



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 1st November 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 2 nd November 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-4,650	-10,212
Estimated Excess Reserves before OMO	-3,181	-2,387
Estimated Excess Reserves after OMO	0	0
Required Reserves	77,870	77,870

ii. Known Projected Transactions

	Week ending 19 th October 2018	Week ending 26 th October 2018	October 2018	Week ending 2 nd November 2018
Maturity of normal TBs/TNs/PNs	18,484	5,766	38,454	9,556
Maturity of OMO Repos	6,463	14,700	33,547	19,875

Commentary:

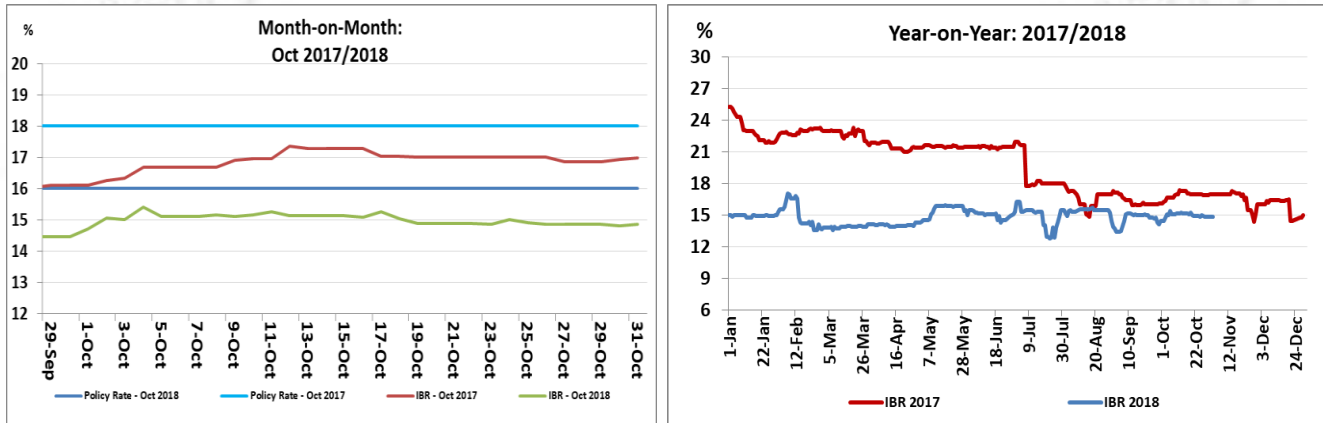
Excess reserves dropped to K1.46 billion on Wednesday, 31st October 2018, from K2.66 billion recorded on Tuesday, 30th October 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume (Mk'mn)	Average rate (%)
O/N	10,500	14.87
7 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
31 days	-	-
60 days	-	-
91 days	-	-
150 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	4,660	18.00

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K10.50 billion on Wednesday, 31st October 2018, from K9.35 billion on 30th October 2018.
- The overnight interbank market rate (IBR) increased by 7 basis points (bps) to 14.87 percent on 31st October, 2018 from 14.80 percent on 30th October 2018.
- A total of K4.66 billion was borrowed from the Lombard Facility on Wednesday, 31st October 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

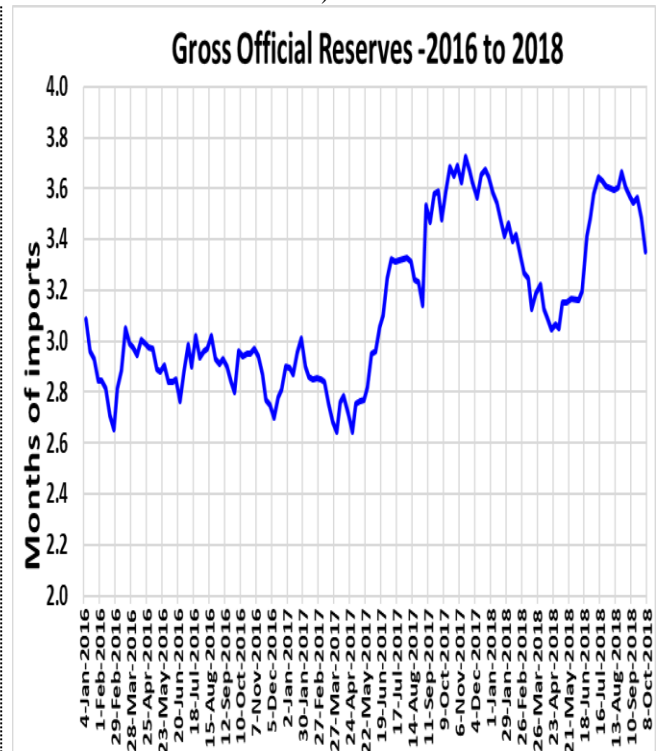
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
30 th April 2018	637.77	3.05
31 st May 2018	662.21	3.17
29 th June 2018	728.10	3.48
31 st July 2018	754.23	3.61
31 st Aug 2018	753.52	3.61
28 th Sep 2018	727.63	3.48

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

Commentary:

- Gross official reserves decreased during September 2018 to \$727.63 million (3.48 months of imports) from \$753.52 million (3.61 months of imports) at the end of the preceding month.



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 th June 2018	12.81	370.98	383.79	1.84
31 st July 2018	1.87	336.61	338.48	1.62
31 st Aug 2018	-9.18	341.24	332.06	1.59
28 th Sep 2018	0.80	318.43	319.23	1.52

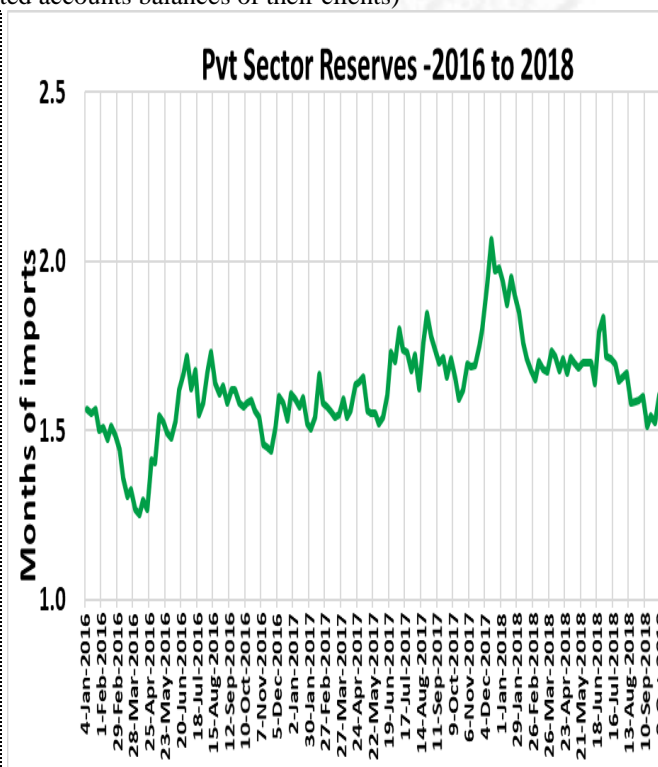
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
12 th Oct 2018	44.05	43.50
19 th Oct 2018	30.77	36.46
26 th Oct 2018	46.71	53.15
31 st Oct 2018	9.97	11.31

Commentary:

- ADB's FX trading increased during the week ending 26th October 2018 compared to the previous week. ADBs purchased a total of US\$46.71 million from the market and sold a total of US\$53.15 million during the week. On Wednesday, 31st October 2018, ADBs purchased US\$9.97 million from the market and sold US\$11.31 million.

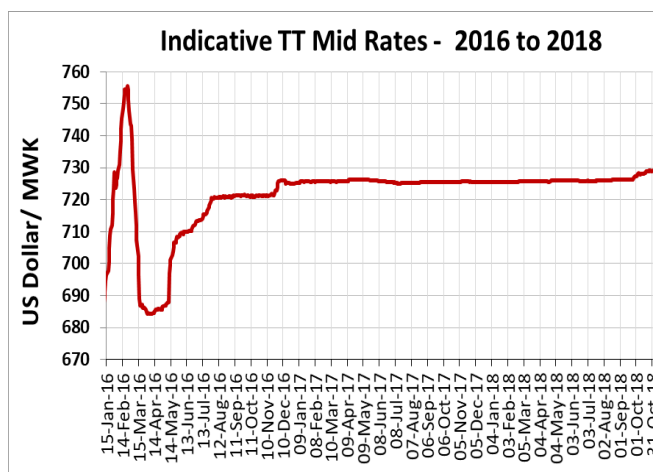
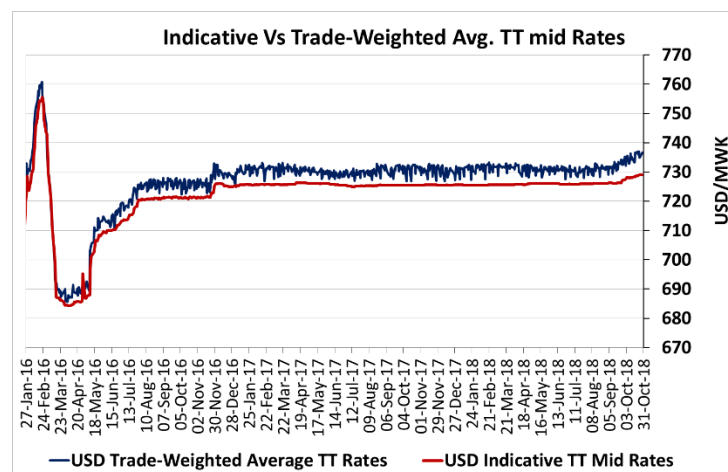


iii. Exchange Rate Developments

	25 th Oct 2018	26 th Oct 2018	29 th Oct 2018	30 th Oct 2018	31 st Oct 2018	Today's indicative Rates
MWK/USD	734.9394	735.3217	736.5764	736.4100	736.0871	729.0395
MWK/GBP	948.1977	942.6808	942.7908	940.8483	938.4426	936.8158
MWK/EUR	833.0220	830.9001	836.3539	835.4163	832.1778	827.0953
MWK/ZAR	50.3679	50.2533	50.6728	50.2177	50.4388	49.5743

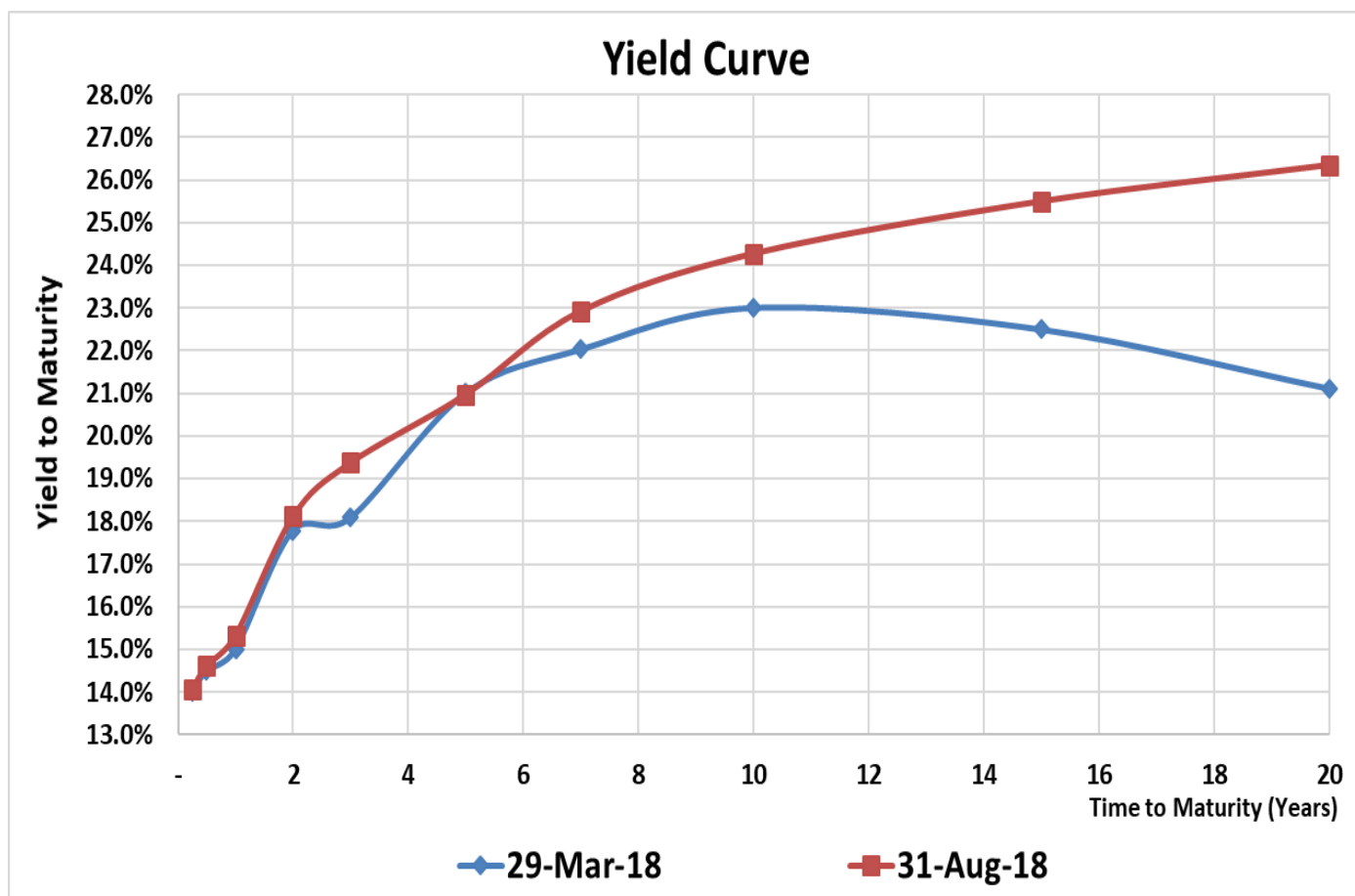
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday, 31st October 2018, the Kwacha appreciated against the USD, the GBP and the EUR but depreciated against the ZAR. Indicatively, the local currency traded at 729.0395 per US Dollar, today 1st November 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
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%
31 st August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%	24.28%	25.50%	26.35%
31 Aug – 29 Mar 2018 Change in Yield (Bp)	7	13	33	32	129	(4)	89	126	299	523



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