



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 07 September 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 08 th September 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	11,631	11,292
Estimated Excess Reserves before OMO	15,780	15,548
Estimated Excess Reserves after OMO	0	0
Required Reserves	70,003	70,003

ii. Known Projected Transactions

	Week ending 08 September 2017	Week ending 15 September 2017	Week ending 22 September 2017	September 2017	October 2017
Maturity of normal TBs/TNs/PNs	20,460	4,116	9,626	54,984	30,631
Maturity of OMO Repos	32,640	19,528	6,560	103,750	34,452

Commentary:

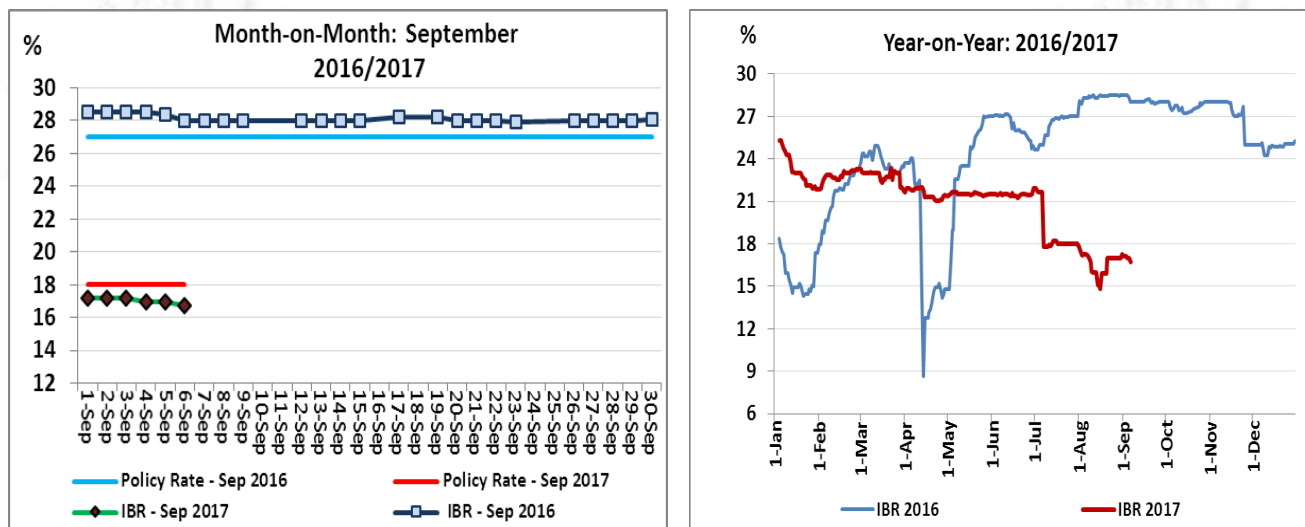
- Yesterday, excess reserves closed at K5.70 billion from K20.95 billion recorded on Tuesday, 05th September 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,040	16.69
07 days	-	-
14 days	-	-
21 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	3,100	17.00
14 days	-	-
28 days	1,096	17.00
63 days	1,234	17.00
91 days	-	-
364 days	5	19.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	2,050	20.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K6.04 billion on Wednesday, 06th September 2017 from K2.43 billion recorded during the preceding day.
- The overnight interbank market rate (IBR) on 06th September 2017, dropped 28 basis points and closed the day at 16.69 percent from 16.97 percent observed on Tuesday, 05th September 2017.
- K5.43 billion was withdrawn from the banking system through OMO repos on Wednesday, 06th September 2017.
- Another K2.55 billion was withdrawn from the banking system through outright sale of Treasury Notes to the market yesterday.
- K2.05 billion was accessed the Lombard Facility yesterday on 06th September 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

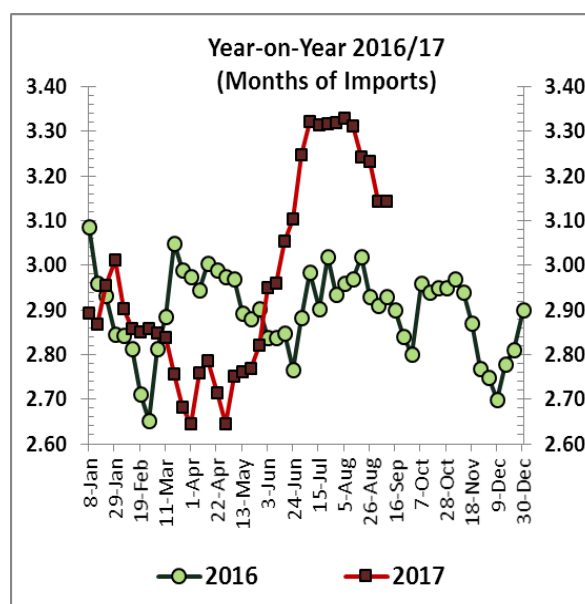
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
4 th August 2017	695.79	3.33
11 th August 2017	692.46	3.31
18 th August 2017	677.72	3.24
25 th August 2017	675.44	3.23
01 st September 2017	656.85	3.14
05 th September 2017	656.71	3.14

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

Commentary:

- Gross official reserves dropped during the week ending 1st September 2017 compared to the previous week. On 05th September 2017, the gross official reserves stood at US\$656.71 million (3.14 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)
18 th August 2017	-3.24	371.04	367.80	1.76
25 th August 2017	1.01	384.84	385.85	1.85
1 st September 2017	0.51	370.99	371.51	1.78
5 th September 2017	-0.48	363.82	363.35	1.74

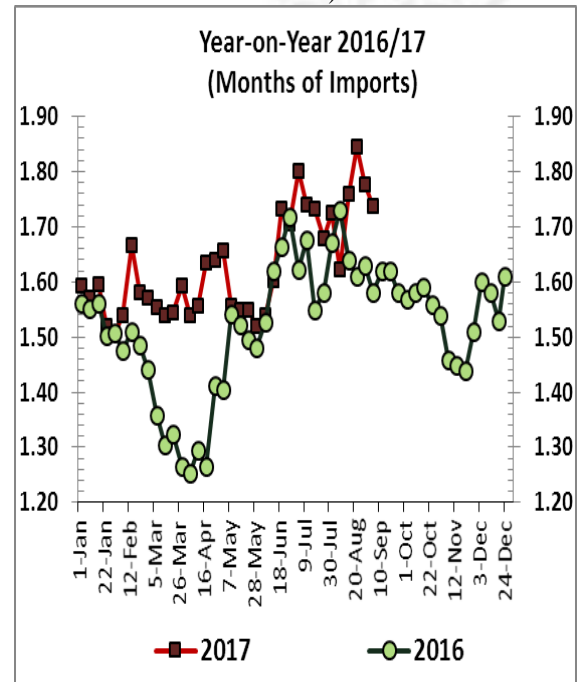
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
25 th August 2017	42.99	39.87
01 st September 2017	47.16	48.87
On 06 th September 2017	4.11	3.77

Commentary:

- Trading picked up during the week ending 01st September 2017. In effect, ADBs purchased US\$47.16 million from the market and monetary authorities and sold US\$48.87 million. On 6th September 2017, ADBs purchased US\$4.11 million and sold US\$3.77 million.

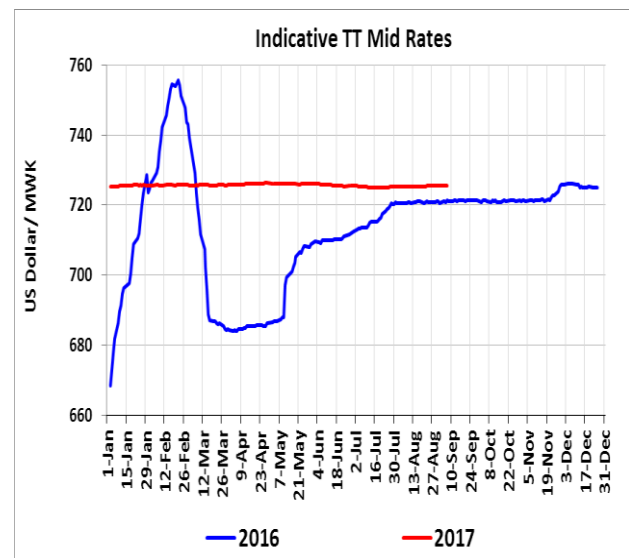
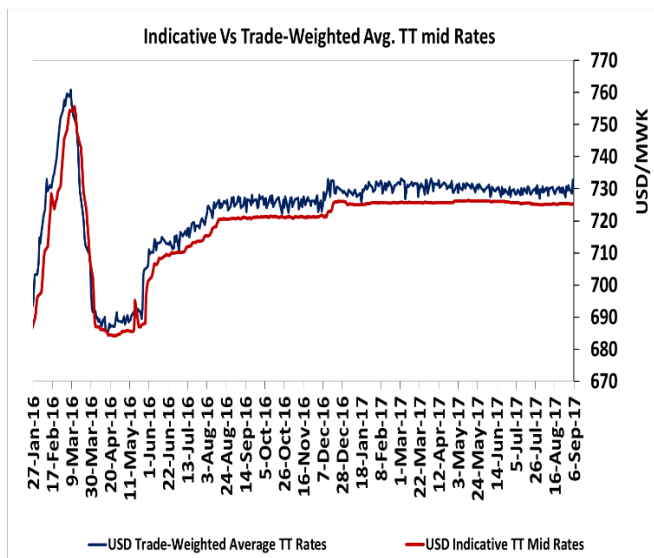


iii. Exchange Rate Developments

	31 st August 2017	01 st Sept 2017	04 th Sept 2017	05 th Sept 2017	06 th Sept 2017	Today's Indicative Rates
MWK/USD	732.1083	732.0499	730.4989	732.4100	731.2440	725.4805
MWK/GBP	943.9874	939.0160	942.5651	943.6948	953.4621	946.5344
MWK/EUR	861.6521	865.5052	866.6191	865.3910	869.2224	865.2080
MWK/ZAR	56.1049	55.8210	56.2816	56.2862	56.4108	56.6167

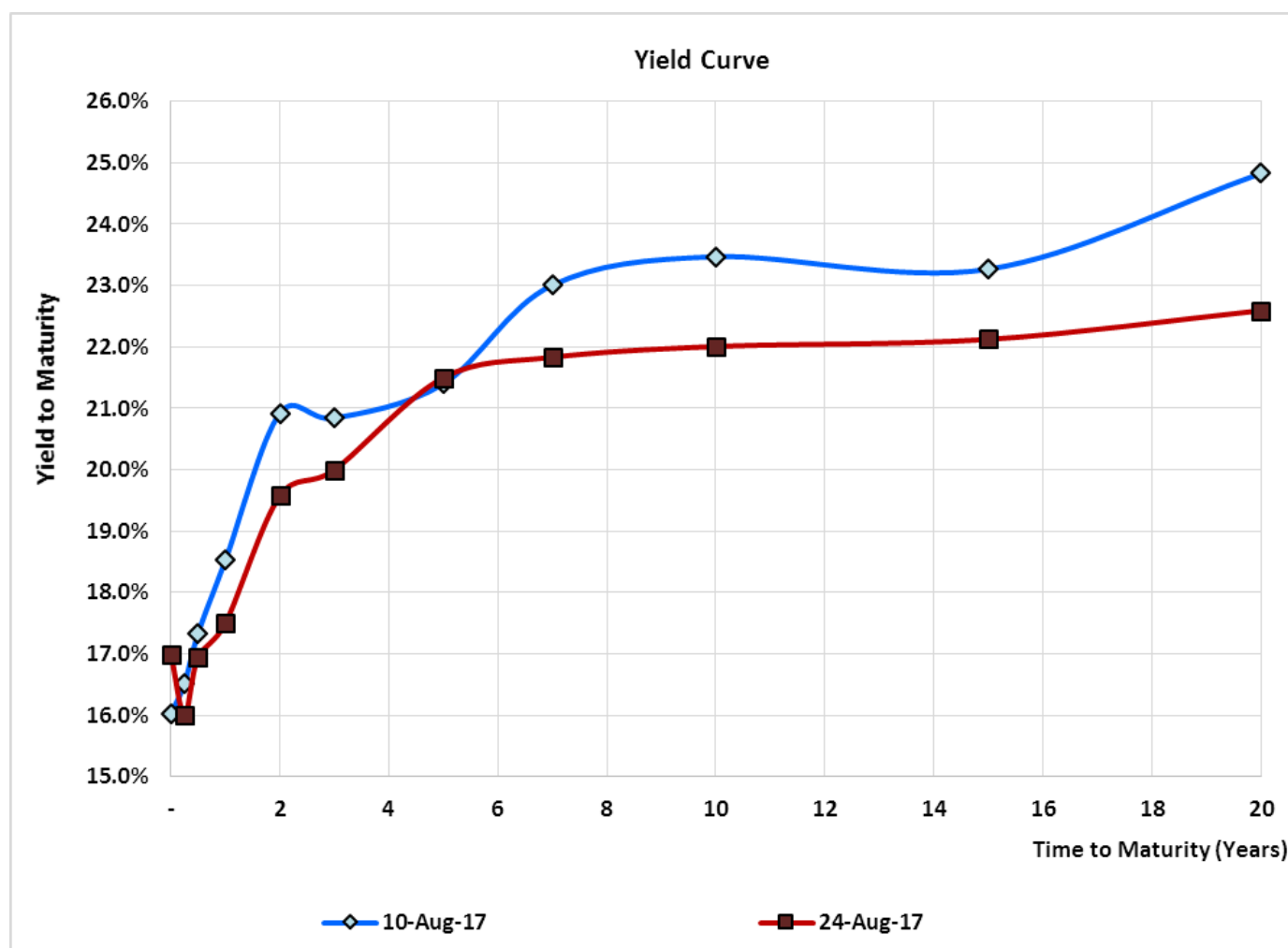
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday, 06th September 2017, the Kwacha depreciated against the GBP, the EUR, and the ZAR and appreciated against the USD. Indicatively, the Kwacha is expected to trade around K725.4805 against the USD today on 07th September 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
30 th 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 th 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 st 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 nd 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 th July 2017	17.93%	16.89%	-	19.00%	23.74%	23.85%	23.69%	24.52%	24.25%	23.57%	24.92%
27 th July 2017	17.98%	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10 th August 2017	16.03%	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 th August 2017	17.00%	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
24 Aug – 10 Aug 2017 Change in Yield (Bp)	97	-51	-38	-103	-135	-84	10	-117	-146	-114	-224



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