



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)-

Monday, 31 July 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 4 <sup>th</sup> August 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	6,870	13,432
Estimated Excess Reserves before OMO	21,120	27,682
Estimated Excess Reserves after OMO	0	0
Required Reserves	66,910	66,910

#### ii. Known Projected Transactions

	Week ending 4 <sup>th</sup> August 2017	Week ending 11 <sup>th</sup> August 2017	Week ending 18 <sup>th</sup> August 2017	July 2017	August 2017
Maturity of normal TBs/TNs/PNs	3,060	3,498	6,483	20,887	18,541
Maturity of OMO Repos	17,554	3,045	5,026	78,244	22,615

#### Commentary:

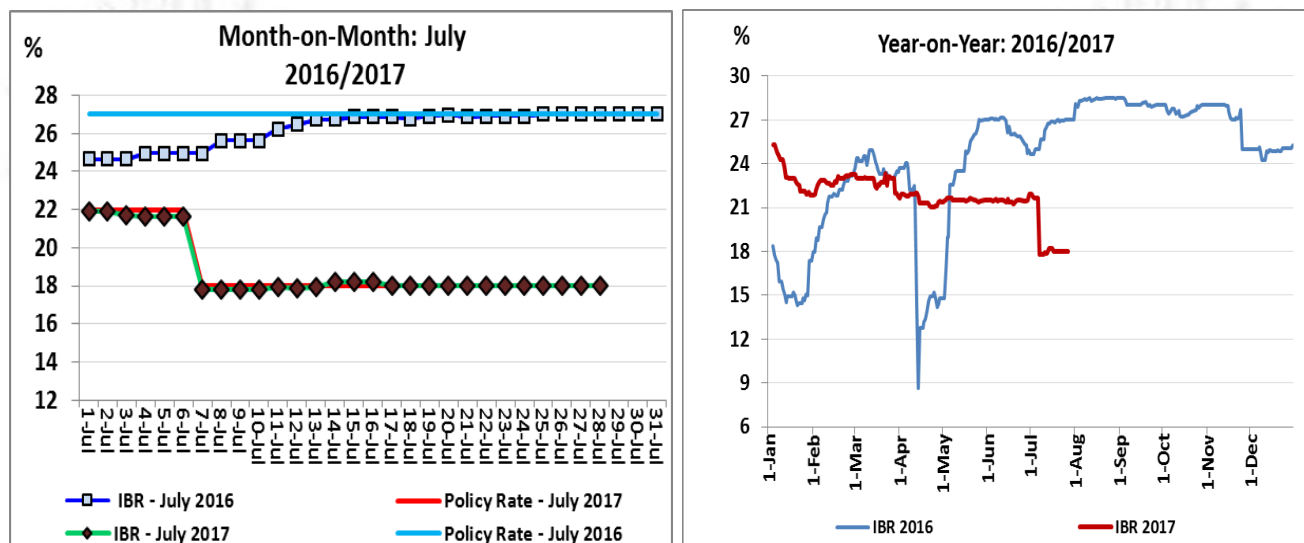
- Excess reserves increased to K14.25 billion on Friday, 28<sup>th</sup> July 2017 from K10.22 billion recorded on Thursday, 27<sup>th</sup> July 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,570	18.00
07 days	-	-
14 days	-	-
21 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
31 days	-	-
60 days	-	-
91 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	1,180	20.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market went down on Friday, 28<sup>th</sup> July 2017 and amounted to K6.57 billion from K11.10 billion recorded on Thursday, 27<sup>th</sup> July 2017.
- The overnight interbank market rate (IBR) increased to 18.00 percent from 17.98 percent recorded on Thursday, 27<sup>th</sup> July 2017.
- A total of K1.18 billion was accessed on the Lombard Facility on Friday, 28<sup>th</sup> July 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

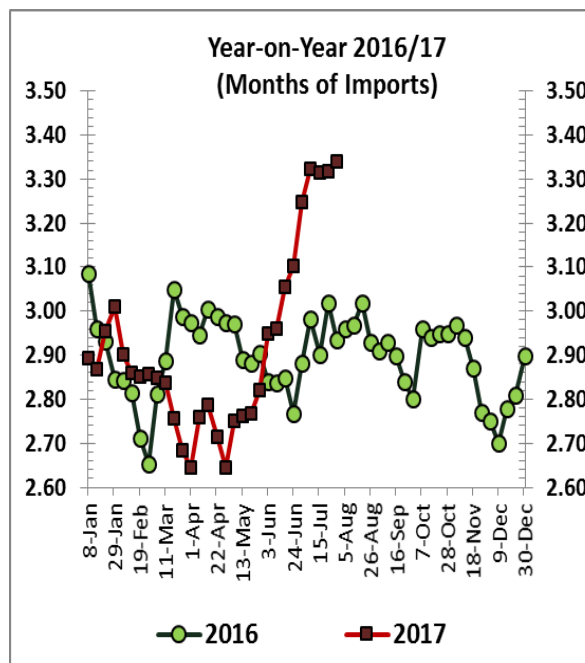
(Foreign reserves under the direct control of the Central Bank)

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 27 <sup>th</sup> July 2017	698.13	3.34

\* 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 27<sup>th</sup> July 2017, gross official reserves stood at US\$698.13 million (3.34 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 26 <sup>th</sup> July 2017	-0.45	354.49	354.05	1.69

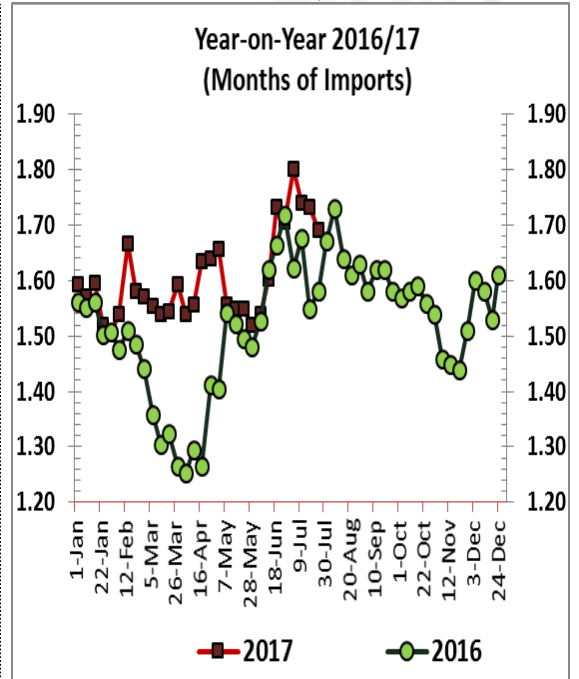
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
21 <sup>st</sup> July 2017	65.13	58.66
28 <sup>th</sup> July 2017	52.24	50.78
On 28 <sup>th</sup> July 2017	9.44	8.77

#### Commentary:

- ADB's purchased US\$52.24 million from the market and monetary authorities and sold US\$50.78 million during the week ending 28<sup>th</sup> July 2017. On Friday, 28<sup>th</sup> July 2017 alone, ADB's purchased US\$9.44 million and sold US\$8.77 million.

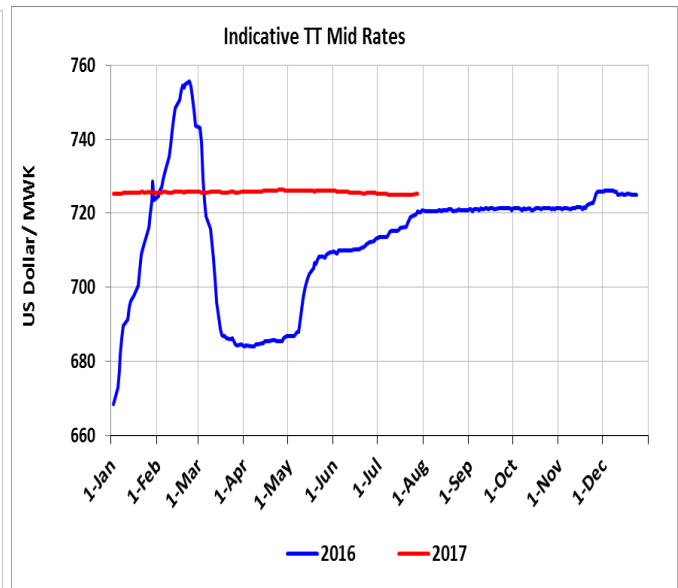
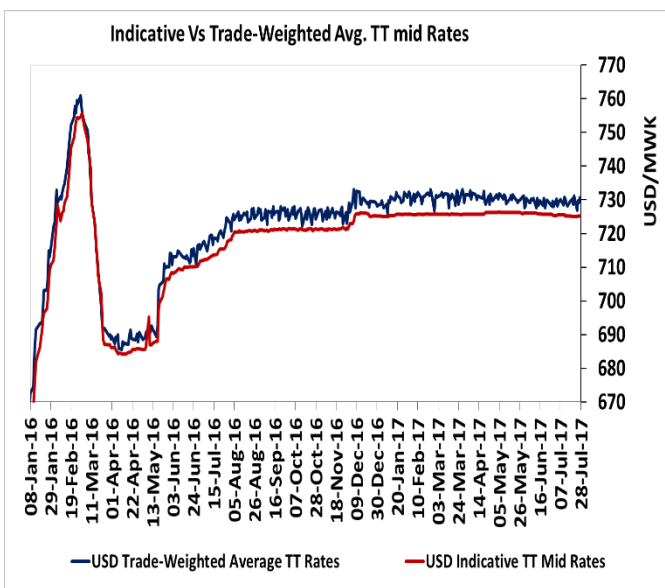


## iii. Exchange Rate Developments

	24 <sup>th</sup> July 2017	25 <sup>th</sup> July 2017	26 <sup>th</sup> July 2017	27 <sup>th</sup> July 2017	28 <sup>th</sup> July 2017	Today's Indicative Rates
MWK/USD	730.0841	730.3799	727.9401	730.2251	730.1376	725.1908
MWK/GBP	953.4838	953.2017	951.0626	955.9677	954.0136	952.0305
MWK/EUR	849.1772	846.9976	850.6509	854.6795	855.2028	851.2290
MWK/ZAR	56.6394	56.5207	55.9359	56.5191	55.8769	55.7873

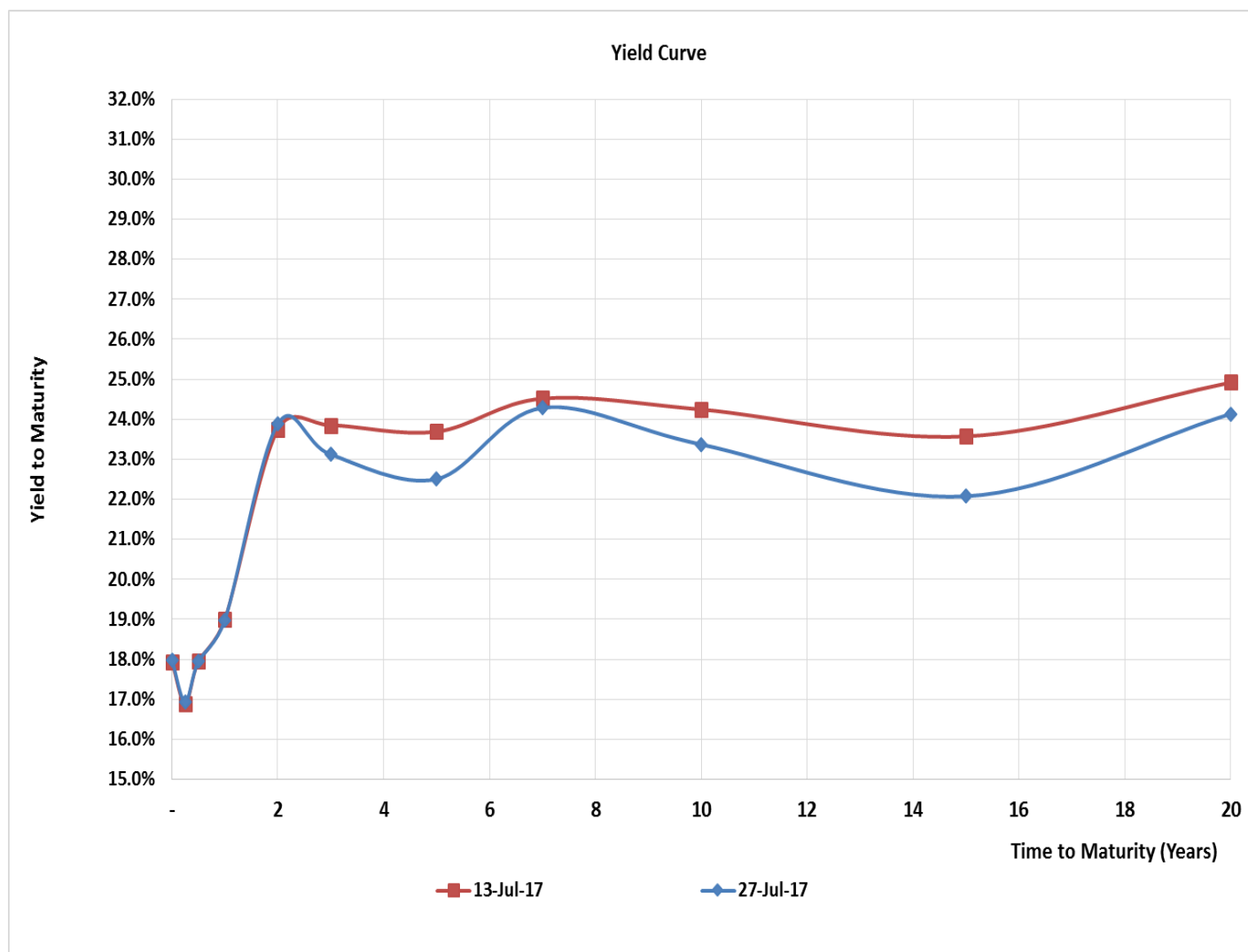
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 28<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 K725.1908 against the USD today, 31<sup>st</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
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%
27 <sup>th</sup> July 2017	17.98%	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
27 July 2017 - 13 July 2017 Change in Yield (Bp)	5	5	-	-2	14	-73	-118	-23	-88	-150	-79



**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.