



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 21<sup>st</sup> April 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 21 <sup>st</sup> April 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	6162	-3218
Estimated Excess Reserves before OMO	6015	6905
Estimated Excess Reserves after OMO	0	0
Required Reserves	56,932	56,932

#### ii. Known Projected Transactions

	Week ending 21 <sup>st</sup> April 2017	Week ending 28 <sup>th</sup> April 2017	Week ending 5 <sup>th</sup> May 2017	April 2017	May 2017
Maturity of normal TBs/TNs/PNs	5,430	4,937	3,526	31,244	23,045
Maturity of OMO Repos	21,860	4,853	3,580	55,529	16,843

#### Commentary:

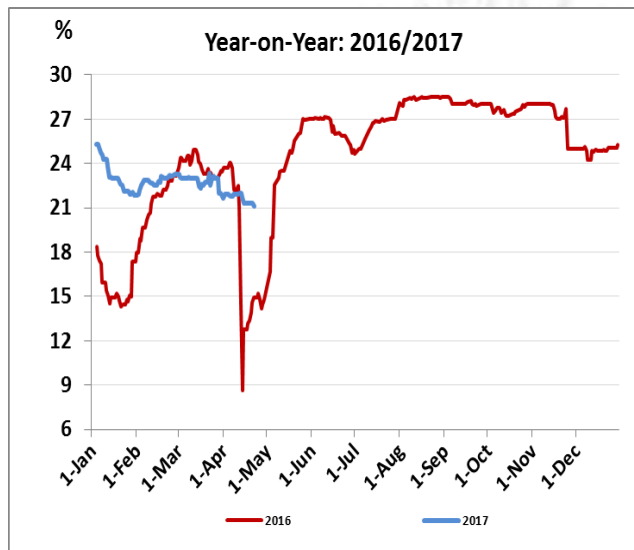
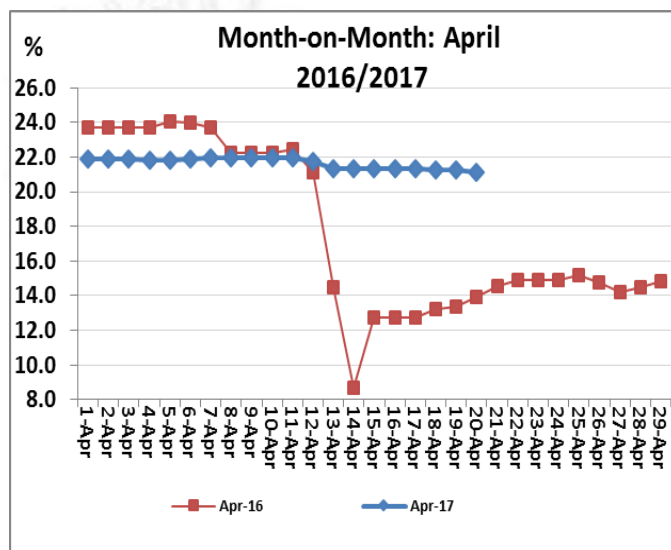
- Excess reserves increased to K6.015 billion on Thursday, 20<sup>th</sup> April 2017 from negative K357 million recorded on Wednesday, 19<sup>th</sup> April 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	1,800	21.13
07 days	-	-
14 days	-	-
28 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	1,857	20.00
33 days	-	-
62 days	102	20.00
90 days	-	-
364 days	728	23.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	3,700	24.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K1.8 billion on Thursday, 20<sup>th</sup> April 2017 from K4.40 billion recorded on Wednesday, 19<sup>th</sup> April 2017.
- The overnight interbank market rate (IBR) dropped to 21.13 percent from 21.29 percent recorded on Thursday, 20<sup>th</sup> April 2017.
- About K2.687 billion was withdrawn from the banking system through OMO repos on Thursday, 20<sup>th</sup> April 2017.
- K3.70 billion was accessed on the Lombard Facility on Thursday, 20<sup>th</sup> April 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

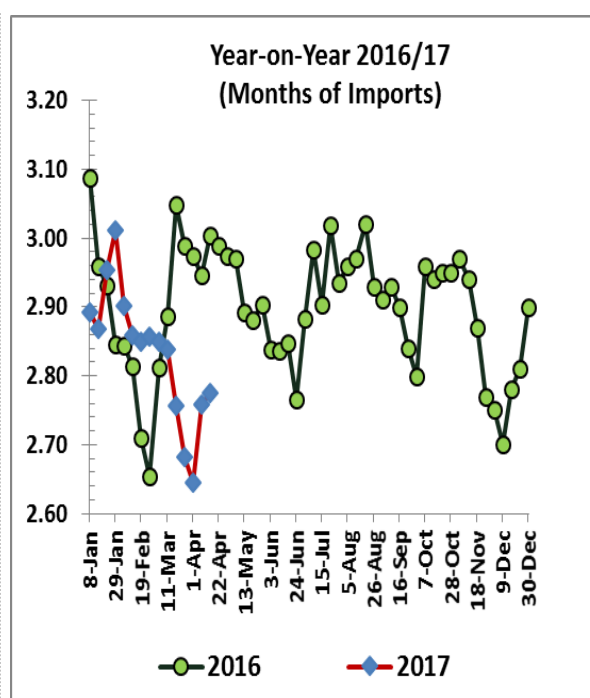
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
31 <sup>st</sup> March 2017	552.85	2.65
7 <sup>th</sup> April 2017	576.57	2.76
13 <sup>th</sup> April 2017	579.84	2.77
19 <sup>th</sup> April 2017	577.27	2.76

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

### Commentary:

- Gross official reserves increased during the week ending 13<sup>th</sup> April 2017 compared to the previous week. As at 19<sup>th</sup> April 2017, the gross official reserves dropped further and stood at US\$577.27 million (2.76 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)
31 <sup>st</sup> March 2017	2.91	330.10	333.01	1.59
7 <sup>th</sup> April 2017	-4.76	326.46	321.70	1.54
13 <sup>th</sup> April 2017	-10.79	336.11	325.32	1.56
19 <sup>th</sup> April 2017	-12.06	351.45	339.38	1.62

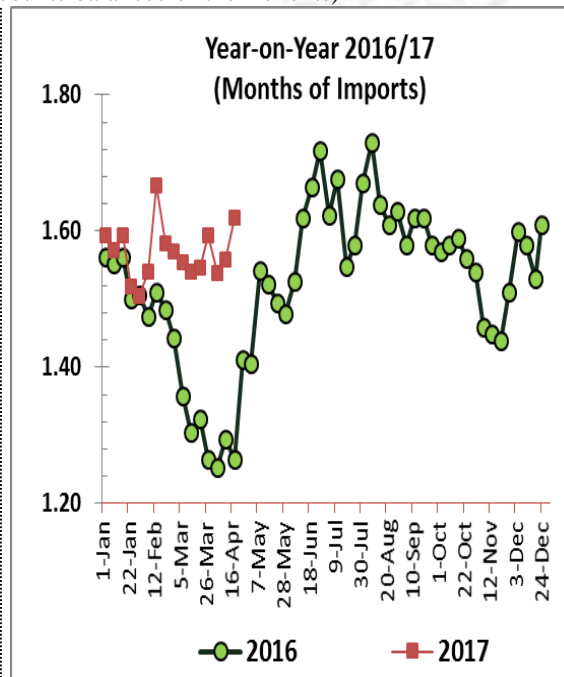
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
14 <sup>th</sup> April 2017	26.39	44.31
13 <sup>th</sup> April 2017	6.12	15.10
On 19 <sup>th</sup> April 2017	5.91	8.32

### Commentary:

- ADB's purchased US\$26.38 million from the market and monetary authorities during the week ending 13<sup>th</sup> April 2017 against sales to the market at US\$44.31 million. On Wednesday, 19<sup>th</sup> April 2017, ADB's purchased US\$ 5.91 million from the market and sold US\$ 8.32 million.

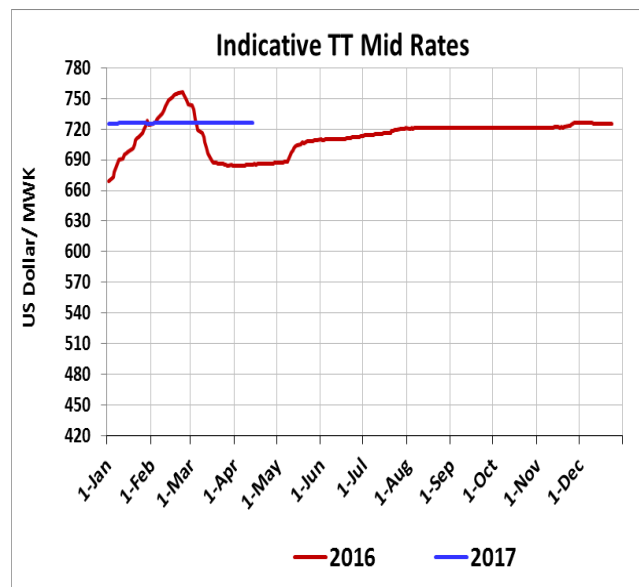
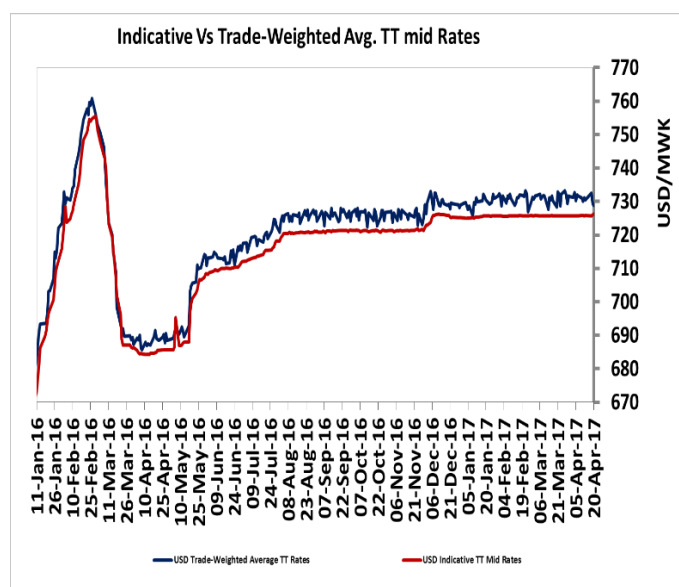


## iii. Exchange Rate Developments

	12 <sup>th</sup> April 2017	13 <sup>th</sup> April 2017	18 <sup>th</sup> April 2017	19 <sup>th</sup> April 2017	20 <sup>th</sup> April 2017	Today's Indicative Rates
MWK/USD	728.7532	731.2164	728.6855	731.5986	730.3989	726.2043
MWK/GBP	916.2250	915.8662	913.3843	938.1941	936.7540	930.1951
MWK/EUR	772.7685	779.7108	776.6969	781.7267	782.7419	778.2731
MWK/ZAR	52.9553	54.1161	54.7410	54.5492	55.0537	55.1982

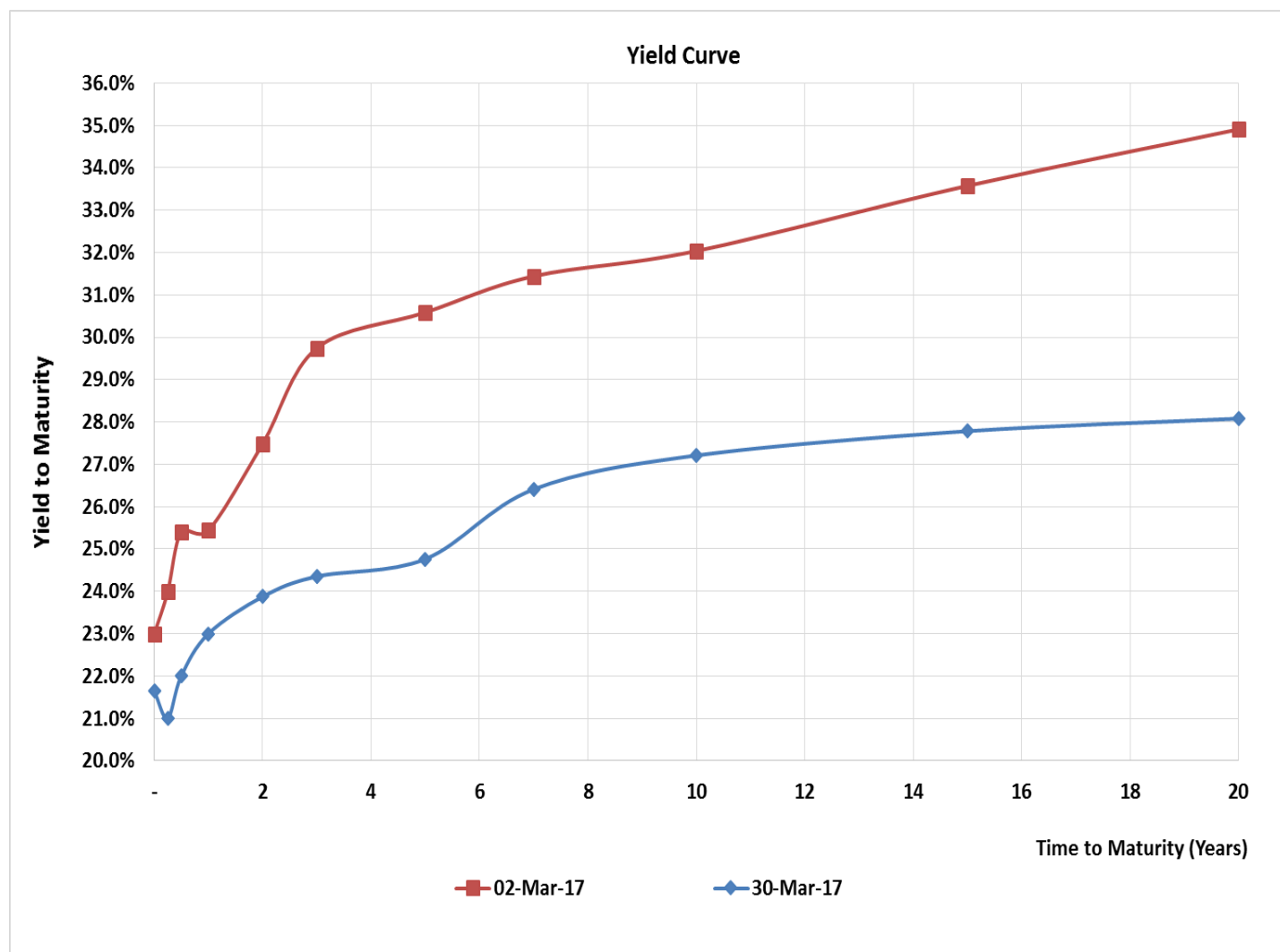
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Thursday, 20<sup>th</sup> April 2017, the Kwacha appreciated against the USD and the GBP but lost value against the EUR and the ZAR. Indicatively, the local currency is expected to trade around K726.2043 against the USD today, 21<sup>st</sup> April 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
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%	22.31%	22.41%	21.91%
2 <sup>nd</sup> February 2017	22.73%	23.84%	25.30%	25.99%	25.62%	25.69%	26.15%	28.19%	28.21%	29.56%	29.57%
16 <sup>th</sup> February 2017	23.06%	23.98%	25.34%	25.58%	25.83%	25.73%	26.03%	25.83%	25.73%	25.21%	25.73%
2 <sup>nd</sup> March 2017	23.00%	23.99%	25.40%	25.44%	27.48%	29.74%	30.59%	31.44%	32.04%	33.58%	34.91%
30 <sup>th</sup> March 2017	21.64%	21.00%	22.00%	23.00%	23.87%	24.35%	24.76%	26.41%	27.21%	27.78%	28.08%
30 March 2017-02 March 2017 Change in Yield (Bp)	-136	-299	-340	-244	-361	-539	-582	-503	-483	-579	-683



**DISCLAIMER:** This information is provided for general reference purposes only. Whilst every effort is made to ensure that the information is up to date and accurate, the Reserve Bank of Malawi does not accept responsibility for any loss that may arise from reliance on the information contained herein.