



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 25 May 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 26 th May 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-2,572	-15,878
Estimated Excess Reserves before OMO	-3,144	-10,819
Estimated Excess Reserves after OMO	0	0
Required Reserves	57,651	57,651

ii. Known Projected Transactions

	Week ending 26 th May 2017	Week ending 2 nd June 2017	May 2017	June 2017
+ Maturity of normal TBs/TNs/PNs	2,047	311	23,045	14,455
Maturity of OMO Repos	4,674	7,011	65,907	39,269

Commentary:

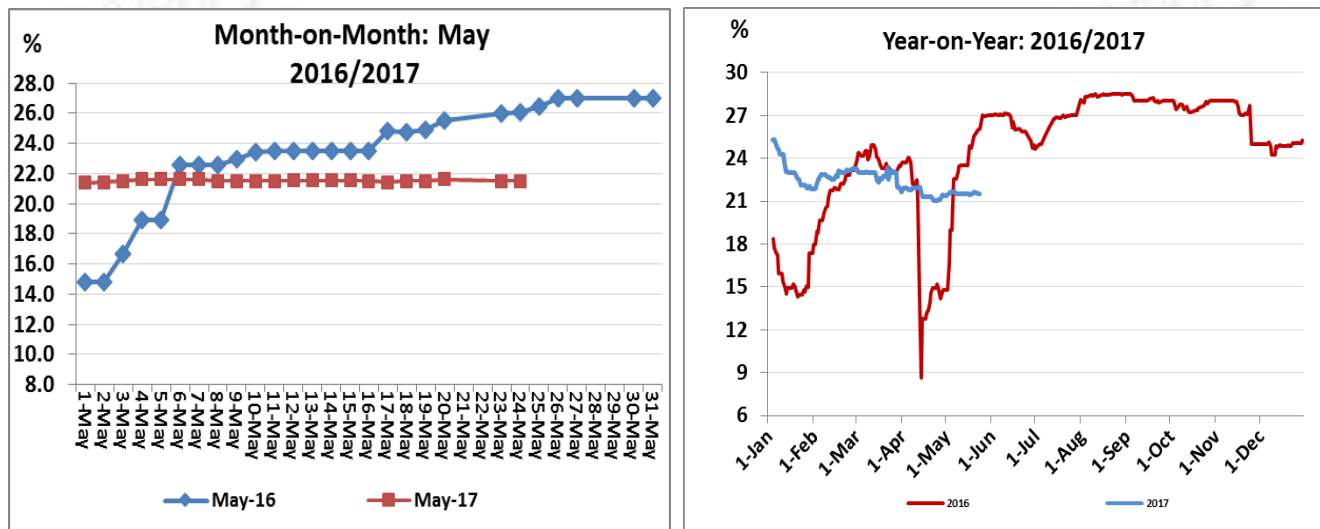
- Excess reserves dropped to K3.36 billion yesterday, 24th May 2017 from K6.33 billion recorded on Tuesday, 23rd May 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	4,380	21.51
07 days	-	-
14 days	-	-
28 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	1,500	20.00
14 days	-	-
31 days	-	-
60 days	-	-
273 days	-	-
364 days	40	23.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	3,250	24.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market decreased to K3.25 billion yesterday, 24th May 2017 from K3.48 billion recorded on Tuesday, 23rd May 2017.
- The overnight interbank market rate (IBR) stood firm at the preceding day's level of 21.51 percent.
- K1.54 billion was withdrawn from the banking system through OMO repos yesterday, 24th May 2017.
- A total of K3.25 billion was accessed on the Lombard Facility yesterday, 24th May 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

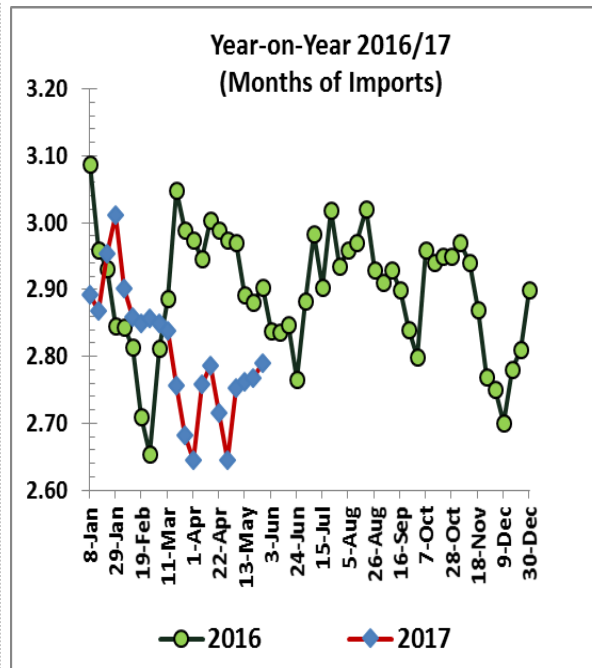
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
5 th May 2017	575.18	2.75
12 th May 2017	577.33	2.76
19 th May 2017	579.05	2.77
On 23 rd May 2017	583.73	2.79

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

Commentary:

- Gross official reserves increased during the week ending 19th May 2017 compared to the previous week. As at 19th May 2017, gross official reserves stood at US\$579.05 million (2.77 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)
5 th May 2017	-2.62	348.92	346.30	1.66
12 th May 2017	-4.60	330.09	325.50	1.56
19 th May 2017	-9.08	333.46	324.37	1.55
On 23 rd May 2017	-5.58	336.85	331.27	1.59

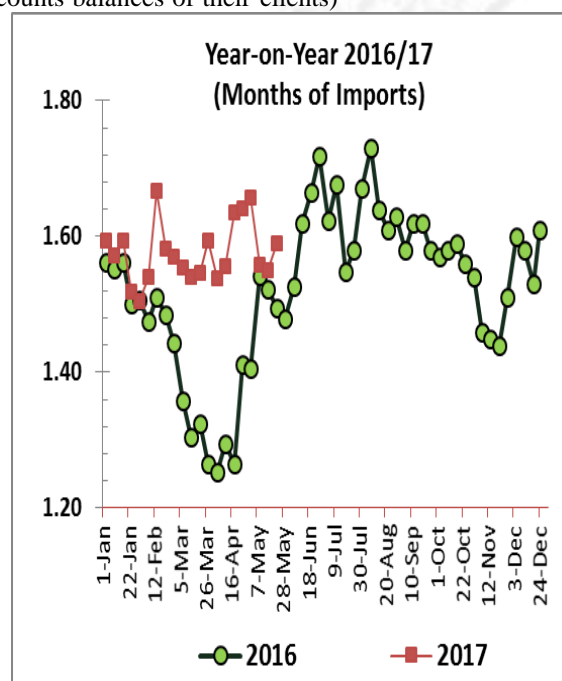
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
12 th May 2017	46.04	53.81
19 th May 2017	44.26	44.75
On 24 th May 2017	12.96	15.34

Commentary:

- ADB's purchased US\$44.26 million from the market and monetary authorities and sold US\$44.75 million during the week ending 19th May 2017. Yesterday, 24th May 2017, ADB's purchased US\$12.96 million from the market and sold US\$15.34 million.

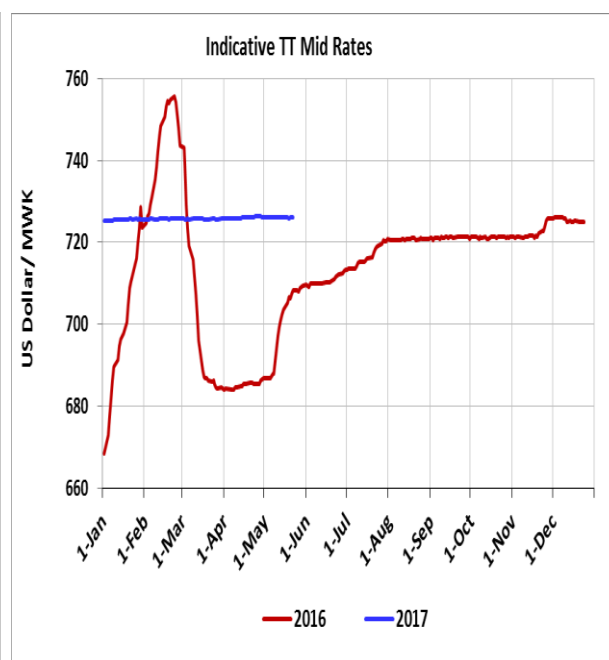
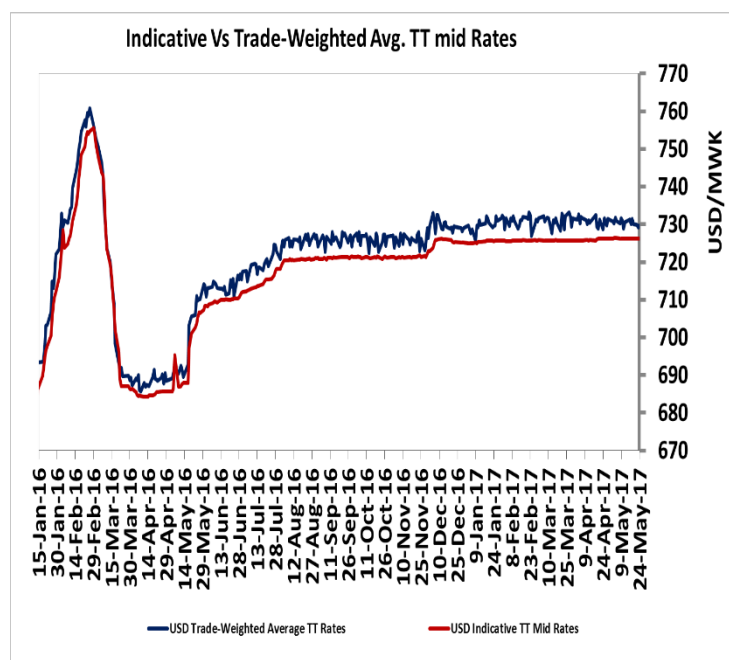


iii. Exchange Rate Developments

	18 th May 2017	19 th May 2017	22 nd May 2017	23 rd May 2017	24 th May 2017	Today's Indicative Rates
MWK/USD	729.6826	729.9416	730.8908	731.1941	727.6049	726.0895
MWK/GBP	943.7992	947.1818	953.2105	950.4441	946.0098	942.8272
MWK/EUR	812.1715	807.8517	817.8773	817.3548	815.7461	815.9068
MWK/ZAR	54.6966	54.6580	54.9260	55.0250	54.9797	56.2891

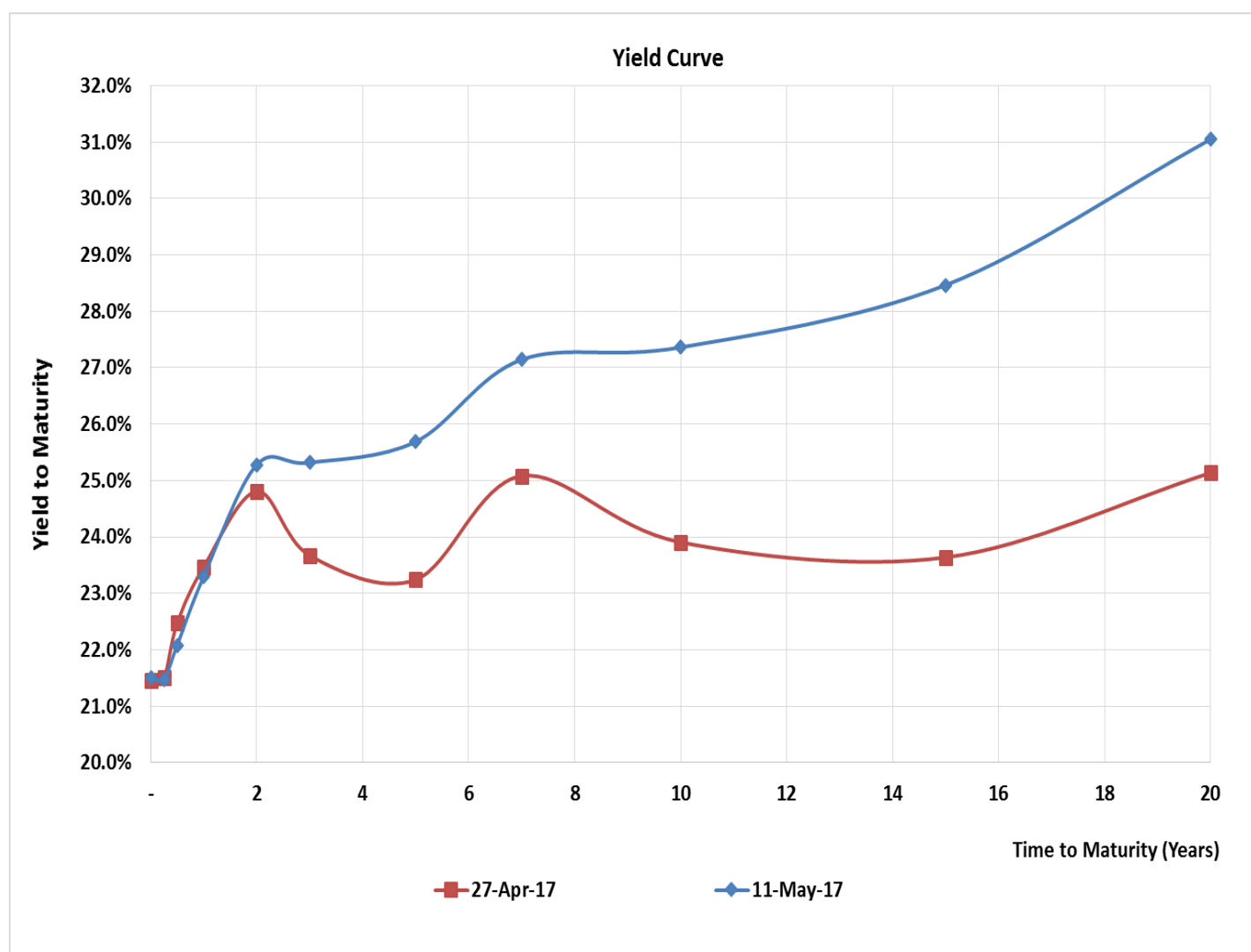
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, 24th May 2017, the Kwacha appreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to trade around K726.0895 against the USD today, 25th May 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
19 th 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 th 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 nd 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 th 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 nd 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 th March 2017	21.64%	21.00%	22.00%	23.00%	23.87%	24.35%	24.76%	26.41%	27.21%	27.78%	28.08%
27 April 2017	21.46%	21.50%	22.47%	23.47%	24.81%	23.67%	23.24%	25.08%	23.91%	23.64%	25.14%
11 th May 2017	21.51%	21.48%	22.08%	23.30%	25.28%	25.32%	25.69%	27.14%	27.36%	28.46%	31.05%
11 May 2017-27 April 2017 Change in Yield (Bp)	5	-2	-39	-17	47	164	245	206	345	483	591



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