



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 9 January 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 13 <sup>th</sup> January 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	18,098	18,687
Estimated Excess Reserves before OMO	20,579	21,168
Estimated Excess Reserves after OMO	0	0
Required Reserves	58,487	58,487

#### ii. Known Projected Transactions

	Week ending 6 <sup>th</sup> January 2017	Week ending 13 <sup>th</sup> January 2017	Week ending 20 <sup>th</sup> January 2017	Week ending 27 <sup>th</sup> January 2017	January 2017
Maturity of normal TBs/TNs/PNs	5,000	8,921	16,754	11,648	42,324
Maturity of OMO Repos	37,670	21,075	11,689	3,105	64,677

#### Commentary:

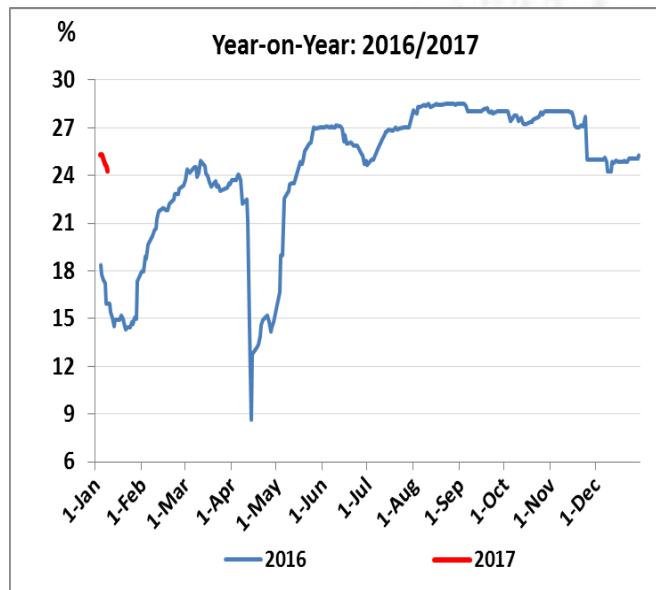
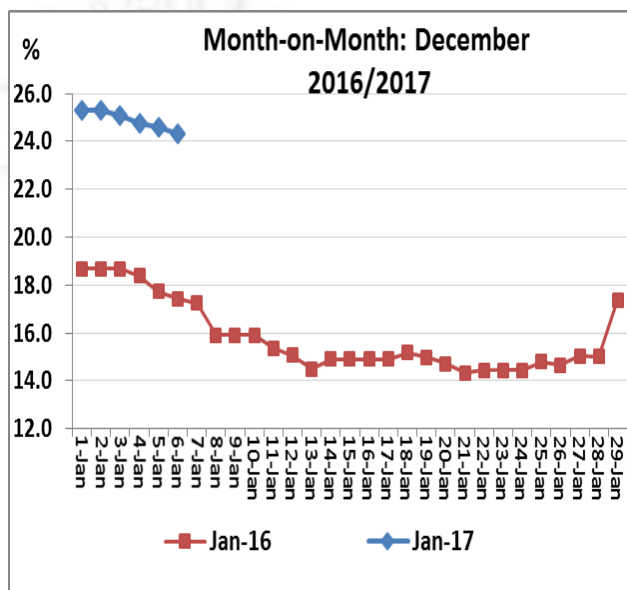
- Excess reserves decreased to K2.48 billion on Friday, 6<sup>th</sup> January 2017 from K9.9 billion recorded on Thursday, 5<sup>th</sup> January 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

#### i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	1,850	24.31
07 days	-	-
14 days	-	-
28 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	9,000	24.00
14 days	-	-
32 days	-	-
60 days	4,000	24.00
273 days	2,000	25.50
364 days	2,000	26.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	1,150	26.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K1.85 billion on Friday, 6<sup>th</sup> January 2017 from K1.80 billion recorded on Thursday, 5<sup>th</sup> January 2017.
- The overnight interbank market rate (IBR) dropped by 27 basis points and closed at 24.31 percent from 24.58 percent recorded on Thursday, 5<sup>th</sup> January 2017.
- A total of K17.00 billion was withdrawn from the banking system through OMO repos on Friday, 6<sup>th</sup> January 2017.
- A total of K1.15 billion was accessed on the Lombard Facility on Friday, 6<sup>th</sup> January 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

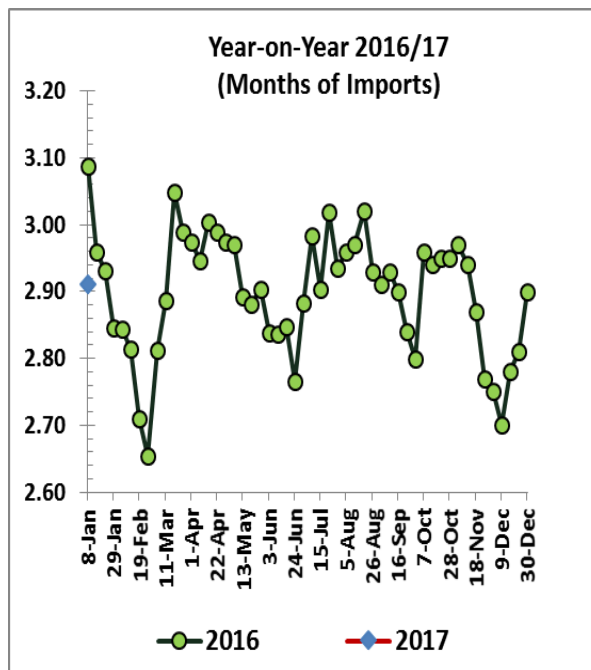
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
16 <sup>th</sup> December 2016	580.18	2.78
23 <sup>rd</sup> December 2016	586.60	2.81
30 <sup>th</sup> December 2016	606.93	2.90
On 5 <sup>th</sup> January 2017	607.29	2.91

\* US\$209.0 million per month is used in this calculation

### Commentary:

- Gross official reserves increased during the week ending 30<sup>th</sup> December 2016 compared to the previous week. As at 5<sup>th</sup> January 2017, the gross official reserves stood at US\$607.29 million (2.91 months of imports).



## ii. Private Sector Foreign Exchange Reserves

(Foreign reserves under the direct control of authorized dealer banks (ADB) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

Date (US\$ mn)	ADB's Own Position	FCDA	Total	Import Cover * (Months)
16 <sup>th</sup> December 2016	1.36	328.97	330.33	1.58
23 <sup>rd</sup> December 2016	1.29	318.15	319.44	1.53
30 <sup>th</sup> December 2016	-0.78	336.79	336.61	1.61
On 5 <sup>th</sup> January 2017	-2.09	341.42	339.33	1.62

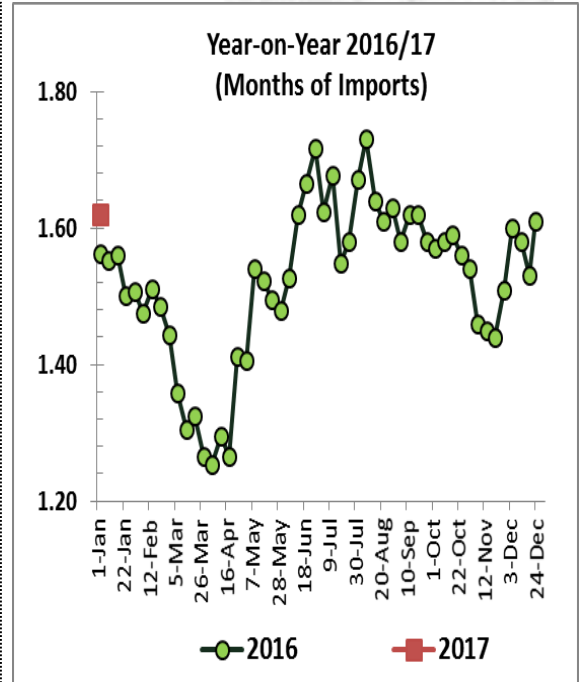
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
16 <sup>th</sup> December 2016	50.16	63.27
23 <sup>rd</sup> December 2016	49.14	49.65
30 <sup>th</sup> December 2016	26.07	34.11
6 <sup>th</sup> January 2017	44.59	46.77

#### Commentary:

- ADB's purchased US\$44.59 million from the market and monetary authorities during the week ending 6<sup>th</sup> January 2017 against sales to the market at US\$46.77 million. On Friday, 6<sup>th</sup> January 2017 alone, ADB's purchased US\$8.08 million from the market and sold US\$6.85 million.

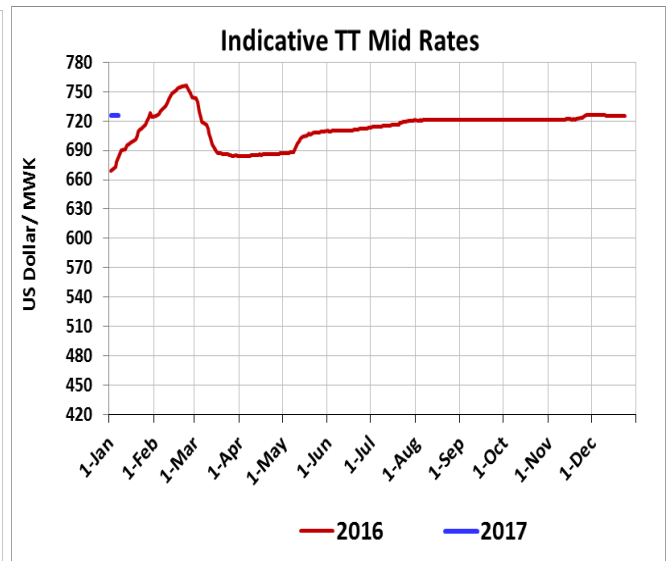
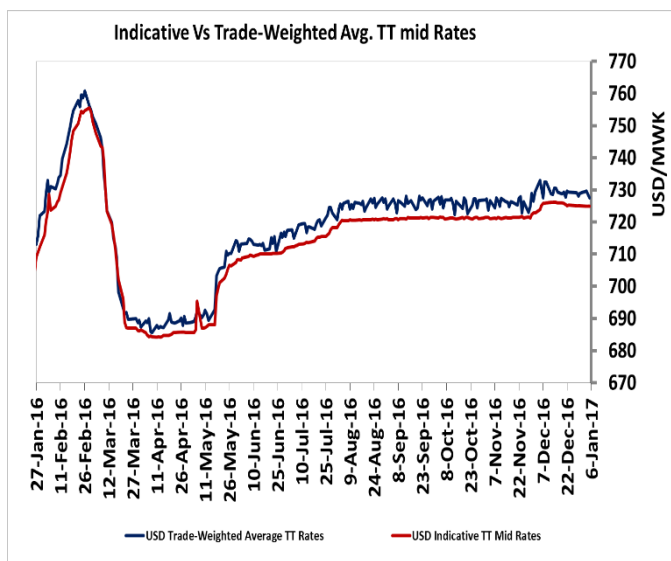


## iii. Exchange Rate Developments

	29 <sup>th</sup> Dec 2016	30 <sup>th</sup> Dec 2016	3 <sup>rd</sup> Jan 2017	4 <sup>th</sup> Jan 2017	5 <sup>th</sup> Jan 2017	6 <sup>th</sup> Jan 2017	Today's Indicative Rates
MWK/USD	727.6006	728.6197	725.6144	729.6579	729.1729	731.0179	725.3384
MWK/GBP	890.3614	893.8250	894.9077	896.2218	903.8462	901.0257	885.6382
MWK/EUR	760.2774	766.0255	762.1886	759.1622	769.0357	770.7482	763.5637
MWK/ZAR	52.3840	52.8148	53.1663	53.4403	53.1741	53.2645	52.6558

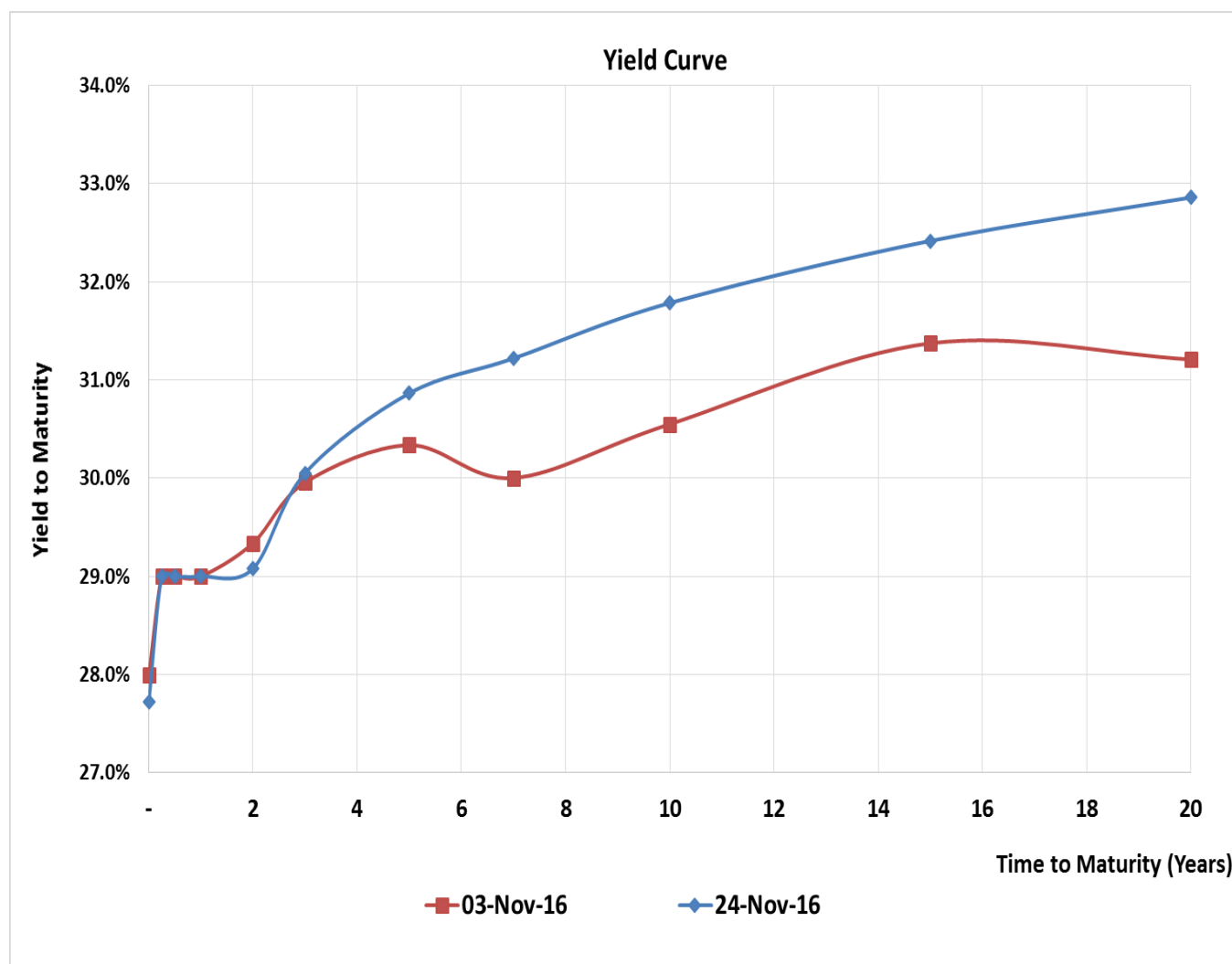
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 6<sup>th</sup> January 2017, the Kwacha appreciated against the GBP but depreciated versus the USD, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K725.3384 against the USD today.



#### D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	Overnight	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
19 <sup>th</sup> August 2016	28.45%	27.84%	27.57%	27.66%	27.10%	27.24%	27.05%	27.12%	27.28%	28.69%	29.78%
01 <sup>st</sup> September 2016	28.50%	29.00%	29.00%	29.00%	35.04%	35.56%	36.84%	36.41%	37.80%	38.15%	41.26%
08 <sup>th</sup> September 2016	28.00%	29.00%	29.00%	29.00%	28.84%	29.87%	32.91%	32.43%	32.93%	40.28%	41.63%
15 <sup>th</sup> September 2016	28.00%	29.00%	29.00%	29.00%	28.16%	28.35%	27.70%	27.57%	29.21%	29.67%	29.84%
29 <sup>th</sup> September 2016	28.00%	29.00%	29.00%	29.00%	29.51%	29.77%	30.05%	30.48%	30.51%	31.23%	31.57%
20 <sup>th</sup> October 2016	27.49%	29.00%	29.00%	29.00%	29.50%	30.27%	31.78%	31.57%	32.21%	32.67%	33.34%
3 <sup>rd</sup> November 2016	28.00%	29.00%	29.00%	29.00%	29.34%	29.96%	30.34%	30.00%	30.55%	31.37%	31.21%
24 <sup>th</sup> November 2016	27.72%	29.00%	29.00%	29.00%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
24 November- 03 November Change in Yield (Bp)	-28	0	0	0	-26	9	53	122	123	104	165



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