



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 21st December 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 22 nd December 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	18,994	16,551
Estimated Excess Reserves before OMO	22,214	24,885
Estimated Excess Reserves after OMO	0	0
Required Reserves	72,587	72,587

ii. Known Projected Transactions

	Week ending 22 nd December 2017	Week ending 29 th December 2017	Week ending 5 th January 2018	December 2017	January 2018
Maturity of normal TBs/TNs/PNs	18,809	2,859	6,597	28,687	40,285
Maturity of OMO Repos	16,128	1,099	26,666	65,874	66,325

Commentary:

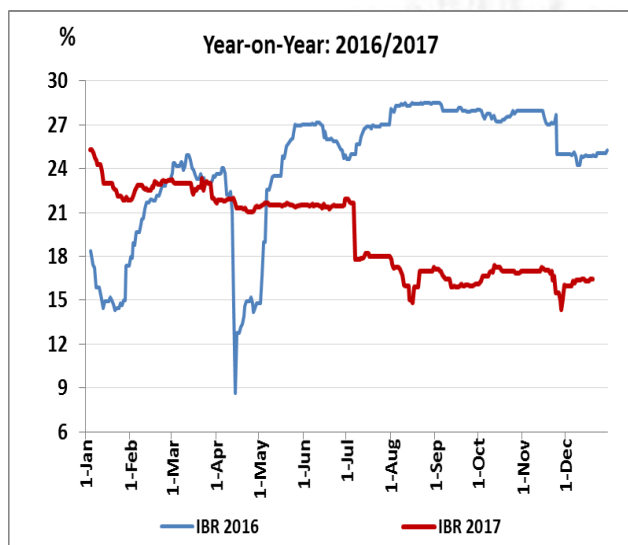
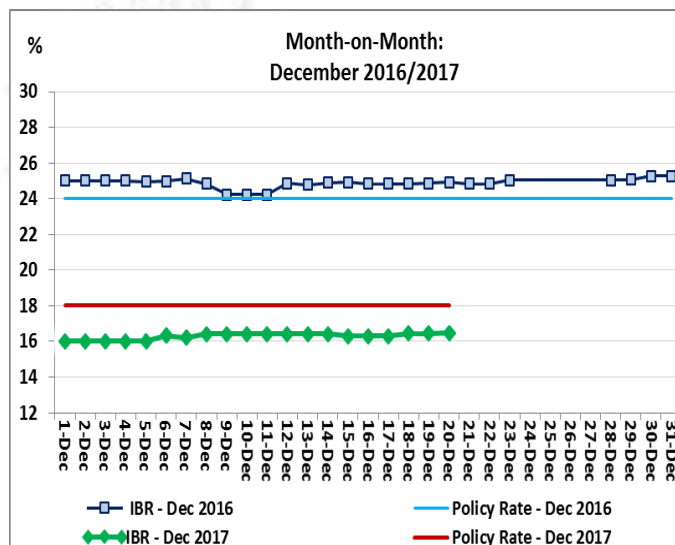
- Excess reserves dropped to K3.22 billion yesterday, 20th December 2017 from K17.4 billion recorded on Tuesday, 19th December 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	11,600	16.47
07 days	-	-
14 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	6,779	16.00
14 days	3,500	16.00
28 days	-	-
63 days	12.5	16.00
273 days	-	-
364 days	4,296	16.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	4,470	20.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K11.6 billion yesterday from K7.85 million recorded on Tuesday, 19th December 2017.
- The interbank market rate (IBR) went up by remained unchanged at 16.47 percent yesterday.
- K14.59 billion was withdrawn from the banking system through OMO repos on Wednesday, 20th December 2017.
- On Wednesday, 20th December 2017, K4.47 billion was accessed on the Lombard Facility.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

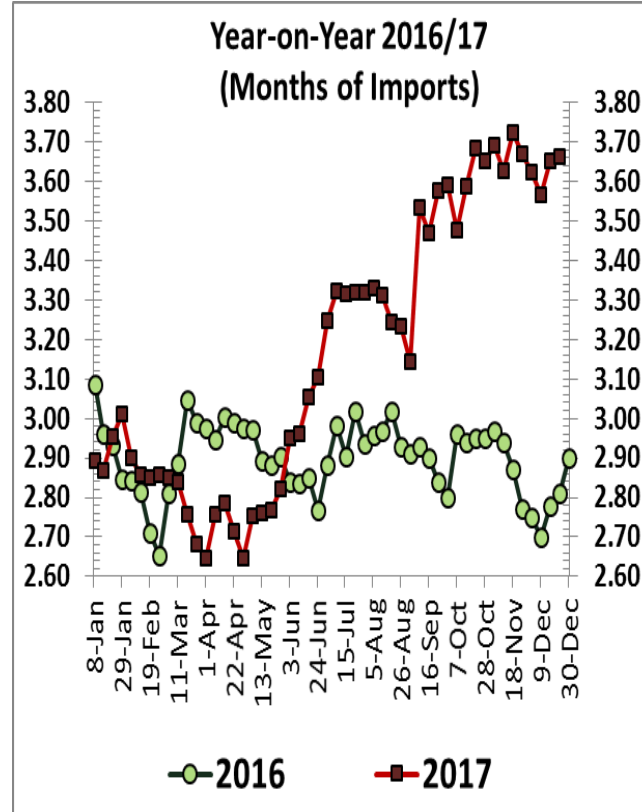
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
17 th November 2017	778.17	3.72
24 th November 2017	766.45	3.67
1 st December 2017	761.07	3.64
8 th December 2017	745.09	3.57
15 th December 2017	763.34	3.65
19 th December 2017	765.61	3.66

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

Commentary:

- Gross official reserves increased during the week ending 15th December 2017 compared to the preceding week. The official reserves closed at US\$763.34 million (3.65 months of imports) on 15th December 2017 compared to US\$745.09 million (3.57 months of imports) recorded on 8th December 2017. On the 19th December 2017, the Official Reserves stood at US\$765.61 million (3.66 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)
1 st November 2017	0.75	375.33	376.55	1.80
8 th December 2017	3.82	399.56	403.38	1.93
15 th December 2017	7.06	424.49	431.54	2.06
19 th December 2017	6.63	426.24	433.28	2.07

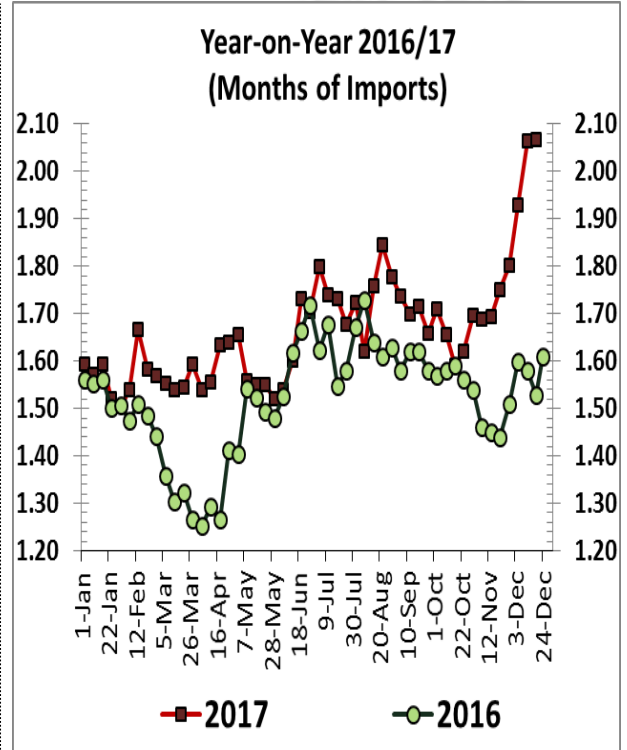
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
1 st December 2017	40.23	45.18
8 th December 2017	52.72	52.64
15 th December 2017	46.83	43.42
On 20 th December 2017	15.33	12.54

Commentary:

- ADB's FX trading dropped during the week ending 15th December 2017 compared to the previous week. ADBs purchased US\$46.83 million from the market and sold US\$43.42 million last week. On Wednesday, 20th December 2017 alone, ADBs purchased US\$15.33 million and sold US\$12.54 million.

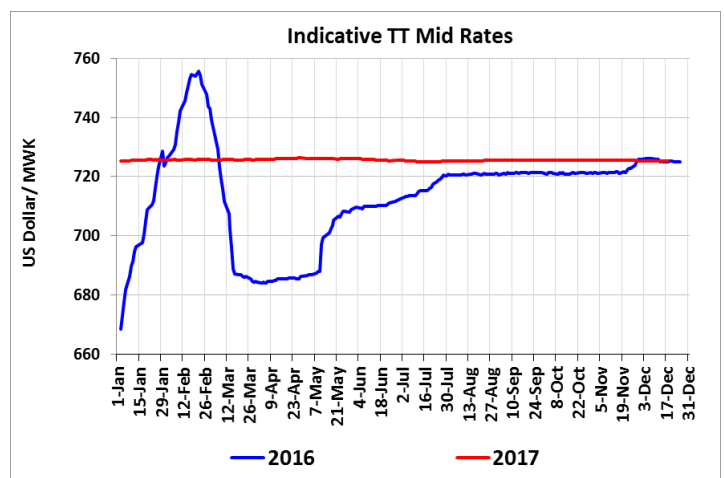
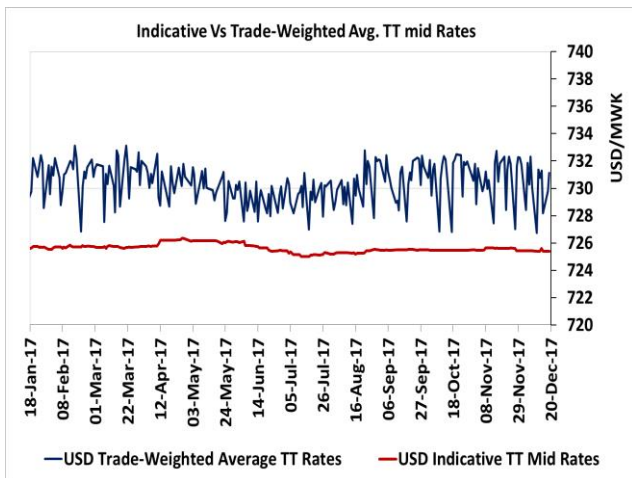


iii. Exchange Rate Developments

	14 th Dec 2017	15 th Dec 2017	18 th Dec 2017	19 th Dec 2017	20 th Dec 2017	Today's Indicative Rates
MWK/USD	731.2802	728.1798	726.7800	731.1062	731.3925	725.3978
MWK/GBP	979.1906	980.0526	975.4694	977.7255	976.1819	969.3491
MWK/EUR	862.8815	858.3746	858.4716	857.2745	863.9001	860.6845
MWK/ZAR	54.0043	54.0382	56.1026	57.1428	57.0725	56.9002

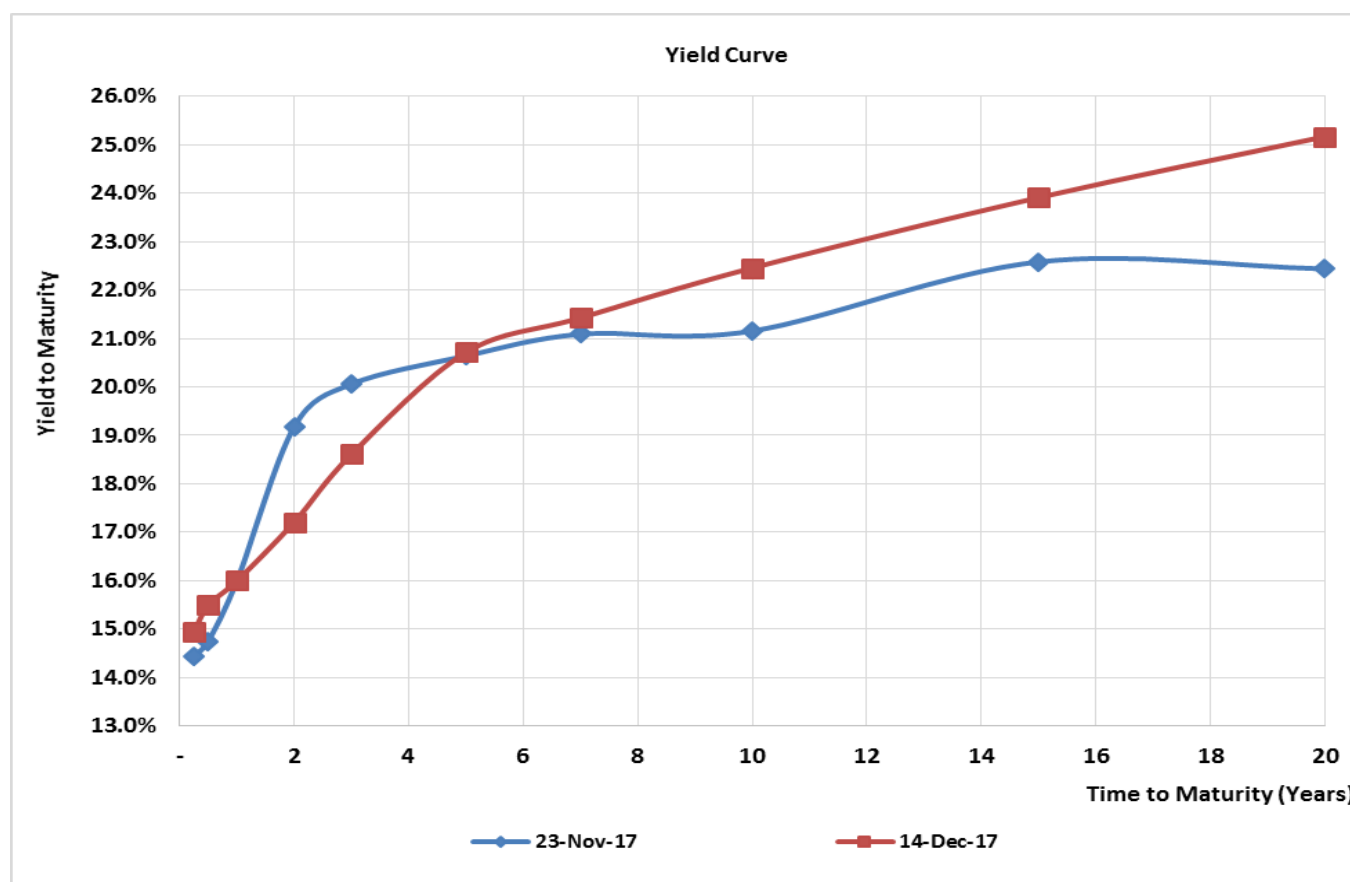
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday 20th December 2017, the Kwacha appreciated against the GBP and the ZAR but depreciated against the USD and the EUR. Indicatively, the Kwacha is expected to trade around K725.3978 against the USD today, 21st December 2017.



D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
13 th July 2017	16.89%	-	19.00%	23.74%	23.85%	23.69%	24.52%	24.25%	23.57%	24.92%
27 th July 2017	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10 th August 2017	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 th August 2017	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28 th September 2017	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 th October 2017	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 th November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 rd November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
14 th December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%	22.45%	23.91%	25.17%
14 Dec – 23 Nov 2017 Change in Yield (Bp)	49	74	0	-197	-145	7	34	130	133	273



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