



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 25th July 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 27 th July 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-4,070	18,877
Estimated Excess Reserves before OMO	-2,371	11,244
Estimated Excess Reserves after OMO	0	0
Required Reserves	78,119	78,119

ii. Known Projected Transactions

	Week ending 27 th July 2018	July 2018	August 2018
Maturity of normal TBs/TNs/PNs	8,685	44,387	23,320
Maturity of OMO Repos	26,112	71,034	46,528

Commentary:

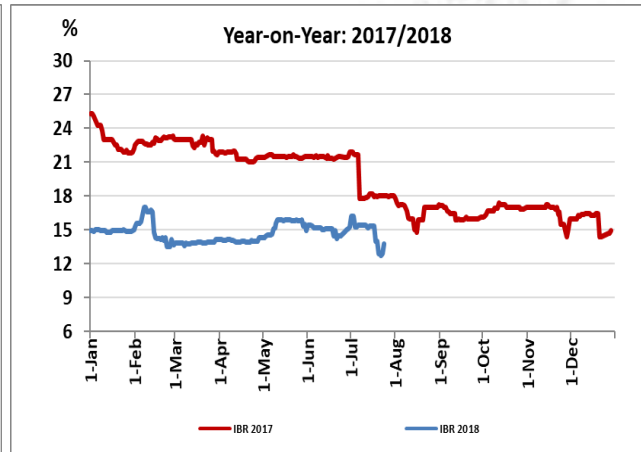
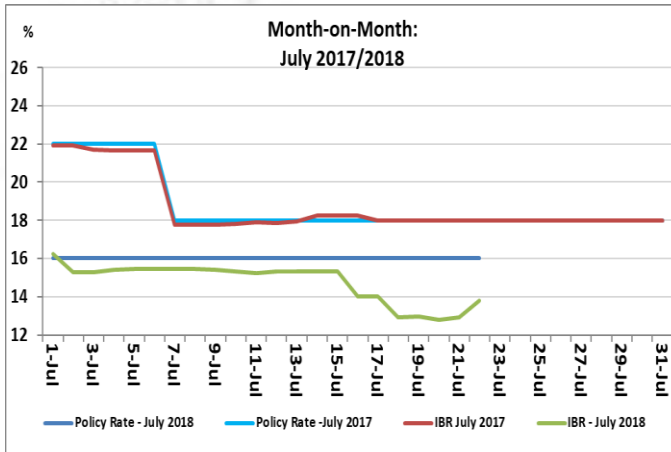
Excess reserves dropped to K1.70 billion on Tuesday, 24rd July 2018, from K2.34 billion recorded on Monday, 23rd July 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	4,900	13.78
7 days	-	-
19 days	-	-
(b) RBM Open market operations		
(i) Repos		
1 days	-	-
7 days	-	-
14 days	-	-
31 days	-	-
63 days	-	-
168 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	12,400	18.00

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market decreased to K4.90 billion on Tuesday, 24th July 2018, from K10.95 billion on Monday, 23rd July 2018.
- The overnight interbank market rate (IBR) increased by 97 basis points (bps) and closed at 13.78 percent.
- A total of K12.40 billion was accessed from the Lombard Facility on Tuesday, 24th July 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

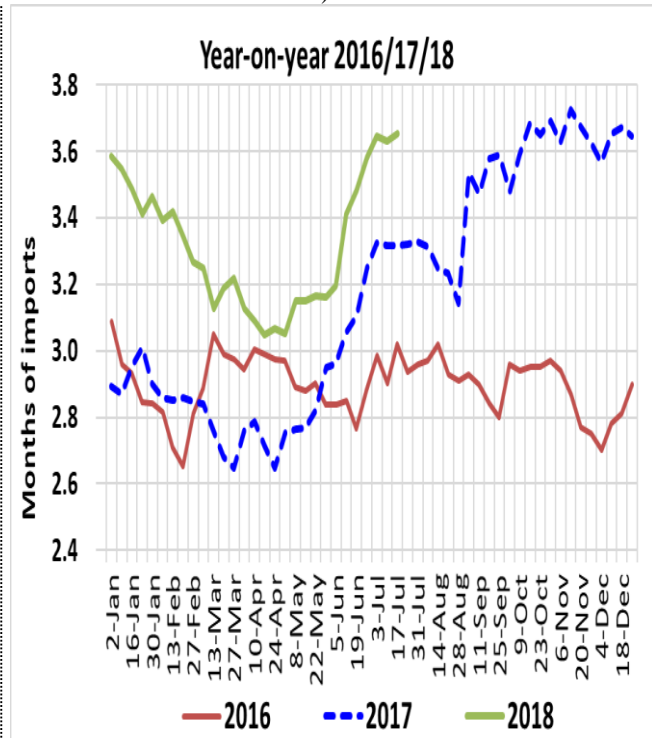
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
22 nd June 2018	712.97	3.41
29 th June 2018	728.10	3.48
5 th July 2018	748.50	3.58
13 th July 2018	761.51	3.64
20 th July 2018	758.59	3.63
On 23 rd July 2018	763.02	3.65

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

Commentary:

- Gross official reserves decreased during the week ending 20th July 2018 to \$758.59 million (3.63 months of imports) from \$761.51 million (3.64 months of imports) at the end of the preceding week. As at 23rd July 2018, gross official reserves stood at \$763.02 million (3.65 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)
5 th July 2018	-5.22	364.25	359.03	1.72
13 th July 2018	-5.02	363.04	358.02	1.71
20 th July 2018	0.51	366.81	367.32	1.76
On 23 rd July 2018	-1.97	359.17	357.20	1.71

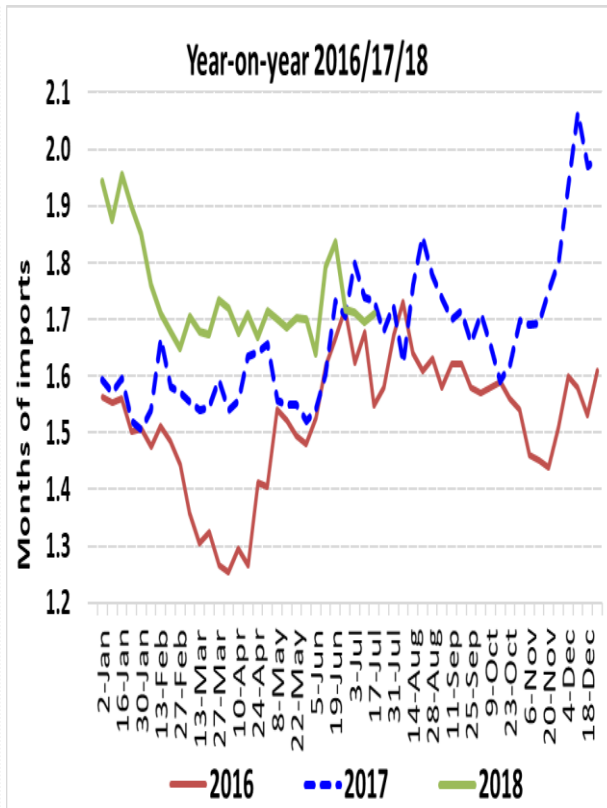
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
29 th June 2018	72.66	68.75
5 th July 2018	37.41	53.64
13 th July 2018	62.33	75.02
20 th July 2018	57.76	60.35
On 24 th July 2018	11.20	6.73

Commentary:

- ADB's FX trading increased during the week ending 13th July 2018 compared to the previous week. ADBs purchased a total of US\$62.33 million from the market and sold a total of US\$75.02 million during the week. On Tuesday, 24th July 2018, ADBs purchased US\$11.20 million from the market and sold US\$6.73 million.

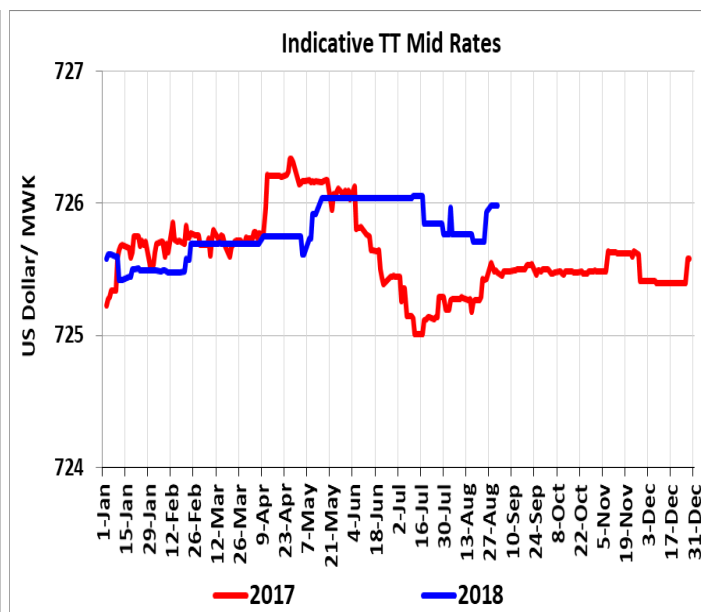
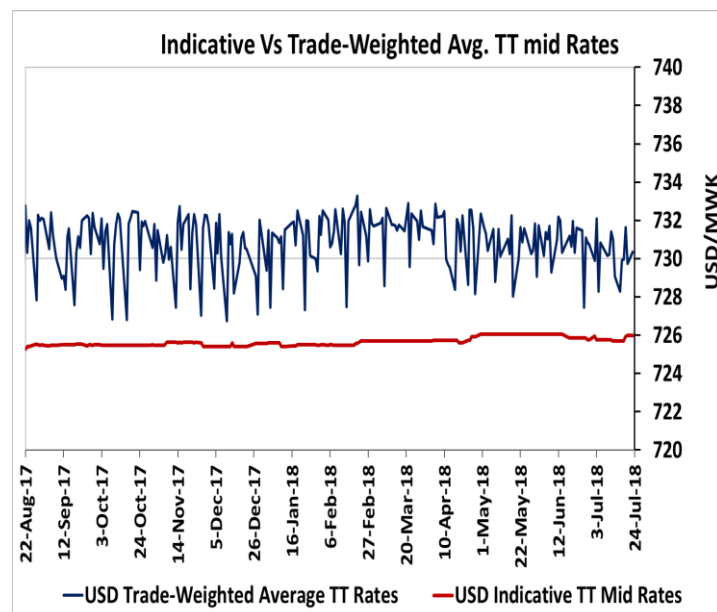


iii. Exchange Rate Developments

	18 th July 2018	19 th July 2018	20 th July 2018	23 rd July 2018	24 th July 2018	Today's indicative Rates
MWK/USD	729.9662	731.6416	729.7302	730.3362	731.0470	725.9868
MWK/GBP	958.2607	955.5738	951.2858	958.7885	958.5438	954.6726
MWK/EUR	851.2853	851.9067	850.6604	854.5362	853.5487	848.3156
MWK/ZAR	54.6050	54.8834	53.8568	54.2279	54.0349	54.7411

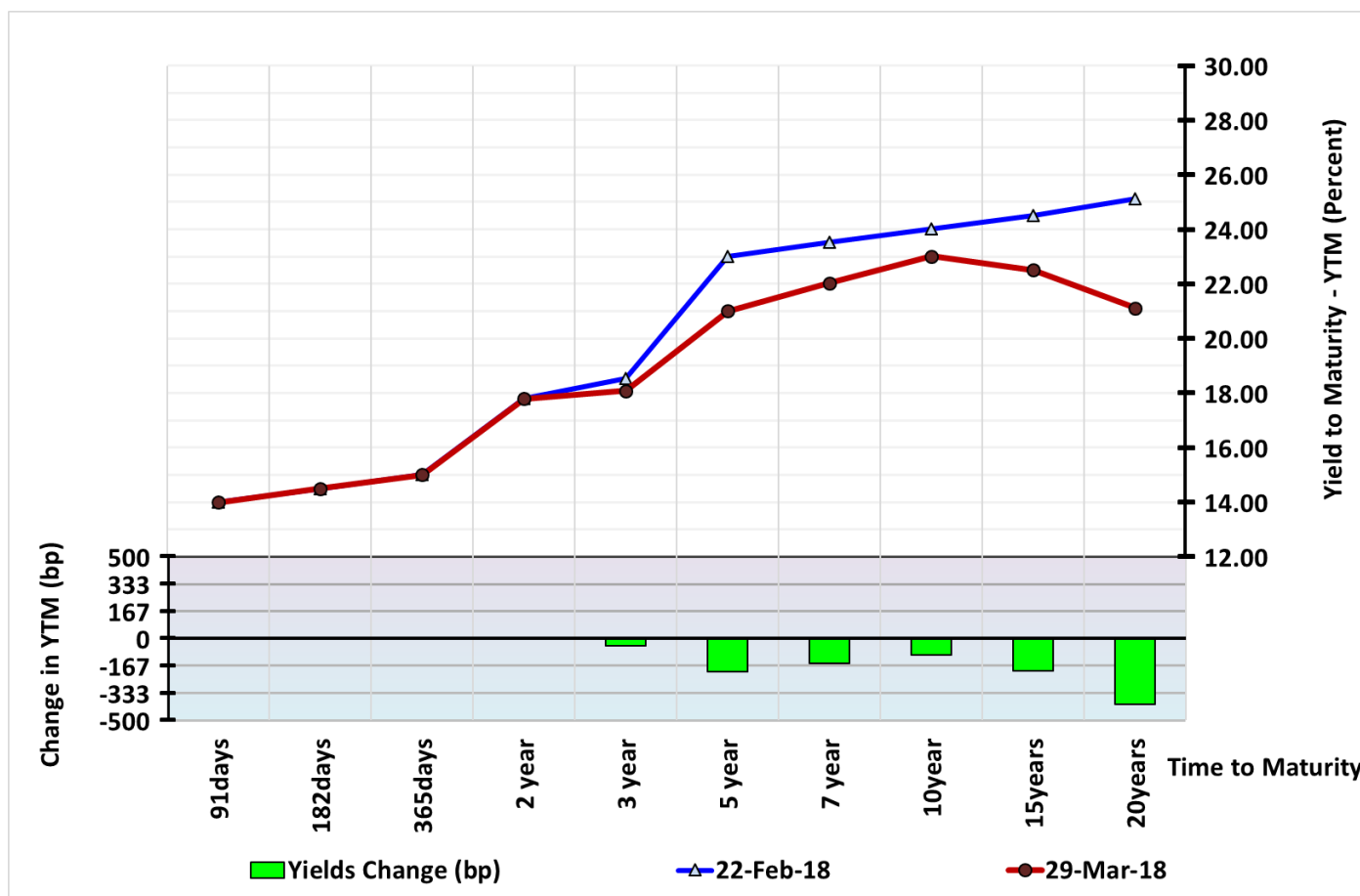
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Tuesday, 24th July 2018, the Kwacha depreciated against the USD but gained value against the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to trade at K725.9868 per US Dollar today, 25th July 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 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%
11 th January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%	23.00%	23.64%	24.07%
8 th February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%	24.01%	24.51%	25.12%
22 nd February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%	24.01%	24.51%	25.12%
29 th 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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