



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 02 February 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 3 <sup>rd</sup> February 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-12,447	8,758
Estimated Excess Reserves before OMO	-11,849	-2,767
Estimated Excess Reserves after OMO	0	0
Required Reserves	57,737	57,737

#### ii. Known Projected Transactions

	Week ending 3 <sup>rd</sup> February 2017	Week ending 10 <sup>th</sup> February 2017	Week ending 17 <sup>th</sup> February 2017	January 2017	February 2017
Maturity of normal TBs/TNs/PNs	5,266	3,278	16,168,	42,324	30,581
Maturity of OMO Repos	29,758	17,457	15,681	115,028	61,379

#### Commentary:

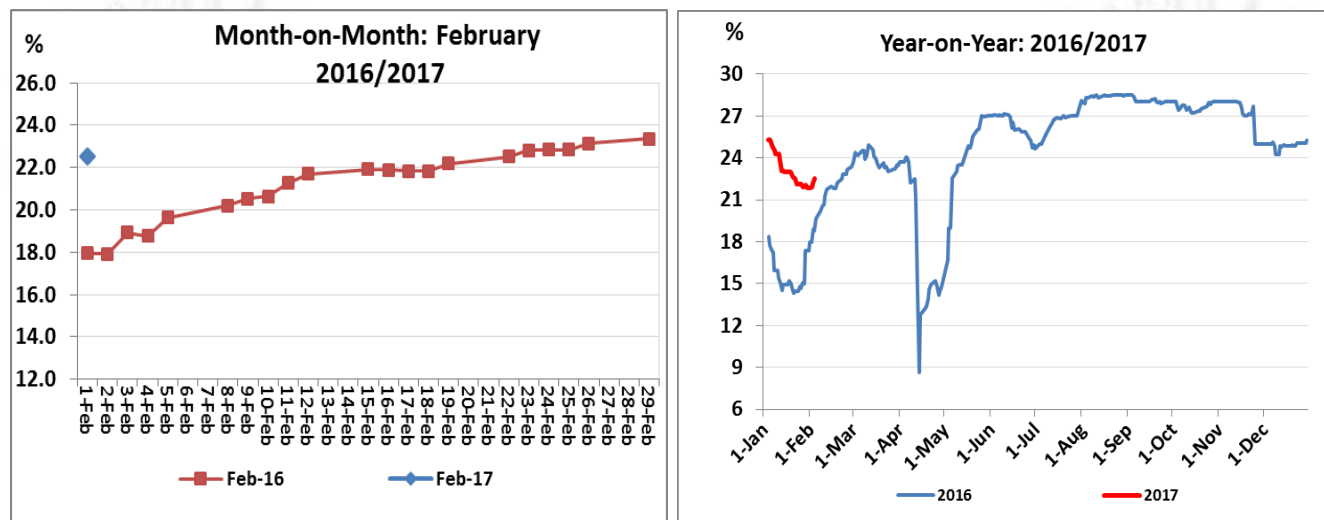
- Excess reserves dropped to K597.00 million yesterday from K1.56 billion recorded on Tuesday, 31<sup>st</sup> January 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	5,450	22.52
07 days	-	-
14 days	-	-
28 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	500	24.00
14 days	-	-
32 days	-	-
60 days	-	-
273 days	-	-
364 days	85	26.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	14,670	26.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K5.45 billion yesterday from K2.95 billion recorded on Tuesday, 31<sup>st</sup> January 2017.
- The overnight interbank market rate (IBR) increased to 22.52 percent yesterday from 22.21 percent recorded on Tuesday, 31<sup>st</sup> January 2017.
- About K585.00 million was withdrawn from the banking system through OMO repos yesterday, 1<sup>st</sup> February 2017.
- A total of K14.67 billion was accessed on the Lombard Facility yesterday, 1<sup>st</sup> February 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

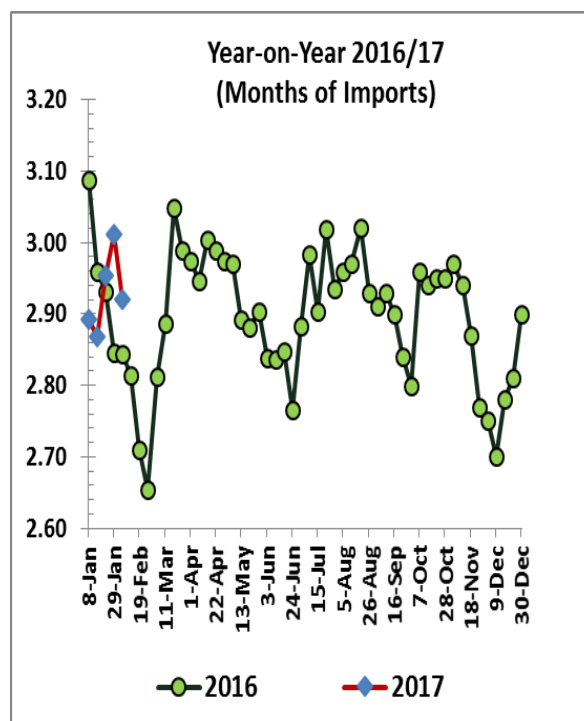
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
13 <sup>th</sup> January 2017	599.54	2.87
20 <sup>th</sup> January 2017	617.41	2.95
27 <sup>th</sup> January 2017	629.37	3.01
On 1 <sup>st</sup> February 2017	610.33	2.92

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

### Commentary:

- Gross official reserves increased during the week ending 27<sup>th</sup> January 2017 compared to the previous week. As at 1<sup>st</sup> February 2017, the gross official reserves dropped and stood at US\$610.33 million (2.92 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)
13 <sup>th</sup> January 2017	-0.82	329.29	328.47	1.57
20 <sup>th</sup> January 2017	2.93	330.40	333.33	1.59
27 <sup>th</sup> January 2017	2.56	315.03	317.59	1.52
On 1 <sup>st</sup> February 2017	1.05	314.74	315.79	1.51

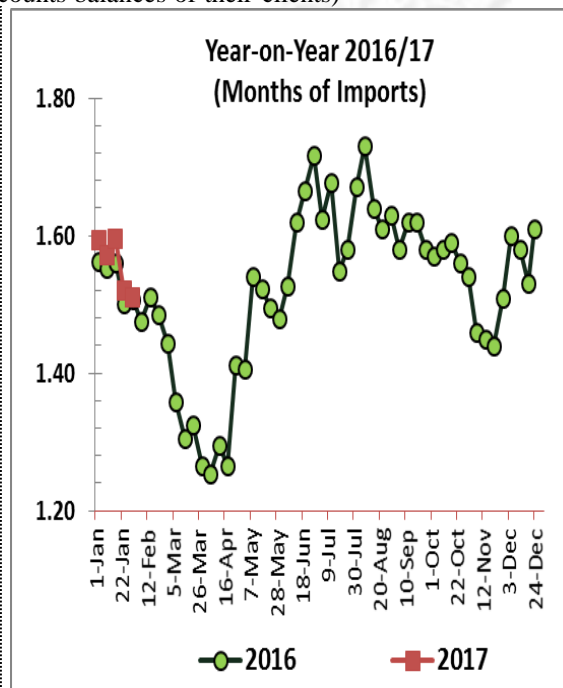
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
13 <sup>th</sup> January 2017	39.54	45.12
20 <sup>th</sup> January 2017	48.93	46.56
27 <sup>th</sup> January 2017	48.61	55.11
On 1 <sup>st</sup> February 2017	7.96	9.62

### Commentary:

- ADB's purchased US\$48.61 million from the market and monetary authorities during the week ending 27<sup>th</sup> January 2017 against sales to the market at US\$55.11 million. Yesterday, 1<sup>st</sup> February 2017, ADB's purchased US\$7.96 million from the market and sold US\$9.62 million.

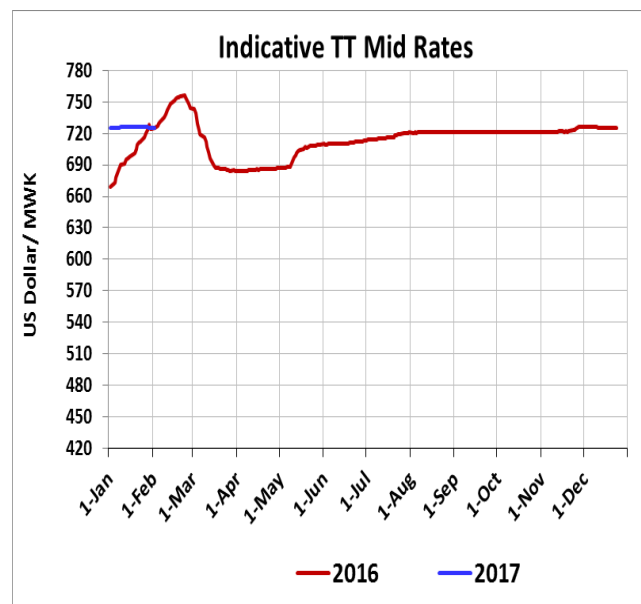
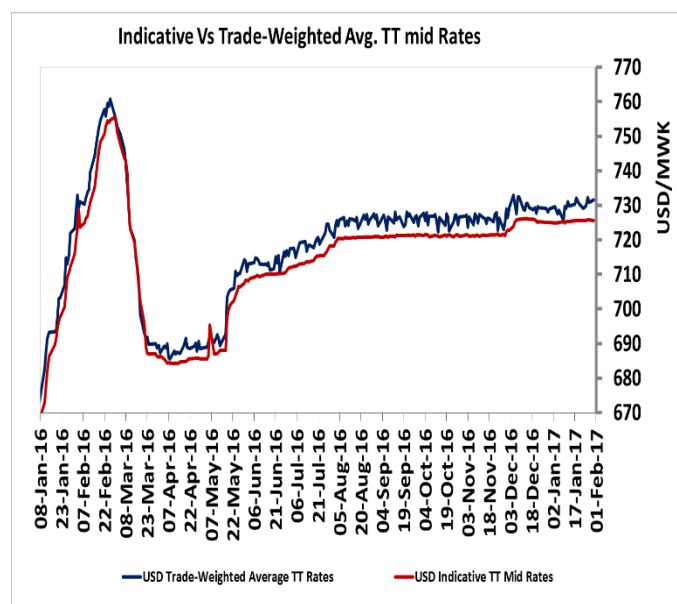


## iii. Exchange Rate Developments

	25 <sup>th</sup> Jan 2017	26 <sup>th</sup> Jan 2017	27 <sup>th</sup> Jan 2017	30 <sup>th</sup> Jan 2017	31 <sup>st</sup> Jan 2017	1 <sup>st</sup> Feb 2017	Today's Indicative Rates
MWK/USD	732.4029	731.8564	728.5801	731.6801	729.5970	731.5660	725.6285
MWK/GBP	914.8728	922.7402	918.7748	916.3071	914.6643	913.7488	919.2262
MWK/EUR	784.1574	783.8980	779.2991	778.3160	779.6135	790.8997	782.7355
MWK/ZAR	54.3571	54.7871	54.4267	54.0298	53.9351	53.8973	54.0272

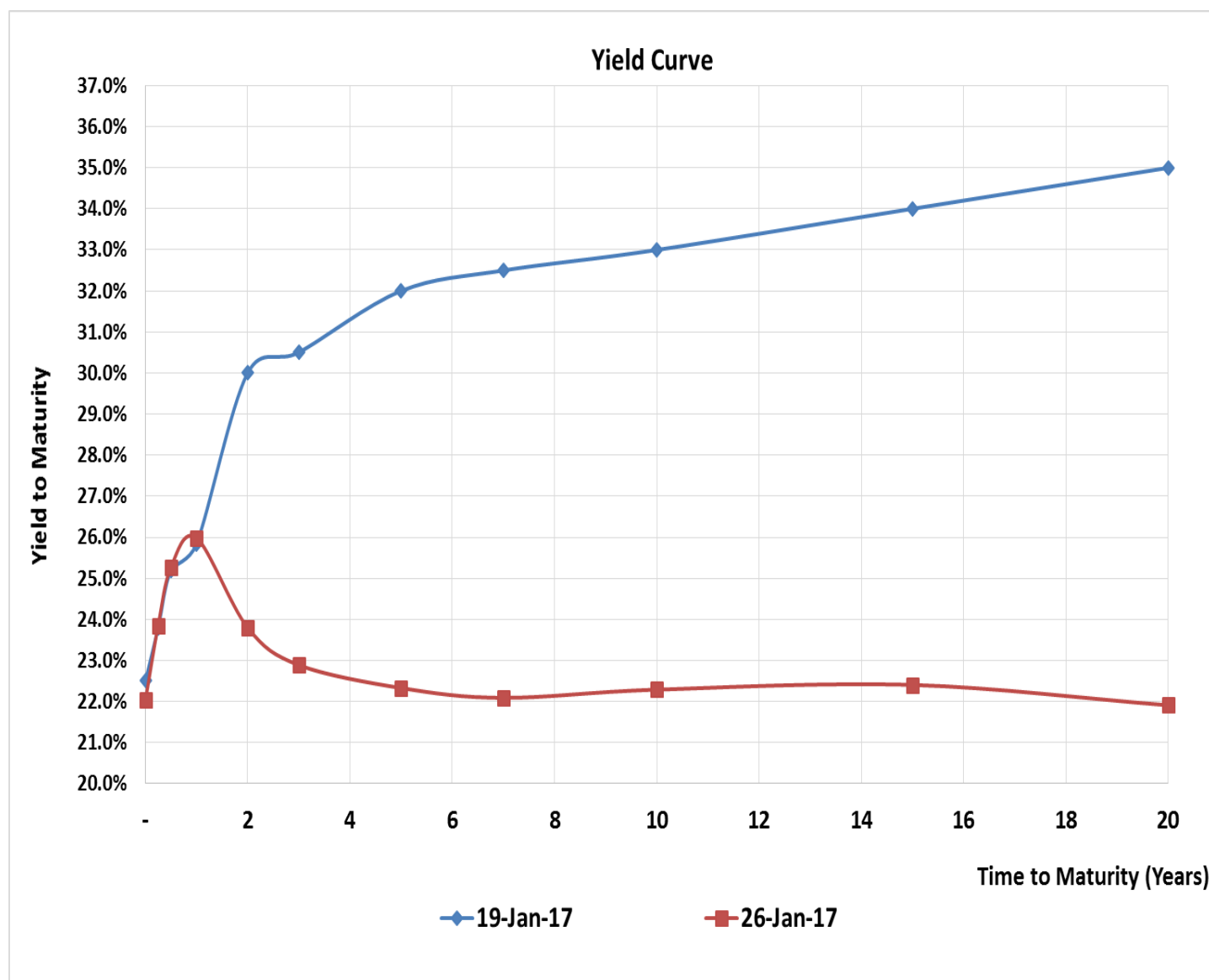
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday, 1<sup>st</sup> February 2017, the Kwacha appreciated against the GBP and the ZAR but depreciated versus the USD and the EUR. Indicatively, the Malawi Kwacha is expected to trade around K725.6285 against the USD today, 2<sup>nd</sup> February 2017.



#### 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
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%	27.74%	27.88%	28.18%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
12 <sup>th</sup> January 2017	23.00%	23.98%	25.47%	26.00%	26.82%	27.19%	28.41%	28.31%	29.57%	30.43%	29.88%
19 <sup>th</sup> January 2017	22.51%	23.80%	25.19%	25.84%	30.00%	30.50%	32.00%	32.50%	33.00%	34.00%	35.00%
26 <sup>th</sup> January 2017	22.04%	23.85%	25.27%	25.99%	23.80%	22.89%	22.33%	22.09%	22.29%	22.41%	21.91%
26 January 2017-19 January 2017 Change in Yield (Bp)	-47	5	8	15	-620	-761	-967	-1,041	-1,071	-1,160	-1,309



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