



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 08 April 2015

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

|   | Today  | Week ending<br>10 <sup>th</sup> April 2015 |
|---|--------|--|
| Projected Transactions<br>(+= Net injection / - = Net withdrawal) | -2,770 | -177                                       |
| Estimated Excess Reserves   | 2,516  | 2,107                                      |
| Required Reserves   | 72,891 | 72,891                                     |

#### Known Projected Transactions

|                                | Week ending<br>10 <sup>th</sup> Apr 2015 | Week ending<br>17 <sup>th</sup> Apr 2015 | Week ending<br>24 <sup>th</sup> Apr 2015 | April<br>2015 | May<br>2015 |
|--------------------------------|--|--|--|---------------|-------------|
| Maturity of normal TBs/TNs/PNs | 11,476                                   | 9,527                                    | 10,715                                   | 45,201        | 23,016      |
| Maturity of OMO                | -  | -  | -  | -             | -           |

#### Commentary:

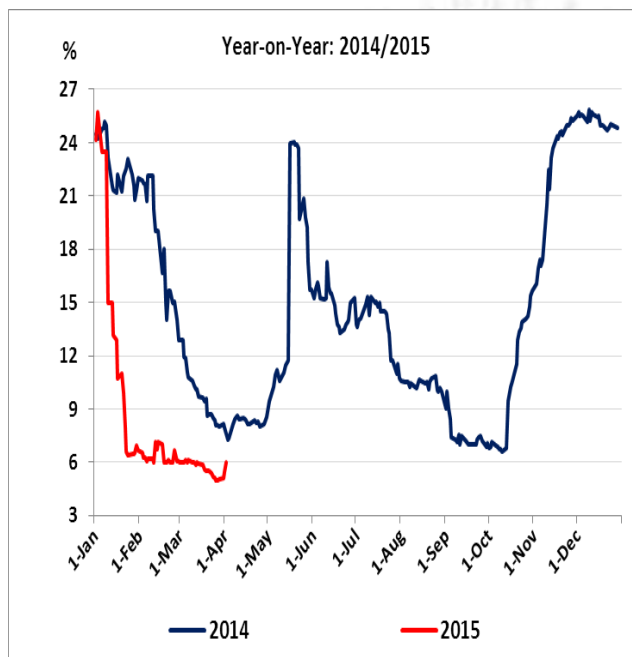
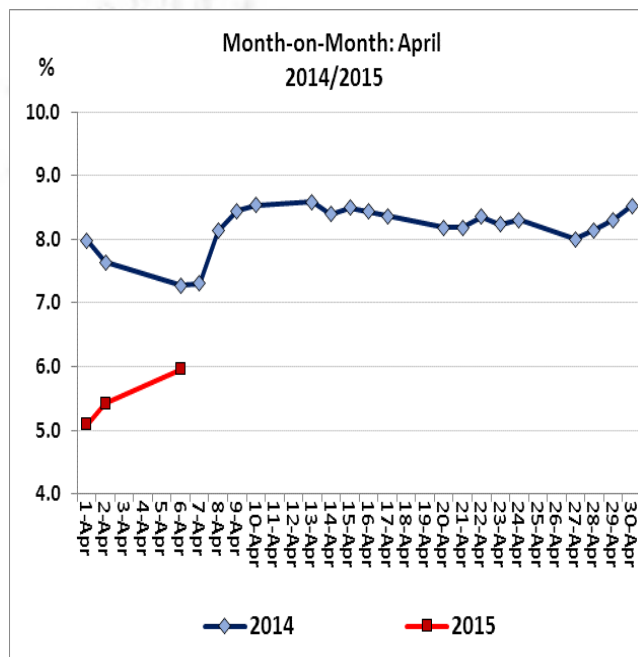
- Excess reserves are estimated to close at K2.52 billion today from K5.29 billion recorded on Tuesday, 07<sup>th</sup> April 2015.

### B. INTER-BANK MARKET DEVELOPMENTS

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

| (a) Inter-bank borrowing                  | Volume | Average rate (%) |
|---|--------|------------------|
| O/N                                       | 2,750  | 5.96             |
| 07 days                                   | -      | -                |
| 14 days                                   | -      | -                |
| 30 days                                   | -      | -                |
| <b>(b) RBM Open market operations</b>     |        |                  |
| (i) Repos                                 |        |                  |
| 7 days                                    | -      | -                |
| 14 days                                   | -      | -                |
| 30 days                                   | -      | -                |
| 60 days                                   | -      | -                |
| (ii) Reverse Repos                        |        |                  |
| 7 days                                    | -      | -                |
| 14 days                                   | -      | -                |
| 30 days                                   | -      | -                |
| 60 days                                   | -      | -                |
| (iii) Outright Purchase of Securities     | -      | -                |
| <b>(c) Access on the Lombard Facility</b> | 3,300  | 27.00            |

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market remained constant yesterday at K2.75 billion compared to Thursday, 02<sup>nd</sup> April 2015.
- The overnight interbank market rate (IBR) gained 54 basis points and closed at 5.96 percent.
- A total of K3.30 billion was accessed on the Lombard Facility yesterday.

## A. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

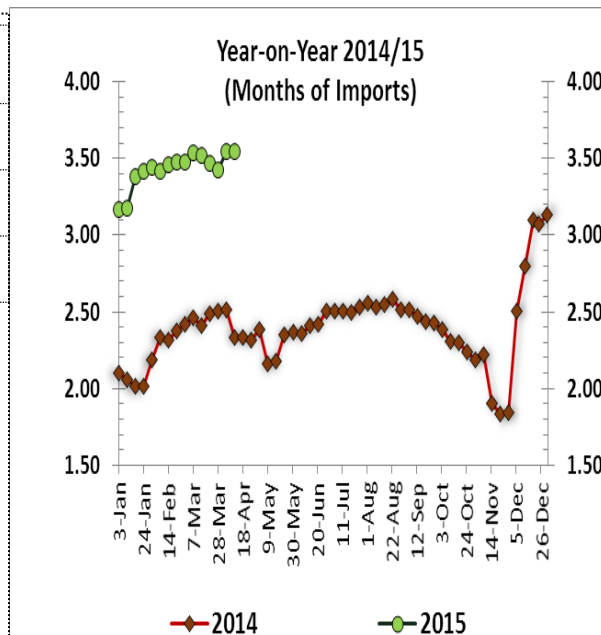
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn)              | Reserves (US\$ million) | Import Cover * (Months) |
|-----------------------------|-------------------------|-------------------------|
| 27 <sup>th</sup> March 2015 | 653.84                  | 3.42                    |
| 03 <sup>rd</sup> April 2015 | 676.84                  | 3.54                    |
| 06 <sup>th</sup> April 2015 | 676.87                  | 3.54                    |

\* US\$191.0 million per month is used in this calculation

### Commentary:

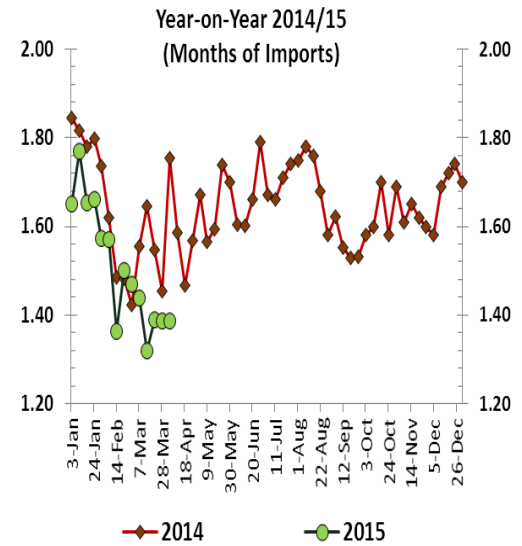
- Gross Official Reserves went up during the week ending 03<sup>rd</sup> April 2015 compared to the previous week. The gross official reserves stood at US\$676.87 million (3.54 months of imports) as at 06<sup>th</sup> April 2015.



## 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<br>(US\$ mn)   | ADB's<br>Own<br>Position | FCDA        | Total  | Import<br>Cover *<br>(Months) |
|---|--------------------------|-------------|--------|-------------------------------|
| 20 <sup>th</sup> March 2015   | -20.86                   | 287.25      | 266.39 | 1.39                          |
| 27 <sup>th</sup> March 2015   | -14.19                   | 279.37      | 265.18 | 1.39                          |
| 02 <sup>nd</sup> April 2015   | -18.23                   | 282.82      | 264.59 | 1.39                          |
| * US\$191.0 million per month is used in this calculation   |                          |             |        |                               |
| ADB's FOREIGN EXCHANGE TRADING ACTIVITY   |                          |             |        |                               |
| Week Ending (US\$ mn)   | ADB's Purchases          | ADB's Sales |        |                               |
| 27 <sup>th</sup> March 2015   | 33.84                    | 39.81       |        |                               |
| 03 <sup>rd</sup> April 2015   | 27.31                    | 33.74       |        |                               |
| On 07 <sup>th</sup> April 2015  | 10.04                    | 5.48        |        |                               |
| <b>Commentary:</b>  |                          |             |        |                               |
| <ul style="list-style-type: none"><li>ADB's bought US\$27.31 million from the market against sales of US\$33.74 million during the week ending 03<sup>rd</sup> April 2015. On 07<sup>th</sup> April 2015, ADB's bought US\$10.04 million and sold US\$5.48 million.</li></ul> |                          |             |        |                               |

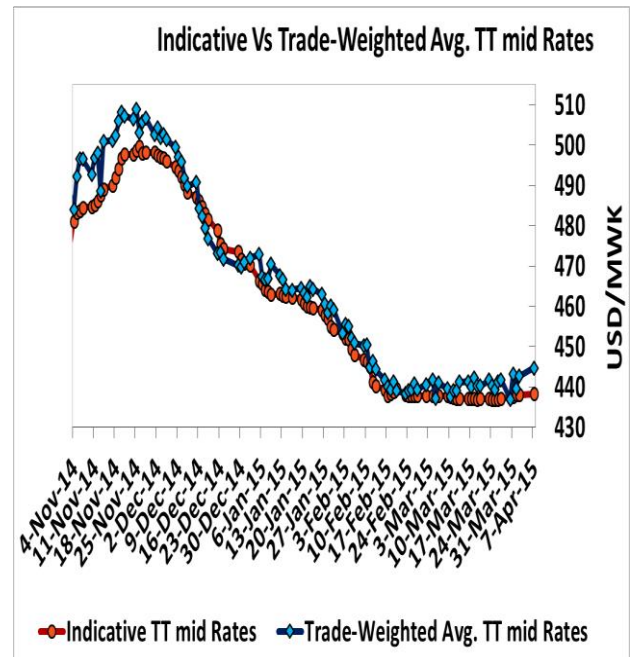
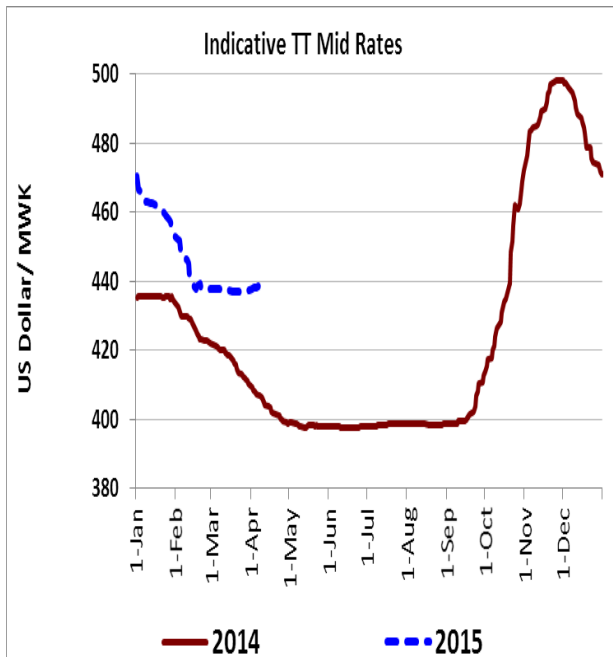


## iii. Exchange Rate Developments

|         | 27 Mar 2015 | 30 Mar 2015 | 31 Mar 2015 | 01 Apr 2015 | 02 Apr 2015 | 07 Apr 2015 | Today Indicative |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|
| USD/MWK | 441.8034    | 436.9449    | 443.1244    | 439.6895    | 442.6248    | 444.7607    | 438.7486         |
| GBP/MWK | 652.8716    | 642.8640    | 641.6823    | 652.3997    | 646.0589    | 660.0393    | 649.6989         |
| EUR/MWK | 475.3229    | 476.3377    | 470.1917    | 470.5315    | 469.7046    | 480.2303    | 474.4627         |
| ZAR/MWK | 37.4835     | 37.0427     | 36.6378     | 37.1463     | 37.4499     | 36.6427     | 36.9096          |

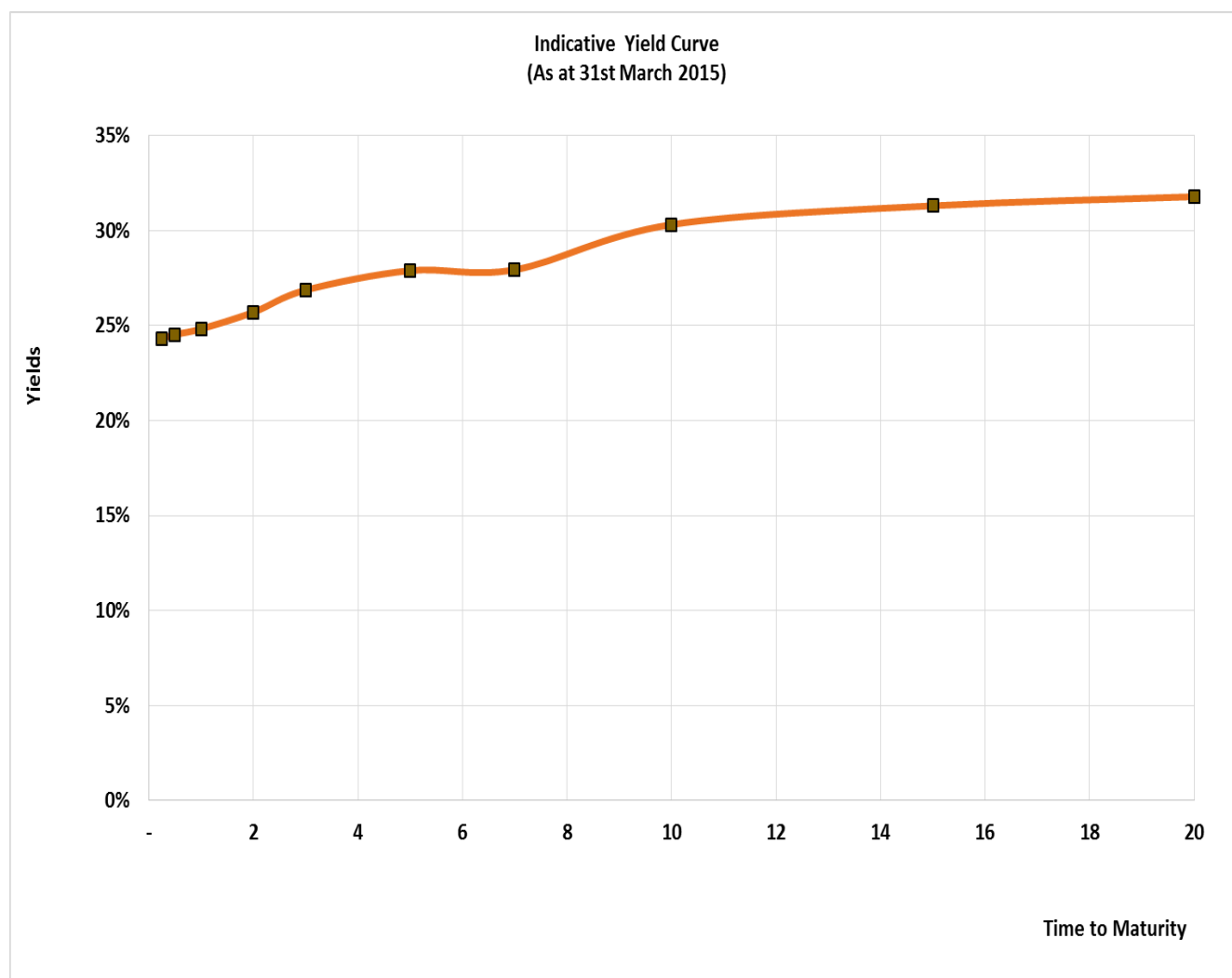
**Note:** Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative based on market consensus

**Commentary:** The Kwacha appreciated against the ZAR yesterday and depreciated against the USD, the GBP, and the EUR. Indicatively, the Malawi Kwacha is expected to trade around MK438.7486 against the USD today.



## B. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

|                             | Overnight | 91 days | 182 days | 364 days | 2 Year | 3 Year | 5 Year | 7 Year | 10 Year | 15 Year | 20 Year |
|-----------------------------|-----------|---------|----------|----------|--------|--------|--------|--------|---------|---------|---------|
| 31 <sup>st</sup> March 2015 | 5.03%     | 24.30%  | 24.52%   | 24.82%   | 25.70% | 26.86% | 27.89% | 27.93% | 30.31%  | 31.30%  | 31.78%  |
| 07 <sup>th</sup> April 2015 | 5.96%     | 24.22%  | 24.85%   | 25.15%   | -      | -      | -      | -      | -       | -       | -       |
| Change in yield (bp)        | 93        | -08     | 33       | 33       | -      | -      | -      | -      | -       | -       | -       |



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