



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 23<sup>rd</sup> January 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 26 <sup>th</sup> January 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	5,567	34,596
Estimated Excess Reserves before OMO	7,337	36,271
Estimated Excess Reserves after OMO	0	0
Required Reserves	75,013	75,013

#### ii. Known Projected Transactions

	Week ending 26 <sup>th</sup> January 2018	January 2018	Week ending 2 <sup>nd</sup> February 2018	February 2018
Maturity of normal TBs/TNs/PNs	10,824	40,285	10,725	62,062
Maturity of OMO Repos	17,850	102,076	5,318	80,755

#### Commentary:

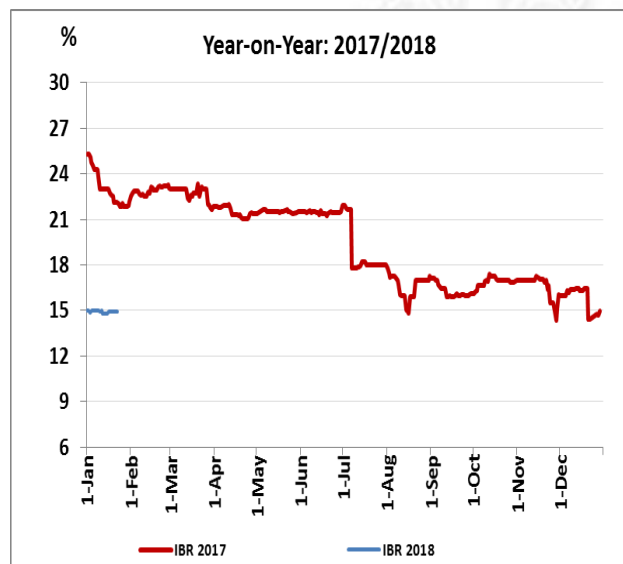
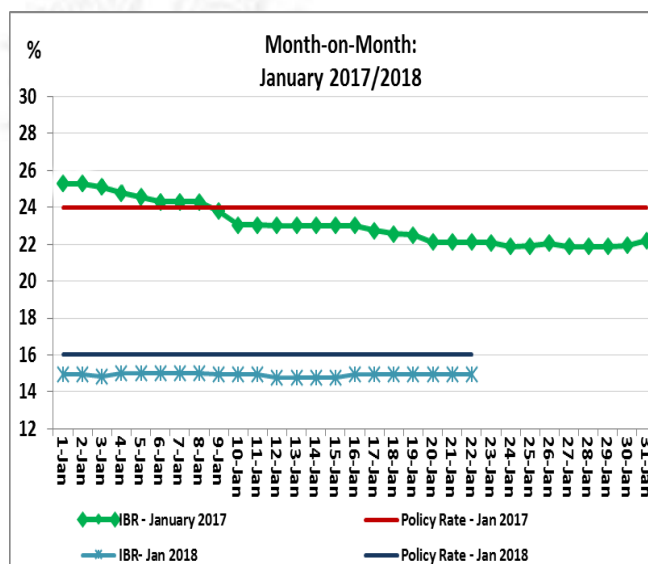
Excess reserves increased and closed at K1.77 billion on Monday, 22<sup>nd</sup> January 2018 from K1.67 billion recorded on Friday, 19<sup>th</sup> January 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,380	14.93
07 days	-	-
14 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
O/N	-	-
7 days	55	15.00
14 days	-	-
28 days	4,391	15.00
63 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	5,810	18.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market dropped to K6.38 billion on Monday, 22<sup>nd</sup> January 2018 from K7.75 billion recorded on Friday, 19<sup>th</sup> January 2018.
- The interbank market rate (IBR) remained unchanged and closed at 14.93 percent.
- K5.81 billion was accessed on the Lombard Facility on Monday, 22<sup>nd</sup> January 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

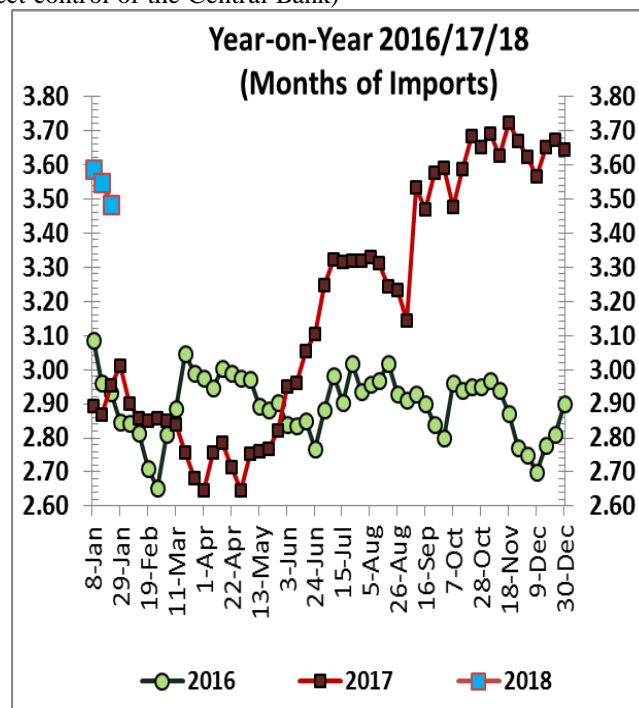
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
15 <sup>th</sup> December 2017	763.34	3.65
22 <sup>nd</sup> December 2017	767.64	3.67
29 <sup>th</sup> December 2017	761.97	3.65
5 <sup>th</sup> January 2018	749.46	3.59
12 <sup>th</sup> January 2018	741.14	3.55
19 <sup>th</sup> January 2018	728.36	3.48

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

### Commentary:

- Gross official reserves went down during the week ending 19<sup>th</sup> January 2018 compared to the preceding week. The official reserves closed at US\$728.36 million (3.48 months of imports) on 19<sup>th</sup> January 2018 compared to US\$741.14 million (3.55 months of imports) recorded on 12<sup>th</sup> January 2018.



## 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)
29 <sup>th</sup> December 2017	7.34	406.69	414.03	1.98
5 <sup>th</sup> January 2018	4.77	404.86	409.63	1.96
12 <sup>th</sup> January 2018	-3.94	395.68	391.74	1.87
19 <sup>th</sup> January 2018	1.80	406.79	408.60	1.96

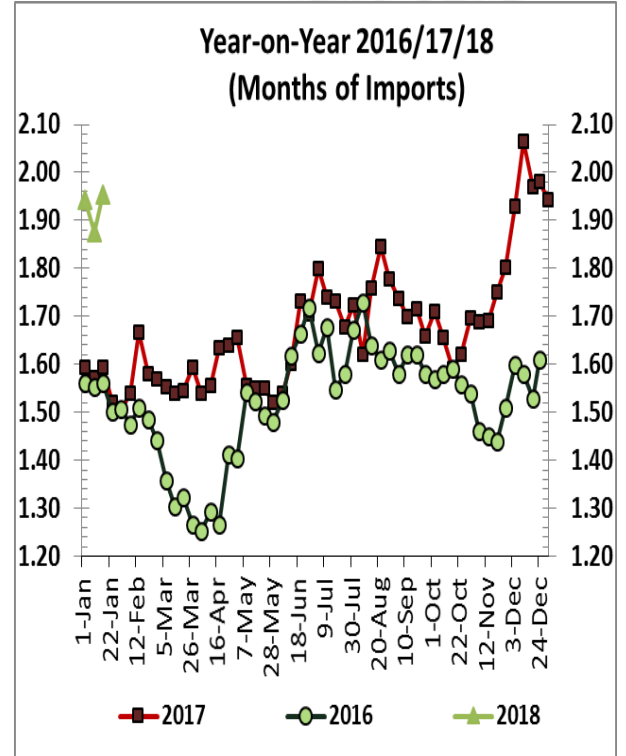
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
5 <sup>th</sup> January 2018	26.18	34.49
12 <sup>th</sup> January 2018	36.94	44.53
19 <sup>th</sup> January 2018	48.76	46.05
On 22 <sup>nd</sup> January 2018	14.18	8.72

#### Commentary:

- ADB's FX trading increased during the week ending 19<sup>th</sup> January 2018 compared to the previous week. ADBs purchased a total of US\$48.76 million from the market and sold a total of US\$46.05 million during the week. On Monday, 22<sup>nd</sup> January 2018, ADBs purchased US\$14.18 million and sold US\$8.72 million.

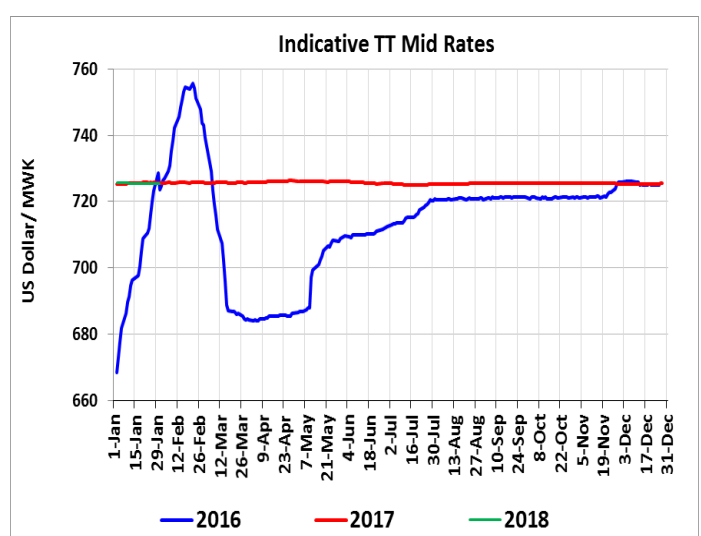
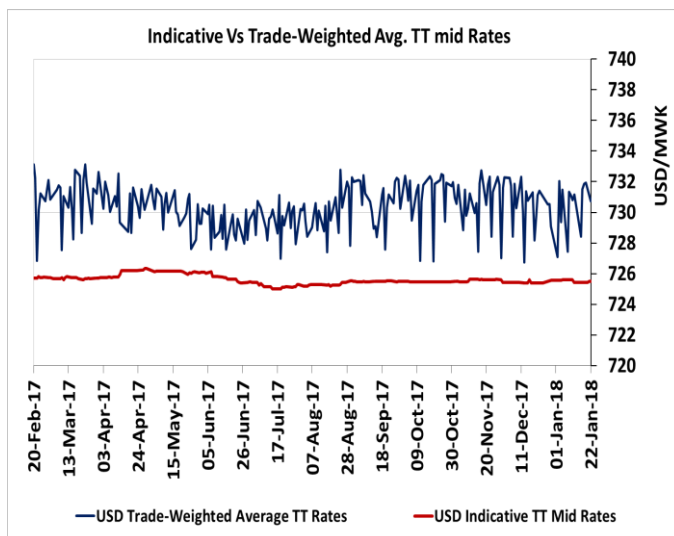


## iii. Exchange Rate Developments

	16 <sup>th</sup> January 2018	17 <sup>th</sup> January 2018	18 <sup>th</sup> January 2018	19 <sup>th</sup> January 2018	22 <sup>nd</sup> January 2018	Today's Indicative Rates
MWK/USD	731.8705	731.9243	730.7209	732.5190	731.2238	725.4945
MWK/GBP	1009.7786	1005.9321	1007.2319	1017.5537	1007.0874	1013.0805
MWK/EUR	891.2458	892.6854	887.6782	892.9395	890.1023	888.1504
MWK/ZAR	59.119	59.4284	59.4695	60.1496	60.3116	59.9033

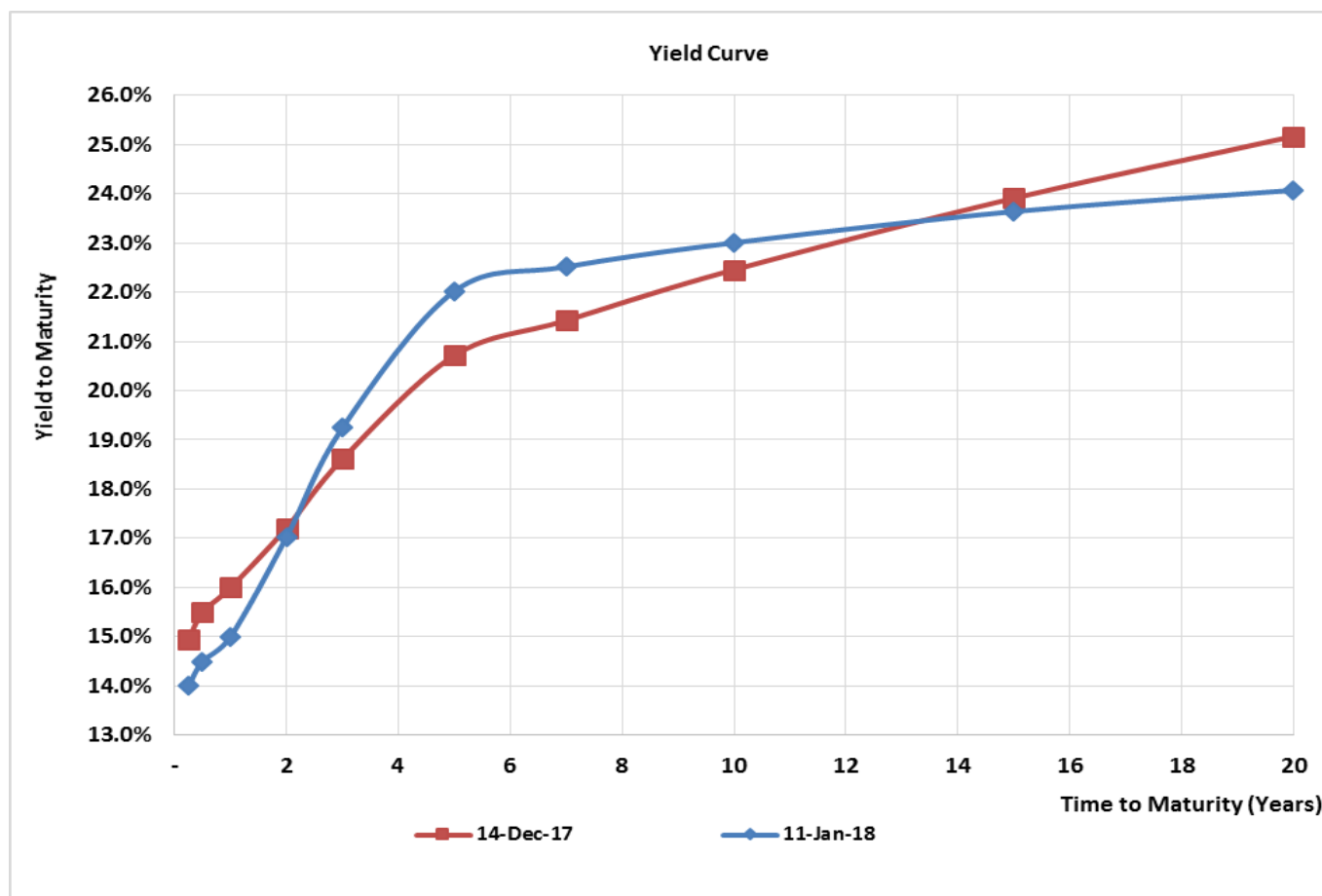
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Monday, 22<sup>nd</sup> January 2018, the Kwacha appreciated against the USD, the GBP and the EUR but depreciated against the ZAR. Indicatively, the Kwacha is expected to trade around K725.4945 against the USD today, 23<sup>rd</sup> January 2018.



#### 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
27 <sup>th</sup> July 2017	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10 <sup>th</sup> August 2017	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 <sup>th</sup> August 2017	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28 <sup>th</sup> September 2017	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 <sup>th</sup> October 2017	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 <sup>th</sup> November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%	22.45%	23.91%	25.17%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%	23.00%	23.64%	24.07%
11 Jan 2018 - 14 Dec 2017 Change in Yield (Bp)	-93	-100	-100	-19	63	131	109	55	-27	-110



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