



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 14<sup>th</sup> June 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 15 <sup>th</sup> June 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-6,764	2,717
Estimated Excess Reserves before OMO	5,510	3,990
Estimated Excess Reserves after OMO	0	0
Required Reserves	75,764	75,764

#### ii. Known Projected Transactions

	Week ending 15 <sup>th</sup> June 2018	Week ending 22 <sup>nd</sup> June 2018	Week ending 29 <sup>th</sup> June 2018	June 2018
Maturity of normal TBs/TNs/PNs	4,841	4,666	21,907	44,075
Maturity of OMO Repos	14,624	14,202	23,094	57,262

#### Commentary:

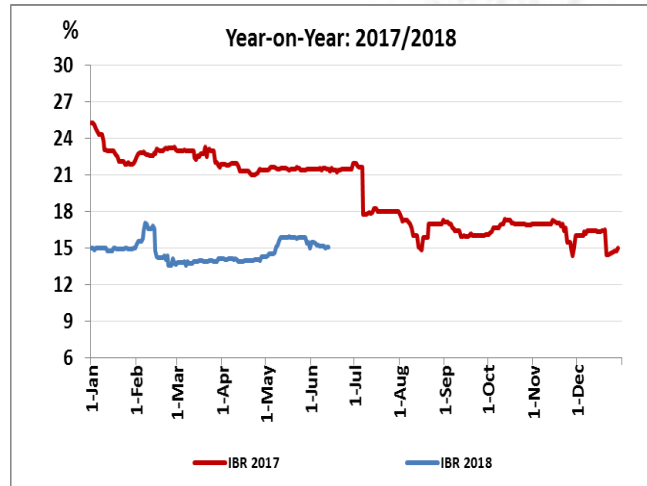
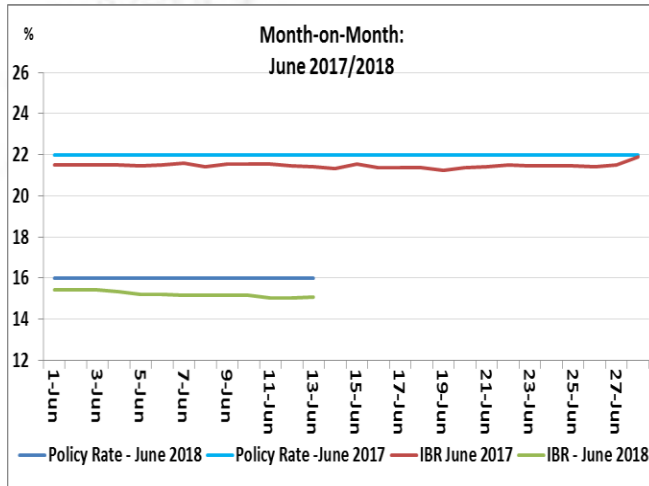
Excess reserves significantly increased to K12.27 billion on Wednesday, 13<sup>th</sup> June 2018, from K5.17 billion recorded on Tuesday, 12<sup>th</sup> June 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	5,450	15.10
7 days	-	-
14 days	-	-
<b>(b) RBM Open market operations</b>		
<b>(i) Repos</b>		
O/N	-	-
7 days	-	-
14 days	-	-
30 days	50	15.00
61 days	500	15.00
91 days	500	15.00
<b>(ii) Reverse Repos</b>		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	2,100	18.00

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market dropped to K5.45 billion on Wednesday, 13<sup>th</sup> June 2018, from K13.14 billion recorded on Tuesday, 12<sup>th</sup> June 2018.
- The overnight interbank market rate (IBR) increased by 5 basis points and closed at 15.10 percent.
- K1.05 billion was withdrawn from the banking system through OMO repos on Wednesday, 13<sup>th</sup> June 2018.
- A total of K2.10 billion was accessed on the Lombard Facility on Wednesday, 13<sup>th</sup> June 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

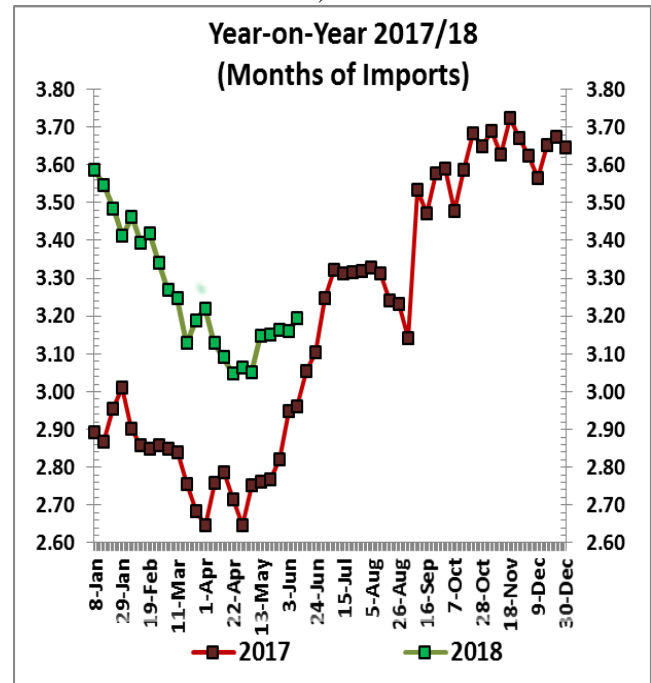
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
11 <sup>th</sup> May 2018	658.19	3.15
18 <sup>th</sup> May 2018	658.56	3.15
25 <sup>th</sup> May 2018	661.40	3.16
1 <sup>st</sup> June 2018	665.72	3.19
8 <sup>th</sup> June 2018	660.56	3.16
13 <sup>th</sup> June 2018	667.60	3.19

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

### Commentary:

- Gross official reserves dropped during the week ending 8<sup>th</sup> June 2018 to \$660.56 million (3.16 months of imports) from \$665.72 million (3.19 months of imports) at the end of the preceding week. As at 13<sup>th</sup> June 2018, gross official reserves stood at \$667.60 million (3.19 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)
25 <sup>th</sup> May 2018	-10.59	366.32	355.73	1.70
1 <sup>st</sup> June 2018	-1.45	360.74	359.28	1.72
8 <sup>th</sup> June 2018	-6.31	361.62	355.26	1.70
13 <sup>th</sup> June 2018	-8.07	356.87	348.79	1.67

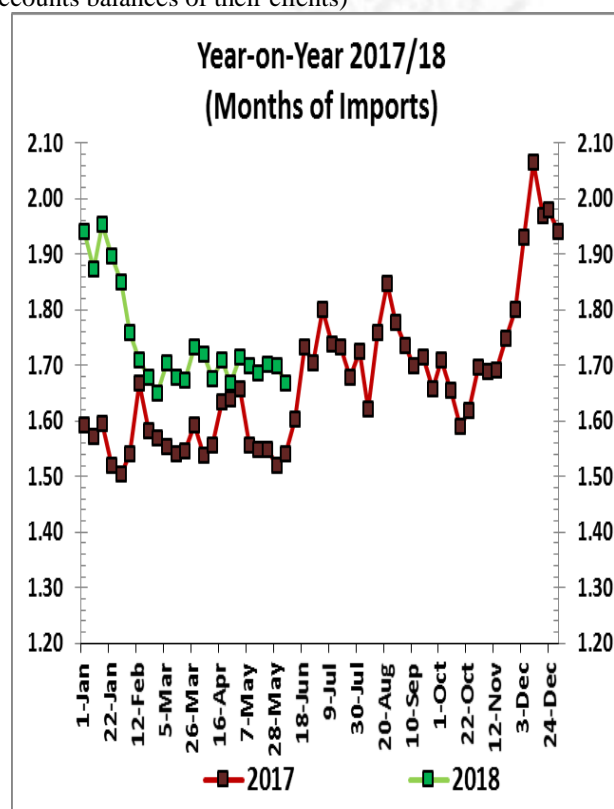
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
18 <sup>th</sup> May 2018	43.59	37.17
25 <sup>th</sup> May 2018	47.39	52.92
1 <sup>st</sup> June 2018	56.16	51.28
8 <sup>th</sup> June 2018	56.92	69.98
13 <sup>th</sup> June 2018	16.05	17.69

### Commentary:

- ADB's FX trading increased during the week ending 8<sup>th</sup> June 2018 compared to the previous week. ADBs purchased a total of US\$56.92 million from the market and sold a total of US\$69.98 million during the week. On Wednesday, 13<sup>th</sup> June 2018, ADBs purchased US\$16.05 million from the market and sold US\$17.69 million.

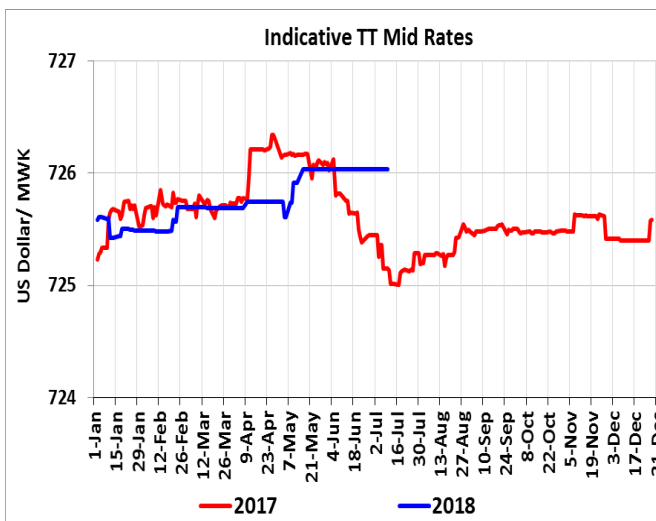
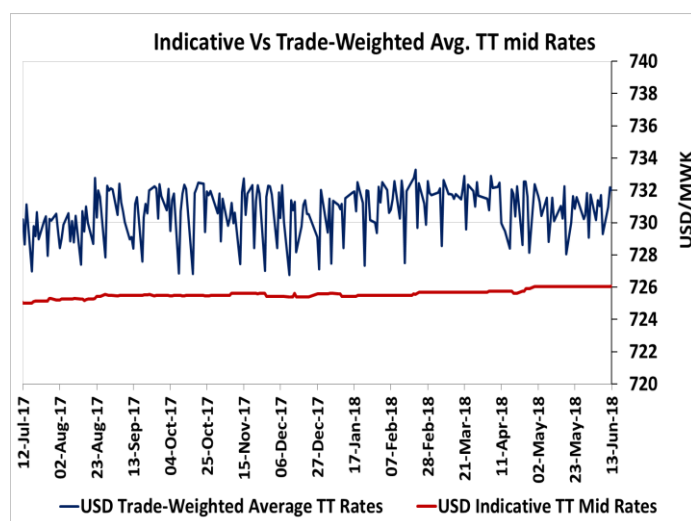


## iii. Exchange Rate Developments

	7 <sup>th</sup> June 2018	8 <sup>th</sup> June 2018	11 <sup>th</sup> June 2018	12 <sup>th</sup> June 2018	13 <sup>th</sup> June 2018	Today's indicative Rates
MWK/USD	731.7000	729.2875	730.9758	732.1923	732.0086	726.0535
MWK/GBP	979.4083	978.9494	976.6285	971.6079	973.9831	972.7665
MWK/EUR	859.9050	860.2284	861.5708	860.2563	858.9085	857.2514
MWK/ZAR	57.3628	55.8224	55.7592	55.9715	55.6231	54.7791

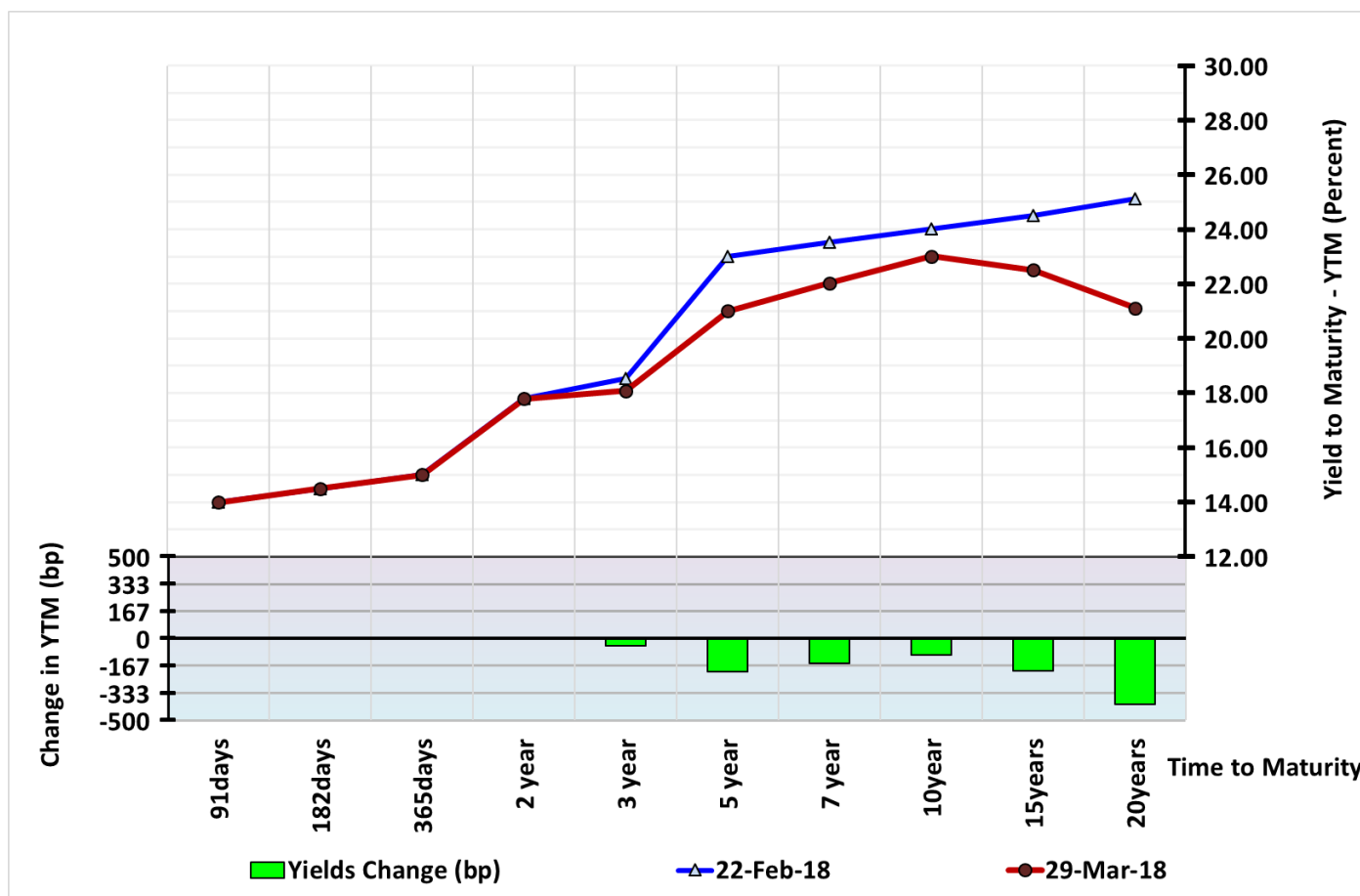
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Wednesday, 13<sup>th</sup> June 2018, the Kwacha appreciated against the USD, the EUR and the ZAR but depreciated against the GBP. Indicatively, the local currency is expected to trade at K726.0535 per US Dollar today, 14<sup>th</sup> June 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
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%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%	24.01%	24.51%	25.12%
22 <sup>nd</sup> February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%	24.01%	24.51%	25.12%
29 <sup>th</sup> March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%	23.01%	22.51%	21.12%
29 Mar - 22 Feb 2018 Change in Yield (Bp)	0	0	0	0	-44	-200	-150	-100	-200	-400



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