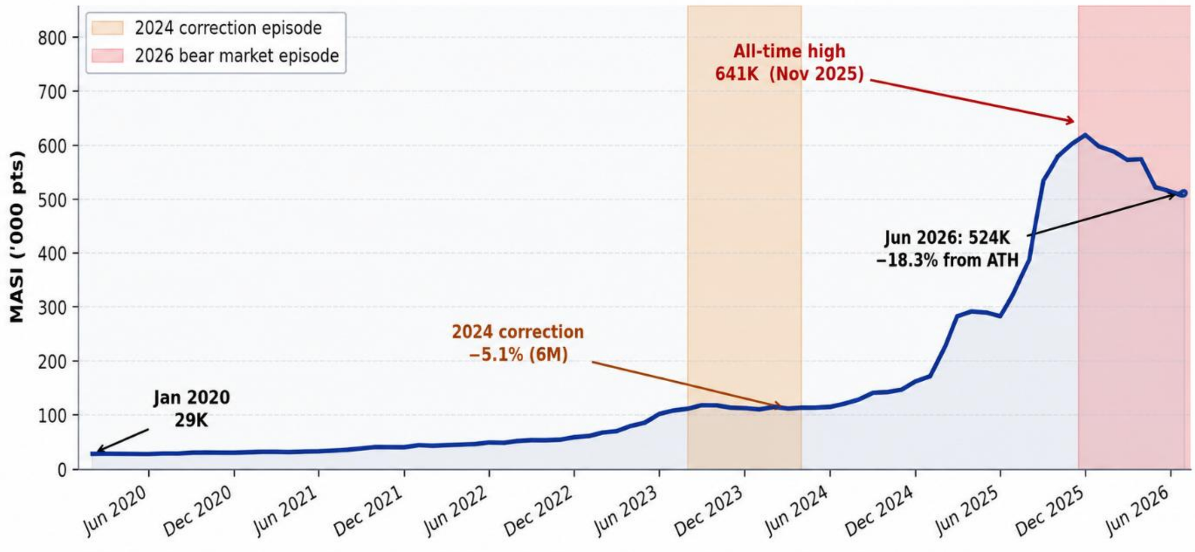
Table 1: MASI Summary Statistics, January 2020 – June 2026

Indicator	Value
Index level, start of sample period, 31 Dec. 2019	30,252
Index level, 30 June 2026	524,002
Total nominal return, full sample period	+1,632 percent
Annualised nominal return	~55% per year
All-time peak, index level / date	641,471 / 13 Nov. 2025
June 2026 level relative to all-time peak	-18.3%
Trading days within 5 percent of rolling all-time high	84% of trading days
Median rolling 6-month return, full sample	+19.3%
Median rolling 12-month return, full sample	+51.6%
Rolling 6-month windows with negative return	6 of 72, or 8.3%
Rolling 12-month windows with negative return	0 of 66, or 0%

Source: MarketIQ Malawi calculations based on MSE daily price data.

These features matter because they show that the MSE's "normal" state over this period has been one of sustained positive nominal returns. A flat market is already unusual. A negative 6-month return is rare. A decline deeper than 10 percent over six months is therefore an extreme event by the market's own recent history.

Figure 1: MASI Level, January 2020–June 2026



Source: MarketIQ Malawi calculations based on MSE daily price data.

2. Return Distribution: How Unusual Is the Current Episode?

The sample contains 78 monthly observations from January 2020 to June 2026, producing 72 overlapping rolling 6-month return windows and 66 overlapping rolling 12-month return windows. The current episode is highly unusual on a 6-month basis, but not yet unusual on a 12-month basis.

Table 2: Rolling MASI Return Distribution, by Percentile

Percentile	6-month return	12-month return	Interpretation
5th percentile	-4.2%	+13.4%	Worst 5 percent of periods
25th percentile	+8.5%	+32.2%	Below average
50th percentile, median	+19.3%	+51.6%	Typical period
75th percentile	+48.8%	+106.4%	Strong rally
95th percentile	+99.6%	+271.1%	Exceptional rally
Current, June 2026	-12.4%	+58.8%	Below 5th percentile on 6-month basis; above median on 12-month basis

Source: MarketIQ Malawi calculations based on MSE daily price data.

Only 6 of the 72 rolling 6-month windows recorded a negative return. These observations cluster into two episodes: a moderate correction in early 2024 and the current decline, which began in late 2025. The 2024 episode reached a worst 6-month return of -5.1 percent in February 2024 before recovering. The current episode reached -17.1 percent in May 2026, more than three times the depth of the 2024 decline, before partially recovering to -12.4 percent in June 2026.

The 12-month picture is materially different. The rolling 12-month MASI return has not been negative at any point in the sample period. The current 12-month return stands at +58.8 percent, above the full sample median of +51.6 percent. This means the recent decline, while severe over six months, has not yet erased the preceding year's gains. The current episode is therefore best described as a severe short-horizon drawdown by MSE standards. It is not, however, a reversal of the longer-run bull market when measured over 12 months.

3. Comparison with Regional and Global Benchmarks

The conventional bear market threshold of a 20 percent decline from a recent peak is widely used because it is simple, intuitive and broadly appropriate for markets with long-run annual nominal returns closer to global norms. In such markets, a 20 percent decline can wipe out roughly two years of typical gains and often signals a meaningful shift in market conditions. However, it should not be applied mechanically to every market without considering the market's own return profile, volatility, liquidity and structure.

This is especially relevant for the MSE. Over the January 2020 - June 2026 sample period, the MASI returned approximately 55 percent per year in nominal Malawi Kwacha terms. That return profile is materially higher than most regional and global comparators. In that context, a 20 percent peak-to-trough threshold may still indicate a severe drawdown, but it may be too infrequent to serve as a useful local signal for identifying earlier phases of market stress.

Table 3: Selected Market Return Profiles and Bear-Market Convention

Market / index	Approx. annual return	Reference bear market threshold	Rationale
S&P 500, United States	+10%, USD	-20% from recent peak	The standard global reference point; appropriate for a large, liquid market with lower long-run nominal returns.
JSE All Share, South Africa	+12–14%, ZAR	-20% from recent peak	A more developed African market where the global convention remains broadly applicable.
LuSE All Share, Zambia	+34%, ZMW	No single formal threshold applied here	Higher nominal-return frontier market; shows that regional markets with high inflation/currency dynamics may require more contextual interpretation.
NSE All Share, Kenya	~+3%, KES	No single formal threshold applied here	Lower-return regional market; closer to conventional global return patterns than the MSE.
DSE All Share, Tanzania	+9%, TZS	No single formal threshold applied here	Small frontier market, but with a much lower nominal return profile than the MSE.
BSE DCI, Botswana	+7%, BWP	No single formal threshold applied here	Stable frontier market with lower nominal returns; less comparable to the MSE's recent return profile.
MSE MASI, Malawi	+55%, MWK	Proposed: rolling 6-month return below -10% (See section 6).	The proposed threshold is calibrated to the MSE's own recent return distribution, not imported from other markets

Source: MarketIQ Malawi calculations based of MSE and Investing.com data

The main implication is that the MSE should be interpreted with reference to its own distribution of returns. A 20 percent peak-to-trough decline remains useful as a broad global reference point, but for a market that has compounded at roughly 55 percent per year in nominal terms, a rolling 6-month return measure provides a more sensitive and locally relevant way to identify periods of stress.

4. Sectoral Decomposition of the 2026 Decline

Under the threshold proposed in Section 6, the MSE is currently in its first bear-market episode over the sample period. The decline, however, is concentrated mainly in the banking sector. The five listed banks, FMBCH, NBM, NBS, FDH Bank and Standard Bank, declined sharply from their November 2025 levels. The average decline across the banking counters was approximately 25.4 percent on a simple basis and 28.3 percent on a market-capitalisation-weighted basis.

Non-bank counters moved very differently. On a simple average basis, non-bank counters appreciated by 51.3 percent over the same period, led by Sunbird, OMU and Illovo. On a market-capitalisation-weighted basis, non-bank counters rose by 19.3 percent. The difference between the simple and weighted averages reflects the disproportionate impact of Sunbird, a relatively small-capitalisation counter, on the unweighted figure. The weighted measure is therefore more representative of aggregate non-bank performance.

However, this should not be read as evidence that the banking decline is unimportant. Banks constitute almost 70 percent of total MSE market capitalisation. A banking-sector decline therefore carries substantial index weight and can dominate the overall movement of the MASI even when several smaller non-bank counters are rising. In this sense, the 2026 episode is sector-specific in breadth, but significant in market impact.

Table 4: MSE-Listed Counters: Price Change from MASI All-Time High to June 2026

Counter	Sector	Price at MASI ATH, K	Price, June 2026, K	Change from ATH
Banks				
FMBCH	Banks	3,649.99	1,895.90	-48.1%
NBS	Banks	1,022.01	737.96	-27.8%
NBM	Banks	12,399.76	9,998.89	-19.4%
FDH Bank	Banks	637.36	530.82	-16.7%
Standard Bank*	Banks	4,699.96	3,999.45	-14.9%
Other sectors				
Airtel	Telecoms	124.49	111.30	-10.6%
NICO	Diversified financial	1,739.82	1,588.28	-8.7%
TNM	Telecoms	31.66	29.17	-7.9%
ICON	Real estate	17.92	17.02	-5.0%
NITL	Investment trust	3,939.90	3,900.00	-1.0%
MPICO	Real estate	19.51	19.57	+0.3%
PCL	Conglomerate	8,728.56	9,500.00	+8.8%
BHL	Hotels and tourism	15.04	17.41	+15.8%
Illovo	Manufacturing	2,330.00	3,501.80	+50.3%
OMU	Insurance and asset management	3,300.00	5,300.02	+60.6%
Sunbird	Hotels and tourism	632.61	3,550.00	+461.2%

** Standard Bank's decline since the MASI peak (-14.9%) understates its correction from its own high. The counter peaked earlier, in late August 2025, and has fallen approximately 38 percent from that level.*

The divergence between banks and non-banks suggests that the current decline is better understood as a banking-led repricing than as a uniform decline across all listed counters. Four factors appear to explain the pressure on banking counters:

- **Reduced government domestic borrowing:** Since January 2026, the Treasury has systematically rejected Treasury bill bids, declining to roll over more than K540 billion in the first two months of the year alone. The 364-day Treasury bill yield has fallen from 26 percent to 16.5 percent, while the Treasury note instrument has effectively been withdrawn from regular auction, with only occasional reopenings of a 2-year note first issued in October 2025. For banks with significant exposure to income from government securities, this yield compression directly affects earnings.
- **Pension fund and insurance equity-exposure directive:** The Financial Services (Investment Management of Life Insurers and Pension Funds) Directive, 2025, issued by the Reserve Bank of Malawi, introduced exposure limits aimed at reducing concentration risk and strengthening portfolio diversification. According to the RBM December 2025 Financial Stability Report, pension sector assets stood at K8.4 trillion in December 2025, with listed equities accounting for 76.9 percent, or K6.4 trillion, above the 60 percent regulatory limit. The 36-month compliance window is likely to create a gradual supply overhang as pension funds adjust their MSE holdings toward the new limit.
- **Valuation repricing**: After several years of exceptional nominal returns, several banking counters had reached valuations that appear to have triggered reassessment by investors. FMBCH, the largest listed company by market capitalisation at the all-time high, declined 48.1 percent from its peak. That magnitude is more consistent with a structural repricing of growth expectations than a temporary liquidity event.
- **Domestic debt restructuring concerns:** Market commentary has also raised concerns about possible restructuring of Malawi's domestic debt. Commercial banks hold a substantial share of this debt on their balance sheets. Any restructuring involving maturity extension, coupon reduction or other changes to the value of government securities would directly affect bank asset values and earnings.

These factors disproportionately affect the banking sector, but because banks dominate MSE market capitalisation, their effect on the index is substantial. The current decline is therefore not market-wide in breadth, but it is market-significant in scale.

5. Interpreting the Current Decline

Several considerations qualify the more alarmist descriptions of the current episode:

- An investor who entered the market in January 2020 has experienced a peak-to-trough decline of 18.3 percent but remains approximately 17 times ahead in nominal terms. The recent drawdown is therefore a partial retracement of an extraordinary compounding period, not a loss of principal in absolute terms for a long-horizon investor.
- The 12-month MASI return remains +58.8 percent. On that horizon, the period that includes the banking-sector decline has still been a strong one for MSE investors in aggregate.
- The current peak-to-trough decline would not meet the conventional 20 percent bear-market threshold used for markets such as the JSE or the S&P 500. MSE investors are, in effect, experiencing for the first time a correction of a scale that would be considered moderate in more developed markets.

These points are important, but they should not be used to minimise the banking-sector decline. The banks are not a small corner of the exchange; they are the dominant sector by market capitalisation and therefore the largest driver of index performance. A material decline in banking counters is a material event for the MSE, even if several non-bank counters are stable or rising.

On balance, descriptions of a broad market "collapse" appear to overstate the breadth of the decline, while descriptions that focus only on the resilience of non-bank counters risk understating its significance. The most accurate interpretation lies between those two positions: the MSE is experiencing a serious banking-led drawdown with meaningful index impact, but not a uniform collapse across all listed counters.

6. A Proposed MSE-Specific Market Phase Framework

Given the limitations of applying global thresholds mechanically to the MSE, this note proposes a six-phase classification framework anchored to the exchange's own historical return distribution. The primary signal is the rolling 6-month MASI return. For phases with positive performance, a breadth qualifier, the share of listed counters with a positive 6-month return at each month-end, distinguishes broad-based advances from index gains concentrated in a small number of counters.

Table 5: Proposed MSE Market Phase Classification Framework

Phase	6-month MASI return	Breadth	Historical frequency	Interpretation
Bull market	≥ +15%	>50% positive	38 of 72, or 52.8%	The market's normal strong state. The +15% threshold sits just below the long-run median of +19.3%; broad participation confirms that the rally is genuine.
Rally	+5% to +15%	>50% positive	5 of 72, or 6.9%	Positive but below-typical returns, with a majority of stocks participating. The market is healthy but advancing below its historical pace.
Narrow rally	≥ +5%	≤50% positive	17 of 72, or 23.6%	A rising index masks uneven participation. Gains are concentrated in a small number of counters.
Consolidation	-5% to +5%	Not applicable	8 of 72, or 11.1%	The market is essentially flat. For the MSE, returns below +5% are already historically weak.
Correction	-10% to -5%	Not applicable	1 of 72, or 1.4%	Negative returns in rare territory. This represents a meaningful pullback, but not a structural bear market.
Bear market	< -10%	Not applicable	3 of 72, or 4.2%	The extreme tail of the distribution. This signals a sustained decline by MSE standards.

Source: MarketIQ Malawi calculations based on MSE daily price data.

Under this framework, the 2024 episode is classified as a correction, with a worst 6-month return of -5.1 percent. The 2026 episode qualifies as a bear market, with a worst 6-month return of -17.1 percent. The distinction is important because it separates ordinary pullbacks from genuinely extreme episodes by MSE standards.

7. Limitations and Caveats

The proposed framework should be treated as a working classification rather than a final rule. The main limitation is the short history of genuinely negative observations. The -10 percent bear-market threshold has been breached in only 3 of the 72 rolling 6-month windows, all of them in 2026. With so few observations in the negative tail, the threshold remains provisional and may need to be recalibrated as more data become available.

A second limitation relates to market breadth and liquidity. The MSE has only 16 listed counters, several of which trade infrequently. Price movements in thinly traded counters may reflect isolated transactions rather than broader changes in investor sentiment. Market-capitalisation-weighted measures are more representative than simple averages, but they do not fully eliminate this problem.

Sector concentration is also important. Banks account for almost 70 percent of MSE market capitalisation, meaning that weakness in banking counters can materially move the MASI even when several smaller counters are rising. Any index-level classification should therefore be interpreted alongside the sector composition of the market.

Finally, the framework classifies market phases at the index level and does not replace counter-by-counter analysis. The 2026 episode illustrates this clearly: the MASI qualifies as being in a bear-market phase under the proposed framework, but the underlying weakness is concentrated mainly in banking counters.

8. Conclusion

The MASI's decline from its November 2025 peak is meaningful by the standards of the Malawi Stock Exchange. A rolling 6-month return of -12.4 percent in June 2026, following a trough of -17.1 percent in May, places the current episode deep in the lower tail of the MSE's recent return distribution. Under the framework proposed in this note, the 2026 episode qualifies as a bear market by MSE standards.

That classification should, however, be interpreted with care. It refers to the recent 6-month trend, not to the longer-run market cycle. The MASI's 12-month return remained strongly positive at +58.8 percent in June 2026, and the index was still far above its January 2020 level. The current episode is therefore best understood as a sharp recent drawdown within a longer period of exceptional nominal gains, rather than a reversal of the recent market advance.

At the same time, the banking-sector decline should not be downplayed. Banks account for almost 70 percent of MSE market capitalisation, so their repricing has a large and direct effect on the index. A banking-led decline may not be broad-based in terms of sector participation, but it is still highly significant for the overall market because of the sector's weight in the MASI.

The evidence therefore supports a balanced conclusion. The MSE is not experiencing a uniform collapse across all listed counters: several non-bank counters have been resilient, and some have continued to rise. However, the exchange is experiencing a serious banking-led bear-market episode, driven by lower government securities yields, reduced domestic borrowing, pension-fund rebalancing pressures, valuation concerns and domestic debt restructuring risk.

The proposed framework remains provisional and should be refined as more data become available. Nonetheless, it provides a useful starting point for classifying MSE market phases in a way that reflects the exchange's own return distribution, while also recognising the importance of sector concentration in interpreting index movements.

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