



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday 9<sup>th</sup> May 2019

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

|  | Today   | Week ending<br>10 <sup>th</sup> May 2019 |
|--|---------|--|
| Projected Autonomous Transactions<br>(+= Net injection / - = Net withdrawal) | -40,365 | -21,746                                  |
| Estimated Excess Reserves before OMO   | -23,812 | -26,679                                  |
| Estimated Excess Reserves after OMO  | 0       | 0  |
| Required Reserves  | 48,442  | 48,442                                   |

#### ii. Known Projected Transactions

|                                   | Week ending<br>10 <sup>th</sup> May 2019 | Week ending<br>17 <sup>th</sup> May 2019 | Week ending<br>24 <sup>th</sup> May 2019 | May 2019 |
|-----------------------------------|--|--|--|----------|
| Maturity of normal<br>TBs/TNs/PNs | 11,090                                   | 9,028                                    | 5,662                                    | 116,511  |
| Maturity of OMO Repos             | 0  | 0  | 0  | 15,744   |

#### Commentary:

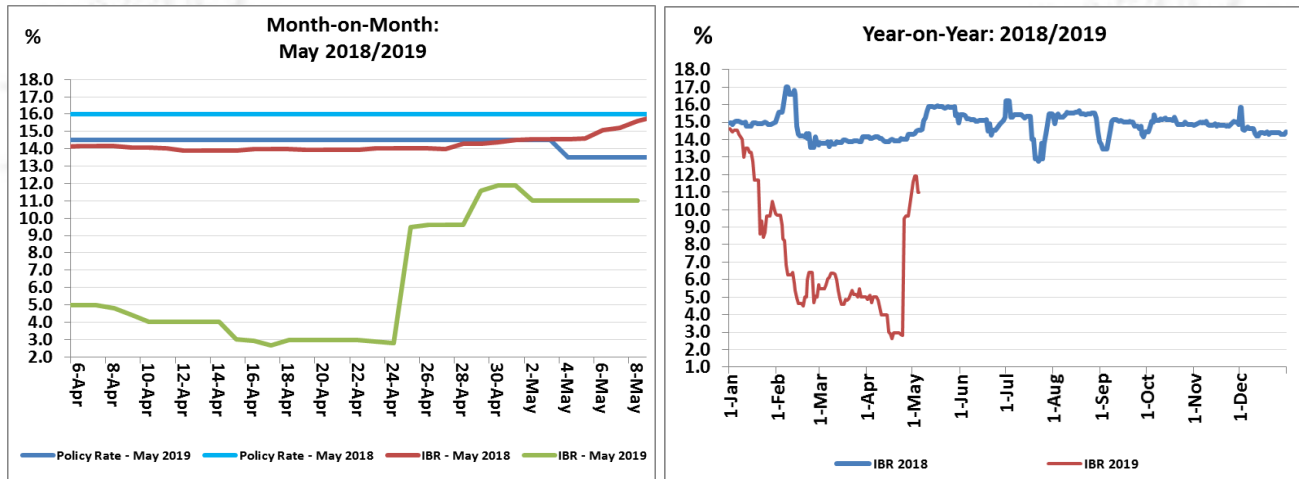
Excess reserves increased to K16.55 billion on Wednesday, 8<sup>th</sup> May 2019, from K11.49 billion recorded on Tuesday, 7<sup>th</sup> May 2019.

### 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                                       | -               | -                |
| 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> | <b>41,700</b>   | <b>13.90</b>     |

## Weighted Average Interbank Rates



### Commentary:

- There was no overnight interbank transaction on Wednesday, 8<sup>th</sup> May 2019,
- The overnight interbank market rate remains at 11.00 percent.
- K41.70 billion was accessed on the Lombard facility on Wednesday, 8<sup>th</sup> May 2019.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

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

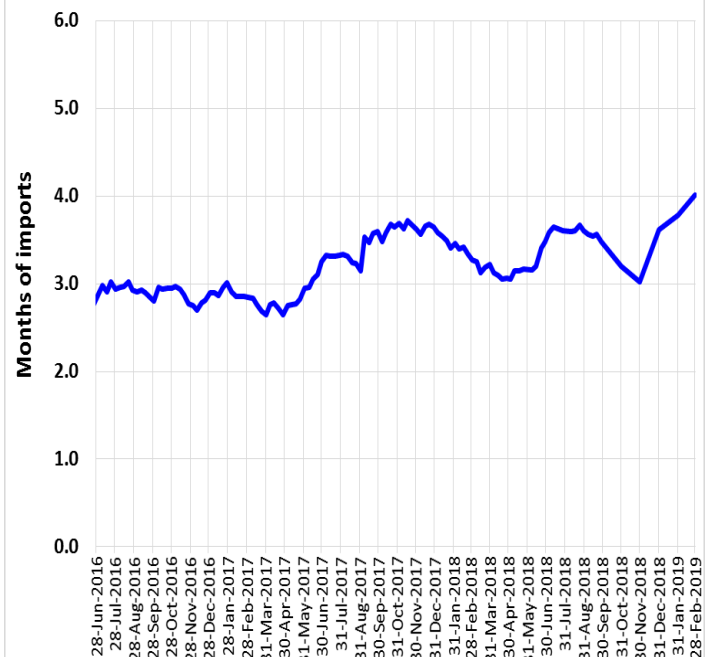
| Date (US\$ million)       | Reserves (US\$ million) | Import Cover * (Months) |
|---------------------------|-------------------------|-------------------------|
| 30 <sup>th</sup> Nov 2018 | 631.21                  | 3.04                    |
| 31 <sup>st</sup> Dec 2018 | 755.22                  | 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.

### Gross Official Reserves - 2016 to 2019



## 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                    |

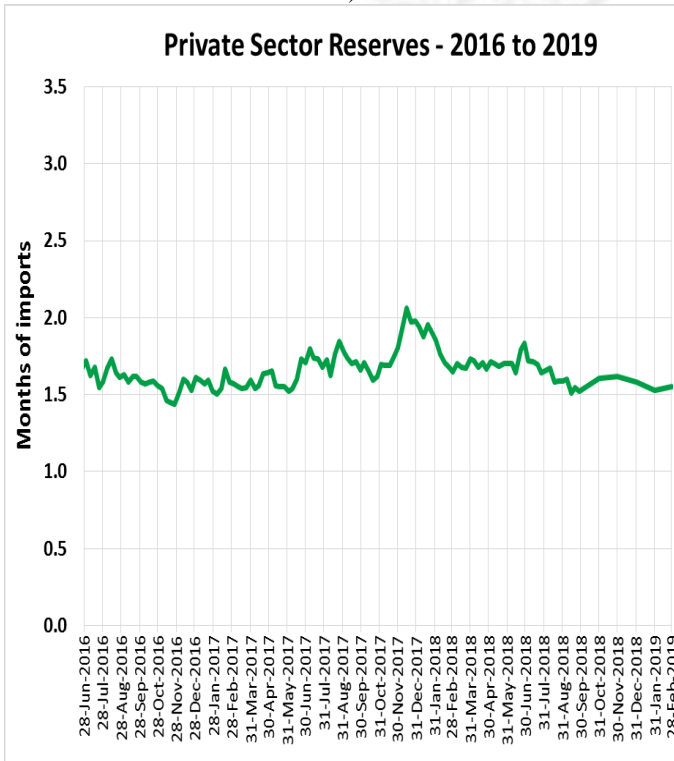
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn)       | ADB's Purchases | ADB's Sales |
|-----------------------------|-----------------|-------------|
| 18 <sup>th</sup> Apr 2019   | 24.31           | 24.30       |
| 26 <sup>th</sup> Apr 2019   | 21.62           | 28.20       |
| 3 <sup>rd</sup> May 2019    | 23.75           | 27.61       |
| On 8 <sup>th</sup> May 2019 | 4.58            | 6.36        |

### Commentary:

- ADB's FX trading increased during the week ending 3<sup>rd</sup> May 2019 compared to the previous week. ADBs purchased a total of US\$23.75 million from the market and sold a total of US\$27.61 million during the week. On Wednesday, 8<sup>th</sup> May 2019, ADBs purchased US\$4.58 million from the market and sold US\$6.36 million.

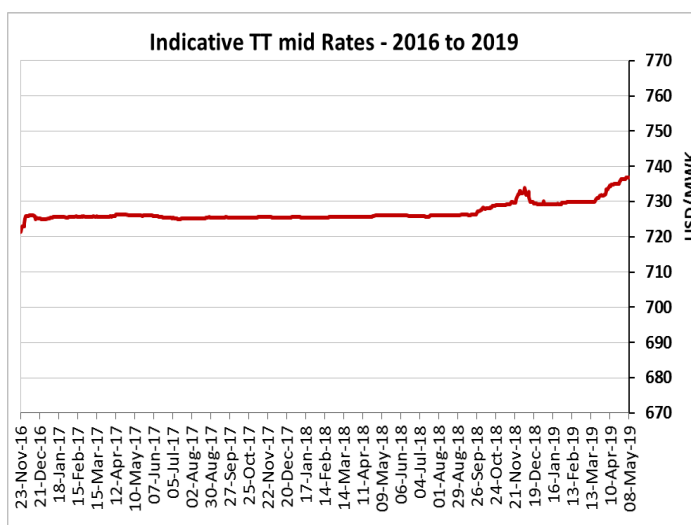
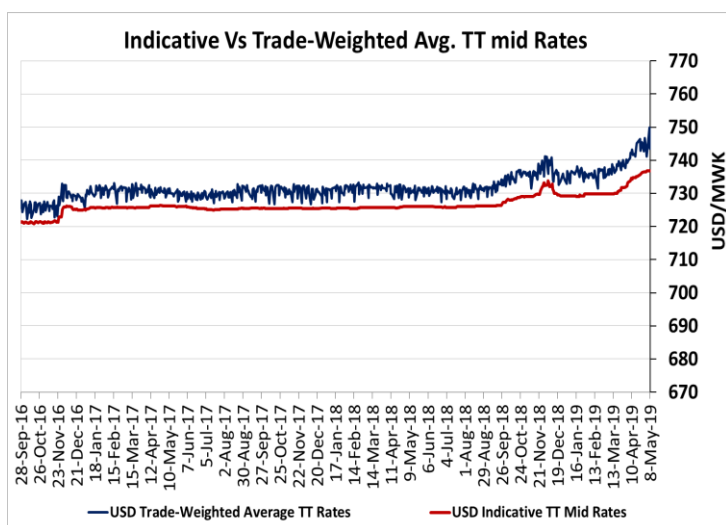


## iii. Exchange Rate Developments

|         | 2 <sup>nd</sup> May 2019 | 3 <sup>rd</sup> May 2019 | 6 <sup>th</sup> May 2019 | 7 <sup>th</sup> May 2019 | 8 <sup>th</sup> May 2019 | Today's indicative Rates |
|---------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| MWK/USD | 742.9600                 | 741.1909                 | 746.8683                 | 749.7902                 | 743.4957                 | 736.8460                 |
| MWK/GBP | 969.6493                 | 967.1335                 | 975.1229                 | 972.5945                 | 965.6347                 | 959.1524                 |
| MWK/EUR | 833.7809                 | 829.4662                 | 838.7095                 | 831.8353                 | 833.1535                 | 824.8991                 |
| MWK/ZAR | 51.2177                  | 51.2443                  | 51.1106                  | 51.3036                  | 51.9526                  | 51.1571                  |

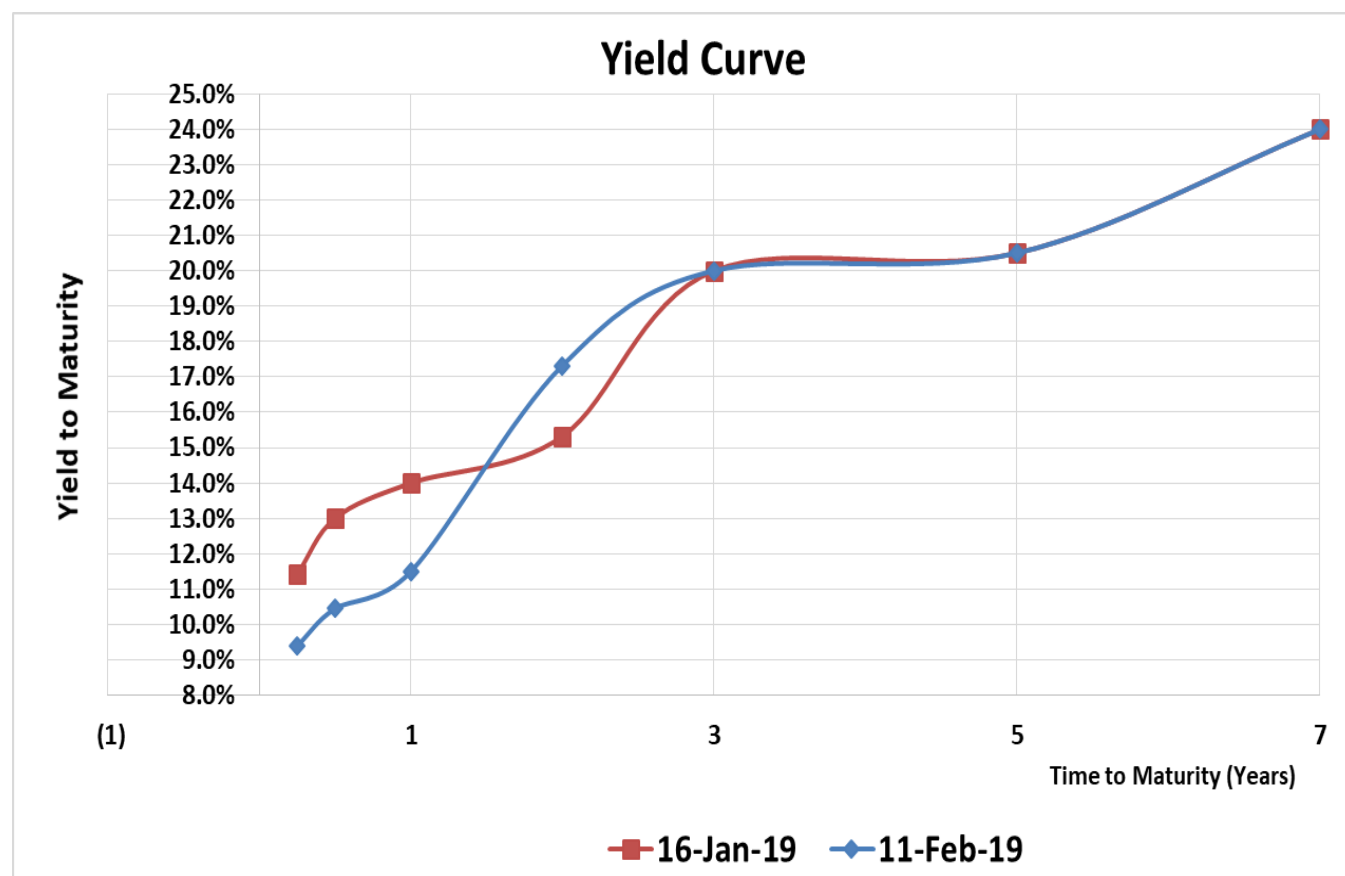
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Wednesday, 8<sup>th</sup> May 2019, the Kwacha appreciated against the USD and the GBP but depreciated against the EUR and the ZAR. Indicatively, the local currency is expected to be trading at 736.8460 per US Dollar today, 9<sup>th</sup> May 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<br>Change in Yield (Bp) | (2.02) | (2.55)  | (2.50)  | 2.00   | 0.00   | 0.00   | 0.00   |



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