# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

*(In Millions of Malawi Kwacha, unless otherwise specified)*

**Tuesday 9th April 2019**

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

| | Today | Week ending 12th April 2019 |
|---|---|---|
| Projected Autonomous Transactions (+= Net injection / - = Net withdrawal) | 896 | 17,812 |
| Estimated Excess Reserves before OMO | 20,657 | 47,346 |
| Estimated Excess Reserves after OMO | 0 | 0 |
| Required Reserves | 51,524 | 51,524 |

#### ii. Known Projected Transactions

| | Week ending 12th April 2019 | Week ending 18th April 2019 | Week ending 26th April 2019 | April 2019 |
|---|---|---|---|---|
| Maturity of normal TBs/TNs/PNs | 15,037 | 16,340 | 15,039 | 60,515 |
| Maturity of OMO Repos | 0 | 0 | 0 | 5,086 |

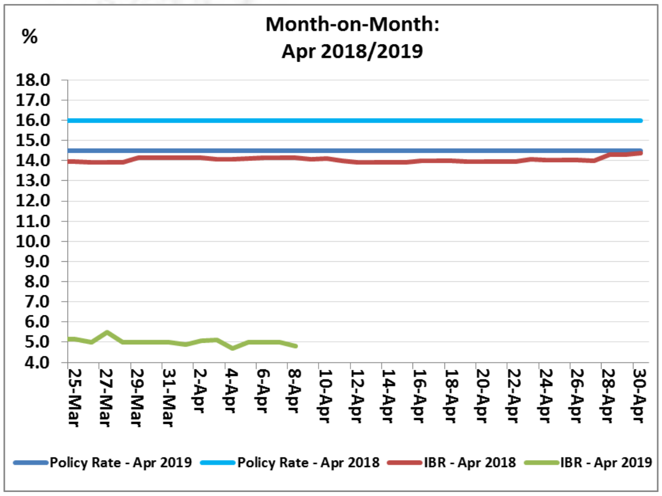
**Commentary:**
Excess reserves increased to K19.76 billion on Monday, 8th April 2019, from K29.53 billion recorded on Friday, 5th April 2019.

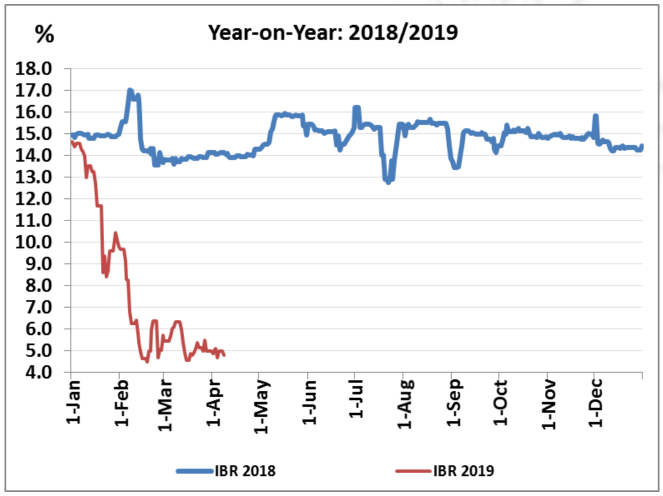
### B. INTER-BANK MARKET DEVELOPMENTS

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

| **(a)** Inter-bank borrowing | **Volume (Mk' mn)** | **Average rate (%)** |
|---|---|---|
| O/N | 6,500 | 4.81 |
| 2 days | - | - |
| 7 days | - | - |
| **(b) RBM Open market operations** | | |
| (i) Repos | | |
| O/N | - | - |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| 91 days | - | - |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| **(c) Access on the Lombard Facility** | - | - |

**Weighted Average Interbank Rates**




**Commentary:**

- Traded volume on the overnight interbank market increased to K6.50 billion on Monday, 8th April 2019, from K6.00 on Friday, 5th April 2019.
- The overnight interbank market rate (IBR) decreased by 19 basis points (bps) and stood at 4.81 percent on Monday, 8th April 2019 from 5.00 percent on Friday, 5th April 2019.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

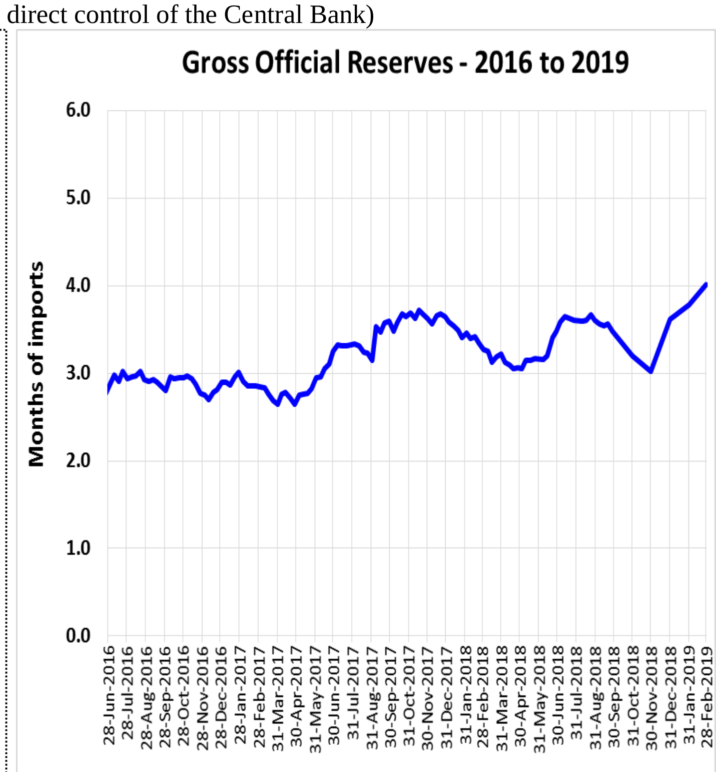
(Foreign reserves under the direct control of the Central Bank)

| Date (US$ million) | Reserves (US$ million) | Import Cover * (Months) |
|---|---|---|
| 30th Nov 2018 | 631.21 | 3.04 |
| 31st Dec 2018 | 755.22 | 3.61 |
| 31st Jan 2019 | 790.28 | 3.78 |
| 28th Feb 2019 | 837.49 | 4.01 |

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

**Commentary:**

- Gross official reserves increased during February 2019 to $837.49 million (4.01 months of imports) from $790.23 million (3.78 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 (ADBs) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

| **Date** (US$ mn) | **ADBs Own Position** | **FCDA** | **Total** | **Import Cover *** (Months) |
|---|---|---|---|---|
| 30th Nov 2018 | 1.63 | 336.28 | 337.92 | 1.62 |
| 31st Dec 2018 | 2.37 | 328.47 | 330.84 | 1.58 |
| 31st Jan 2019 | -4.89 | 324.01 | 319.12 | 1.53 |
| 28th Feb 2019 | -7.31 | 331.59 | 324.27 | 1.55 |

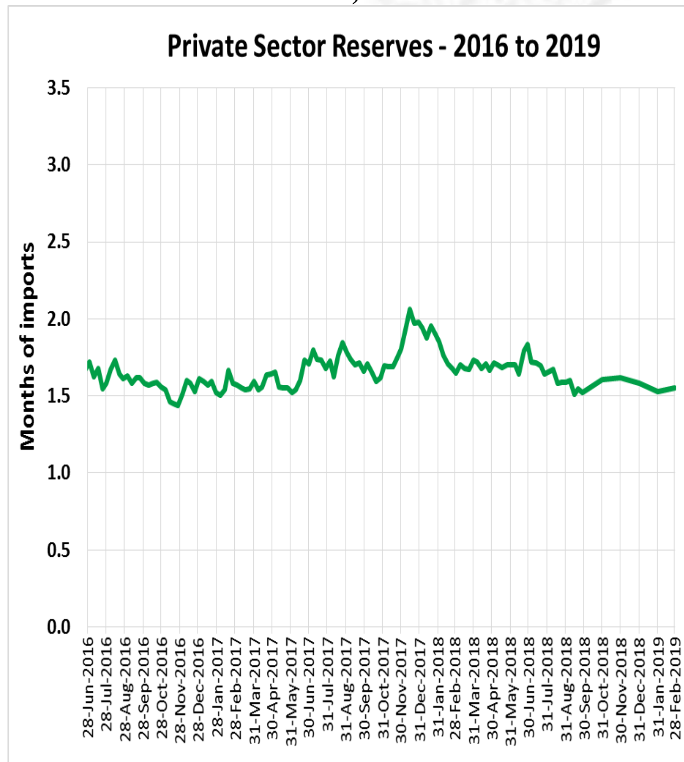
*** US$209.0 million per month is used in this calculation**

**ADBs FOREIGN EXCHANGE TRADING ACTIVITY**

| **Week Ending** (US$ mn) | **ADBs Purchases** | **ADBs Sales** |
|---|---|---|
| 22nd Mar 2019 | 31.53 | 36.13 |
| 29th Mar 2019 | 25.89 | 29.05 |
| 5th Apr 2019 | 25.40 | 28.59 |
| On 8th Apr 2019 | 4.09 | 4.26 |

**Commentary:**

- ADBs FX trading decreased during the week ending 5th April 2019 compared to the previous week. ADBs purchased a total of US$25.40 million from the market and sold a total of US$28.59 million during the week. On Monday, 8th April 2019, ADBs purchased US$4.09 million from the market and sold US$4.26 million.

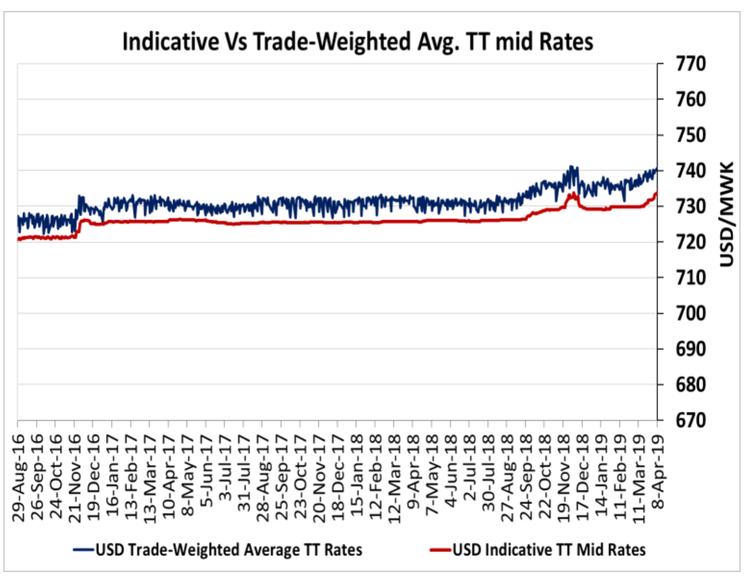


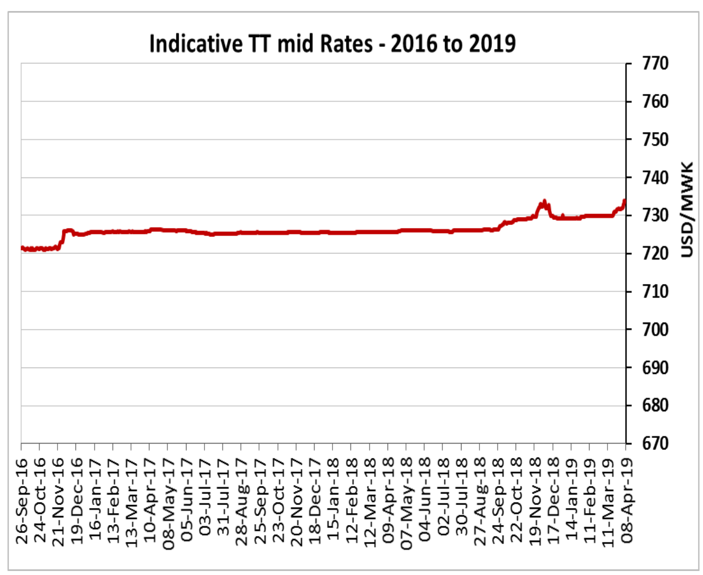

### iii. Exchange Rate Developments

| | **2nd April 2019** | **3rd April 2019** | **4th April 2019** | **5th April 2019** | **8th April 2019** | **Today's indicative Rates** |
|---|---|---|---|---|---|---|
| MWK/USD | 740.2170 | 739.9229 | 739.2172 | 739.9187 | 740.6940 | 733.8148 |
| MWK/GBP | 966.0521 | 961.9760 | 969.8594 | 970.2047 | 966.4788 | 960.4168 |
| MWK/EUR | 828.6032 | 827.6311 | 827.8934 | 828.7674 | 828.4466 | 826.4222 |
| MWK/ZAR | 51.8004 | 52.2758 | 52.4568 | 52.1207 | 52.5348 | 51.9416 |

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 Friday, 5th April 2019, the Kwacha depreciated against the USD and the ZAR but appreciated against the GBP and the EUR. Indicatively, the local currency is expected to be trading at 733.8148 per US Dollar today, 9th April 2019.



## 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 |
|---|---|---|---|---|---|---|---|
| 23rd November 2017 | 14.44% | 14.75% | 16.00% | 19.18% | 20.06% | 20.64% | 21.09% |
| 14th December 2017 | 14.93% | 15.50% | 16.00% | 17.21% | 18.61% | 20.71% | 21.43% |
| 11th January 2018 | 14.00% | 14.50% | 15.00% | 17.02% | 19.24% | 22.02% | 22.51% |
| 8th February 2018 | 13.91% | 14.50% | 15.00% | 17.79% | 20.00% | 23.01% | 23.54% |
| 22nd February 2018 | 14.00% | 14.50% | 15.00% | 17.79% | 18.53% | 23.01% | 23.54% |
| 29th March 2018 | 14.00% | 14.50% | 15.00% | 17.79% | 18.09% | 21.01% | 22.04% |
| 31st August 2018 | 14.06% | 14.63% | 15.33% | 18.11% | 19.38% | 20.98% | 22.93% |
| 16th January 2019 | 11.42% | 13.00% | 14.00% | 15.32% | 20.00% | 20.50% | 24.00% |
| 11th February 2019 | 9.40% | 10.45% | 11.50% | 17.32% | 20.00% | 20.50% | 24.00% |
| 11 Feb 2019 – 16 Jan 2018 Change in Yield (Bp) | (2.02) | (2.55) | (2.50) | 2.00 | 0.00 | 0.00 | 0.00 |