



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday 29<sup>th</sup> April 2019

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 3 <sup>rd</sup> May 2019
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-5,066	3,901
Estimated Excess Reserves before OMO	424	9,391
Estimated Excess Reserves after OMO	0	0
Required Reserves	51,524	51,524

#### ii. Known Projected Transactions

	Week ending 12 <sup>th</sup> April 2019	Week ending 18 <sup>th</sup> April 2019	Week ending 26 <sup>th</sup> 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:

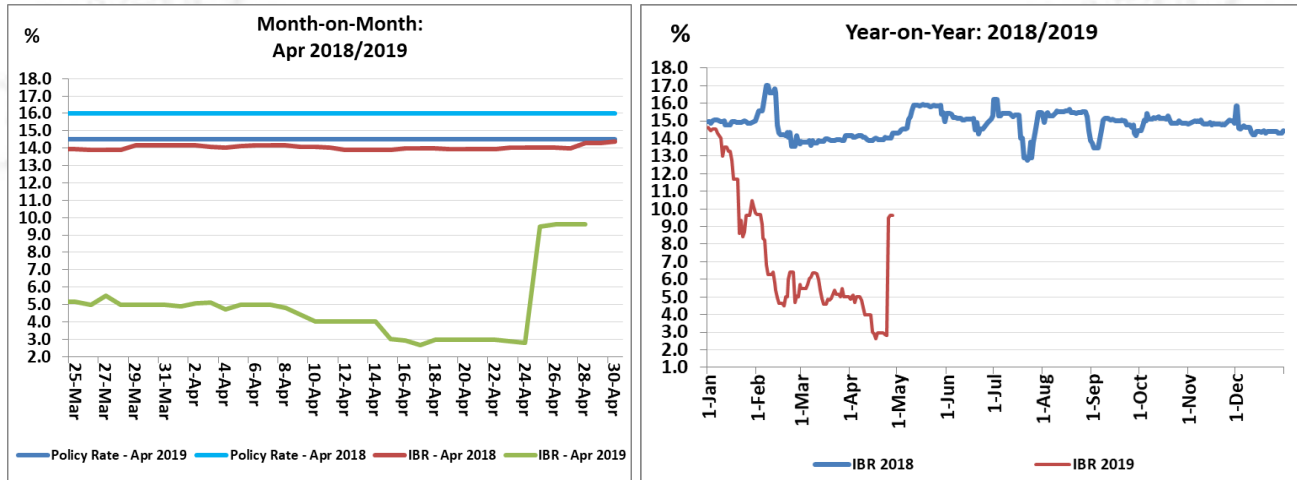
Excess reserves increased to K5.49 billion on Friday, 26<sup>th</sup> April 2019, from K1.74 billion recorded on Thursday, 25<sup>th</sup> April 2019.

### 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	6,850	9.62
2 days	-	-
7 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
91 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	13,250	14.90

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market increased to K6.85 billion on Friday, 26<sup>th</sup> April 2019 from K2.40 billion on Thursday, 25<sup>th</sup> April 2019.
- The overnight interbank market rate (IBR) increased by 12 basis points (bps) to 9.62 percent on Friday, 26<sup>th</sup> April 2019 from 9.50 percent on Thursday, 25<sup>th</sup> April 2019.
- K13.25 billion was accessed on the Lombard facility on Friday, 26<sup>th</sup> April 2019.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

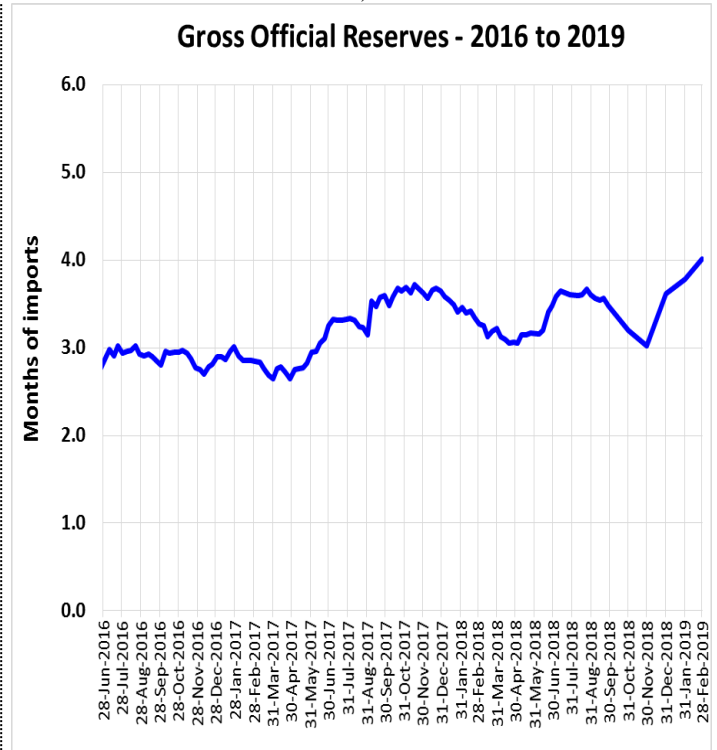
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ million)	Reserves (US\$ million)	Import Cover * (Months)
30 <sup>th</sup> Nov 2018	631.21	3.04
31 <sup>st</sup> Dec 2018	755.22	3.61
31 <sup>st</sup> Jan 2019	790.28	3.78
28 <sup>th</sup> 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 (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)
30 <sup>th</sup> Nov 2018	1.63	336.28	337.92	1.62
31 <sup>st</sup> Dec 2018	2.37	328.47	330.84	1.58
31 <sup>st</sup> Jan 2019	-4.89	324.01	319.12	1.53
28 <sup>th</sup> Feb 2019	-7.31	331.59	324.27	1.55

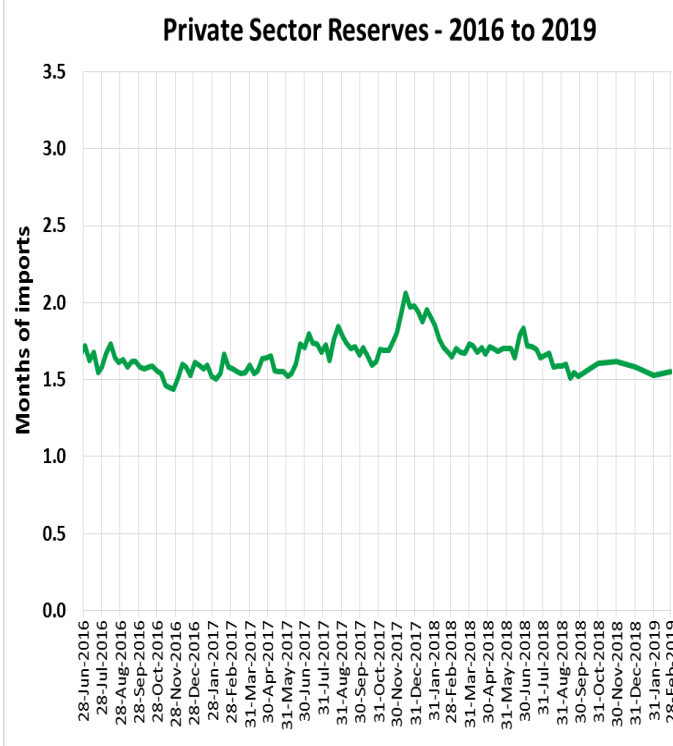
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
12 <sup>th</sup> Apr 2019	27.68	40.00
18 <sup>th</sup> Apr 2019	24.31	24.30
26 <sup>th</sup> Apr 2019	21.62	28.20
On 26 <sup>th</sup> Apr 2019	5.30	5.33

### Commentary:

- ADB's FX trading increased during the week ending 26<sup>th</sup> April 2019 compared to the previous week. ADBs purchased a total of US\$21.62 million from the market and sold a total of US\$28.20 million during the week. On Friday, 26<sup>th</sup> April 2019, ADBs purchased US\$5.30 million from the market and sold US\$5.33 million.

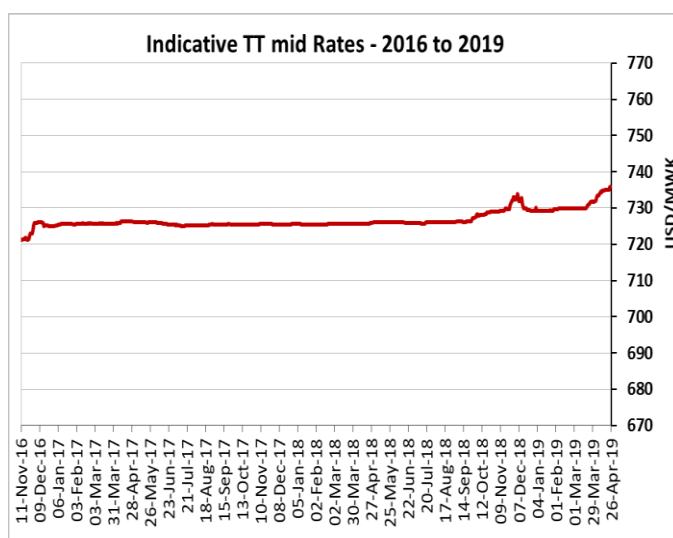
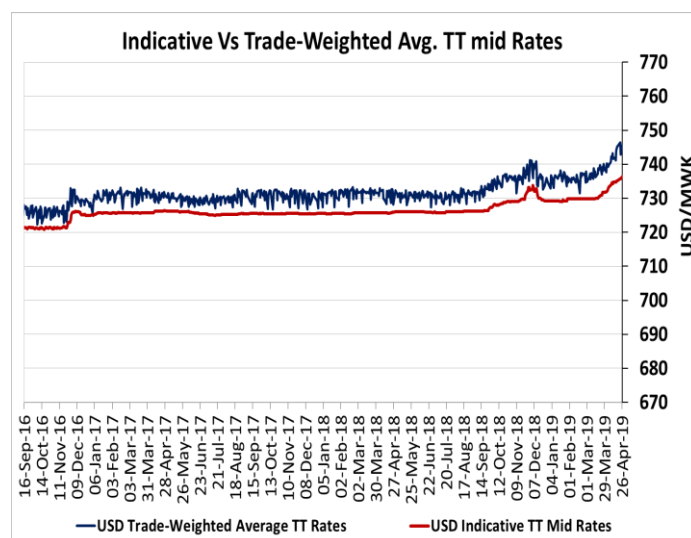


## iii. Exchange Rate Developments

	18 <sup>th</sup> April 2019	23 <sup>rd</sup> April 2019	24 <sup>th</sup> April 2019	25 <sup>th</sup> April 2019	26 <sup>th</sup> April 2019	Today's indicative Rates
MWK/USD	745.0999	746.4141	742.8788	744.8998	745.3901	736.4070
MWK/GBP	958.7944	967.7063	961.3531	962.8670	955.7352	952.6161
MWK/EUR	832.1842	838.6159	832.5038	829.2055	826.7126	821.6093
MWK/ZAR	52.8251	52.5001	52.2877	51.7799	51.4788	51.2511

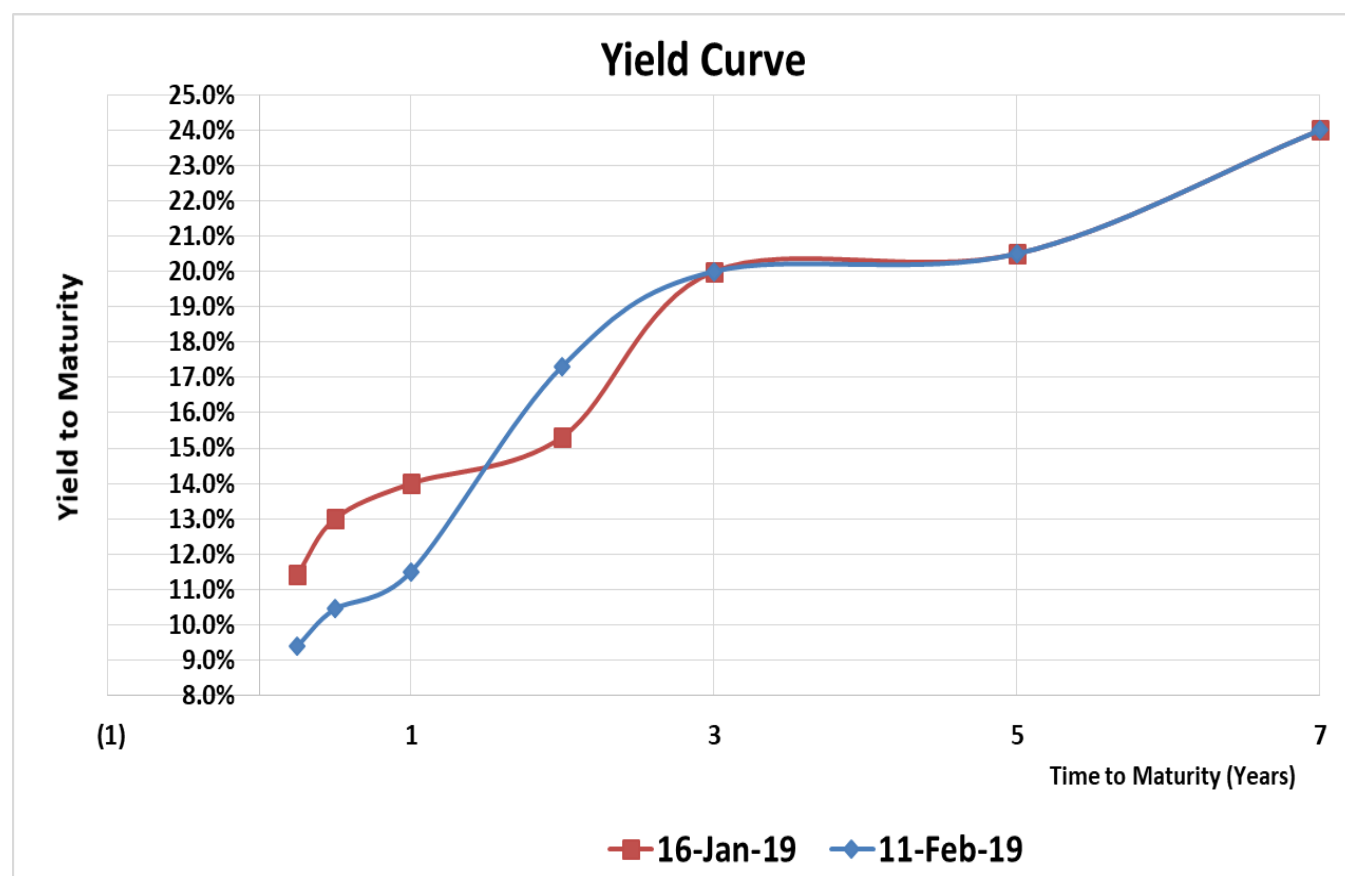
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 26<sup>th</sup> April 2019, the Kwacha depreciated against the USD but appreciated against the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to be trading at 736.4070 per US Dollar today, 29<sup>th</sup> 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
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%
22 <sup>nd</sup> February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%
29 <sup>th</sup> March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%
31 <sup>st</sup> August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%
16 <sup>th</sup> January 2019	11.42%	13.00%	14.00%	15.32%	20.00%	20.50%	24.00%
11 <sup>th</sup> 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



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