



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 27 July 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 28 <sup>th</sup> July 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-6,533	1,413
Estimated Excess Reserves before OMO	-3,149	2,629
Estimated Excess Reserves after OMO	0	0
Required Reserves	66,910	66,910

#### ii. Known Projected Transactions

	Week ending 28 <sup>th</sup> July 2017	Week ending 4 <sup>th</sup> August 2017	Week ending 11 <sup>th</sup> August 2017	July 2017	August 2017
Maturity of normal TBs/TNs/PNs	3,746	3,060	3,498	20,887	18,541
Maturity of OMO Repos	14,422	16,751	26	78,244	17,125

#### Commentary:

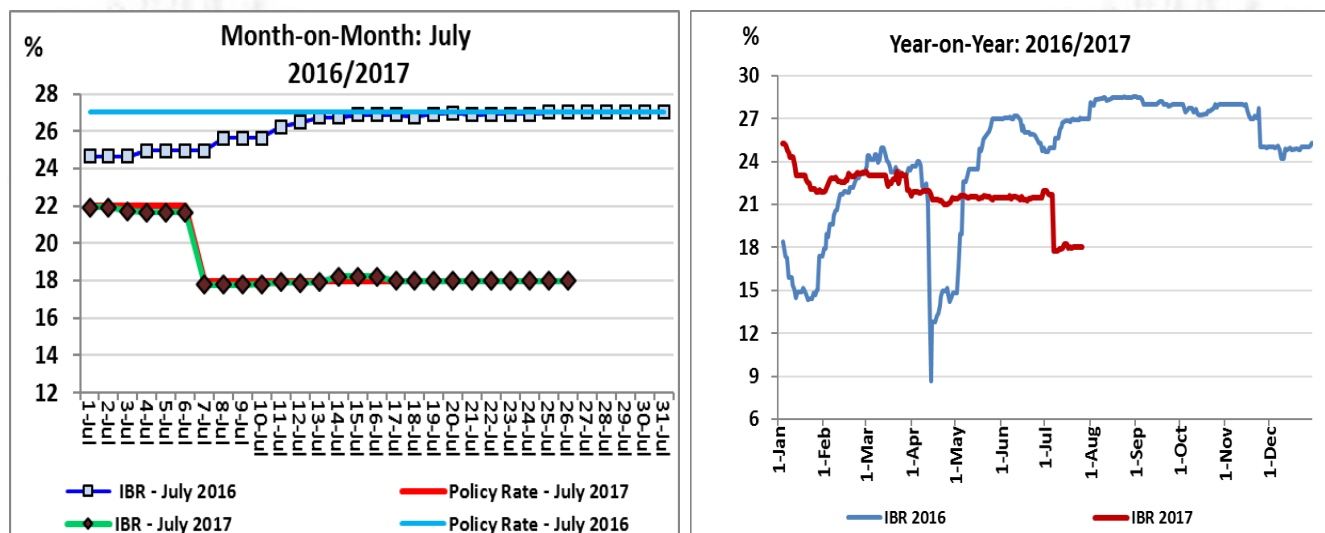
- Excess reserves increased yesterday on 26<sup>th</sup> July 2017 and closed the day at K3.38 billion from K844.00 million recorded on Tuesday, 25<sup>th</sup> July 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	19,950	18.00
07 days	-	-
14 days	-	-
21 days	-	-
<b>(b) RBM Open market operations</b>		
<b>(i) Repos</b>		
07 days	-	-
14 days	3,000	17.00
31 days	-	-
60 days	70	17.00
91 days	-	-
364 days	35	19.00
<b>(ii) Reverse Repos</b>		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	1,670	20.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased yesterday, 26<sup>th</sup> July 2017, and amounted to K19.95 billion from K19.85 billion recorded on the previous day.
- The overnight interbank market rate (IBR) remained unchanged at 18.00 percent for five consecutive trading days.
- K3.11 billion was withdrawn from the banking system through OMO repos yesterday, 26<sup>th</sup> July 2017.
- A total of K1.67 billion was accessed on the Lombard Facility yesterday, 26<sup>th</sup> July 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

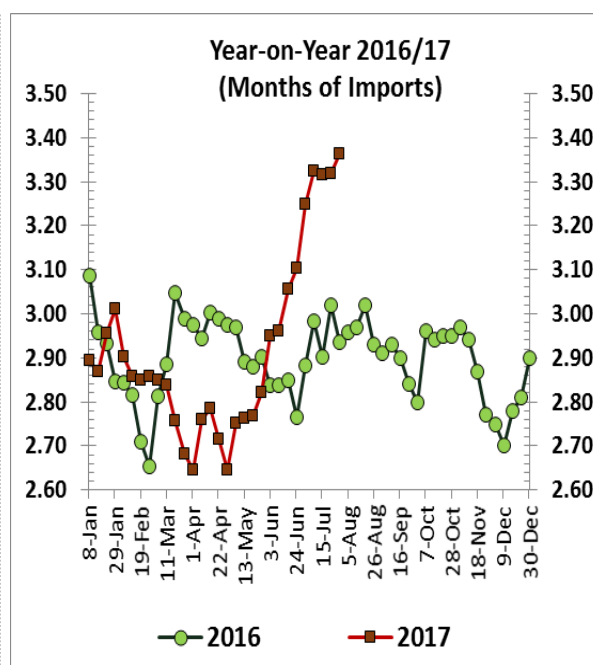
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
7 <sup>th</sup> July 2017	694.58	3.32
14 <sup>th</sup> July 2017	692.68	3.31
21 <sup>st</sup> July 2017	693.30	3.32
On 25 <sup>th</sup> July 2017	702.86	3.36

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

### Commentary:

- Gross official reserves increased during the week ending 21<sup>st</sup> July 2017 compared to the previous week. As at 25<sup>th</sup> July 2017, gross official reserves stood at US\$702.86 million (3.36 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)
7 <sup>th</sup> July 2017	-7.84	384.10	376.26	1.80
14 <sup>th</sup> July 2017	-9.34	372.79	363.44	1.74
21 <sup>st</sup> July 2017	-1.98	364.00	362.03	1.73
On 25 <sup>th</sup> July 2017	0.00	363.39	363.39	1.74

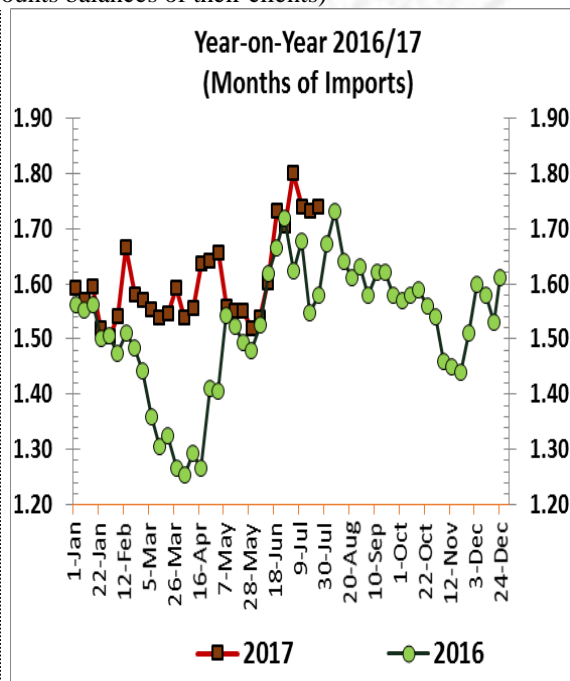
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
14 <sup>th</sup> July 2017	47.79	51.37
21 <sup>st</sup> July 2017	65.13	58.66
On 26 <sup>th</sup> July 2017	14.56	17.84

### Commentary:

- ADB's purchased US\$65.13 million from the market and monetary authorities and sold US\$58.66 million during the week ending 21<sup>st</sup> July 2017. Yesterday, 26<sup>th</sup> July 2017, ADB's purchased US\$14.56 million and sold US\$17.84 million.

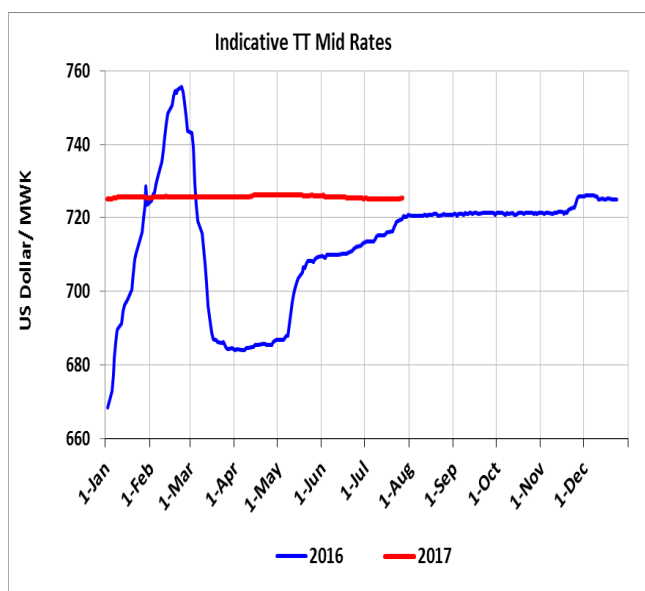
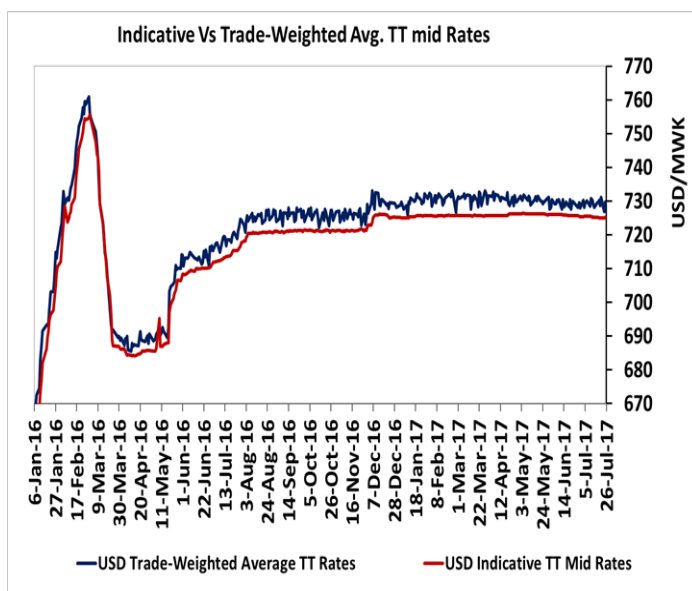


## iii. Exchange Rate Developments

	20 <sup>th</sup> July 2017	21 <sup>st</sup> July 2017	24 <sup>th</sup> July 2017	25 <sup>th</sup> July 2017	26 <sup>th</sup> July 2017	Today's Indicative Rates
MWK/USD	730.6302	728.9712	730.0841	730.3799	727.9401	725.2867
MWK/GBP	945.3444	951.7106	953.4838	953.2017	951.0626	952.9542
MWK/EUR	839.1406	850.0047	849.1772	846.9976	850.6509	851.7767
MWK/ZAR	56.2147	56.3685	56.6394	56.5207	55.9359	56.3404

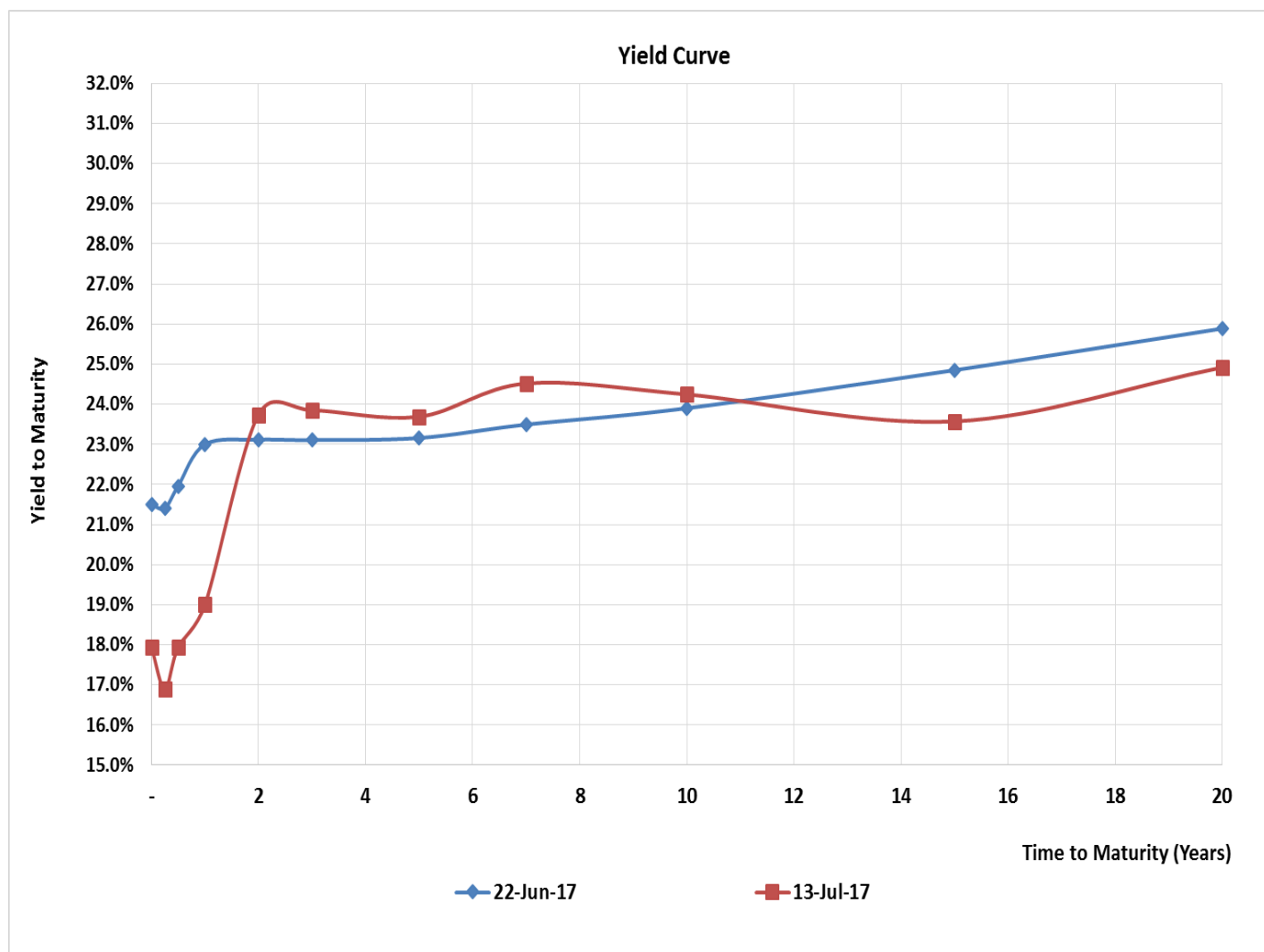
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday on 26<sup>th</sup> July 2017, the Kwacha appreciated against the USD, the GBP and the ZAR but depreciated against the EUR. Indicatively, the local currency is expected to trade around K725.2867 against the USD today, 27<sup>th</sup> July 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
16th February 2017	23.06%	23.98%	25.34%	25.58%	25.83%	25.73%	26.03%	25.83%	25.73%	25.21%	29.57%
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%	25.73%
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%	34.91%
27 April 2017	21.46%	21.50%	22.47%	23.47%	24.81%	23.67%	23.24%	25.08%	23.91%	23.64%	28.08%
11 <sup>th</sup> May 2017	21.51%	21.48%	22.08%	23.30%	25.28%	25.32%	25.69%	27.14%	27.36%	28.46%	25.14%
1 <sup>st</sup> June 2017	21.50%	21.49%	21.97%	23.00%	24.81%	24.75%	24.83%	26.70%	26.43%	26.98%	29.47%
22 <sup>nd</sup> June 2017	21.50%	21.41%	21.96%	23.00%	23.11%	23.11%	23.16%	23.49%	23.90%	24.85%	25.89%
13 <sup>th</sup> July 2017	17.93%	16.89%	-	19.00%	23.74%	23.85%	23.69%	24.52%	24.25%	23.57%	24.92%
13 July 2017-22 June 2017 Change in Yield (Bp)	-357	-452	-	-400	63	75	53	102	34	-128	-97



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