



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 21 September 2015

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

|   | Today  | Week ending<br>25 September 2015 |
|---|--------|----------------------------------|
| Projected Transactions<br>(+= Net injection / - = Net withdrawal) | 55     | -8,247                           |
| Estimated Excess Reserves   | 3,288  | -5,014                           |
| Required Reserves   | 44,883 | 44,883                           |

#### Known Projected Transactions

|                                | Week ending<br>25 <sup>th</sup> Sep 2015 | Week ending<br>02 <sup>nd</sup> Oct 2015 | Week ending<br>09 <sup>th</sup> Oct 2015 | Sept<br>2015 | Oct<br>2015 |
|--------------------------------|--|--|--|--------------|-------------|
| Maturity of normal TBs/TNs/PNs | 8,408                                    | 22,943                                   | 9,444                                    | 32,399       | 47,929      |
| Maturity of OMO                | 1,509                                    | 1,237                                    | -  | 38,269       | 1,237       |

#### Commentary:

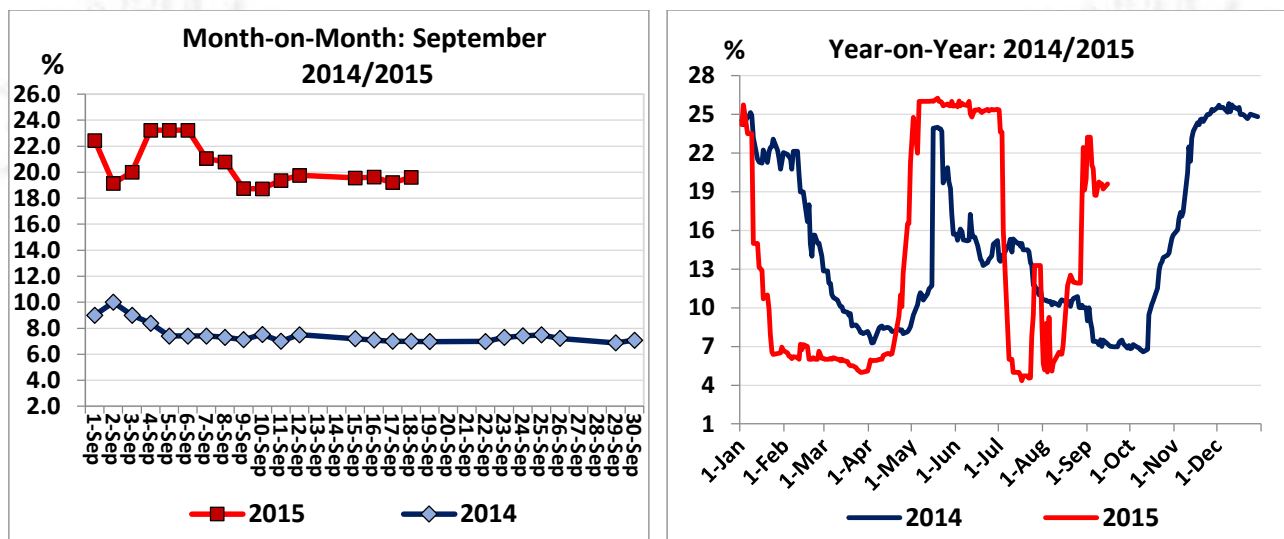
- Excess reserves are estimated to close at K3.29 billion today from K3.23 billion recorded last Friday.

### B. INTER-BANK MARKET DEVELOPMENTS

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

| (a) Inter-bank borrowing                  | Volume | Average rate (%) |
|---|--------|------------------|
| O/N                                       | 9,370  | 19.60            |
| 07 days                                   | 1,000  | 19.00            |
| 14 days                                   | -      | -                |
| 30 days                                   | -      | -                |
| <b>(b) RBM Open market operations</b>     |        |                  |
| (i) Repos                                 |        |                  |
| 07 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> | -      | -                |

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased last Friday to K10.37 billion from K3.70 billion recorded during the preceding day.
- The (overnight) interbank market rate (IBR) gained 40 basis points and closed last week at 19.60 percent from 19.20 percent observed on Thursday, 17<sup>th</sup> September 2015.
- No access on the Lombard Facility was recorded on Friday, 18<sup>th</sup> September 2015.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

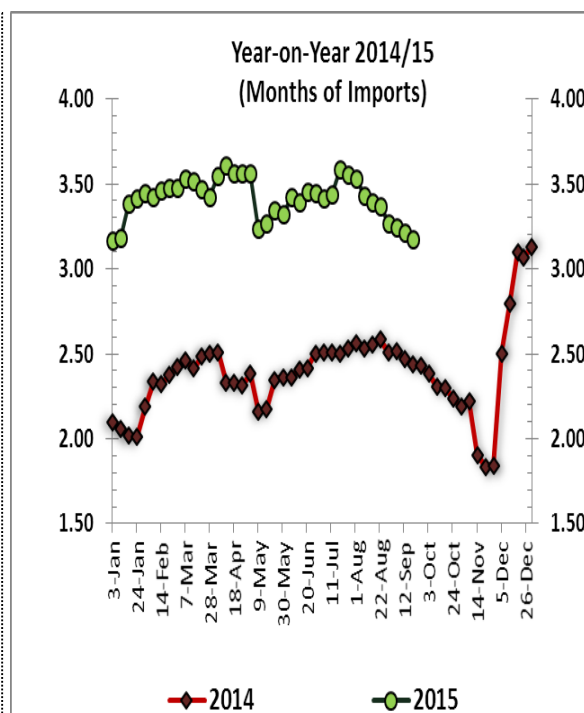
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn)                  | Reserves (US\$ million) | Import Cover * (Months) |
|---------------------------------|-------------------------|-------------------------|
| 04 <sup>th</sup> September 2015 | 677.66                  | 3.24                    |
| 11 <sup>th</sup> September 2015 | 671.17                  | 3.21                    |
| 17 <sup>th</sup> September 2015 | 664.35                  | 3.18                    |

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

### Commentary:

- As at 11<sup>th</sup> September 2015, gross official reserves dropped and stood at US\$671.17 million (3.21 months of import) compared to US\$677.66 million (3.24 months of imports) that was recorded at the end of the preceding week. This was due to monetary authorities' continued sale of foreign exchange in support of importation of strategic commodities in the market. As at 17<sup>th</sup> September 2015, gross official reserves dropped further to US\$664.35 million (3.18 months of imports).



## 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) |
|---------------------------------|--------------------|--------|--------|-------------------------|
| 04 <sup>th</sup> September 2015 | 6.63               | 301.79 | 308.41 | 1.48                    |
| 11 <sup>th</sup> September 2015 | 6.09               | 305.68 | 311.77 | 1.49                    |
| 17 <sup>th</sup> September 2015 | 4.15               | 334.09 | 338.24 | 1.62                    |

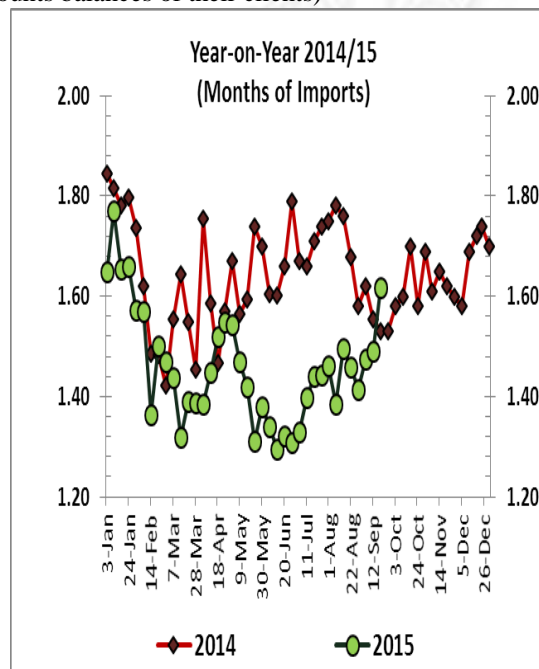
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn)              | ADB's Purchases | ADB's Sales |
|------------------------------------|-----------------|-------------|
| 11 <sup>th</sup> September 2015    | 30.48           | 40.05       |
| 18 <sup>th</sup> September 2015    | 33.26           | 37.19       |
| On 18 <sup>th</sup> September 2015 | 4.06            | 4.87        |

### Commentary:

- During the week ending 18<sup>th</sup> September 2015, ADBs purchased US\$33.26 million from the market and sold US\$37.19 million. Last Friday alone, ADBs purchased US\$4.06 million and sold US\$4.87 million.

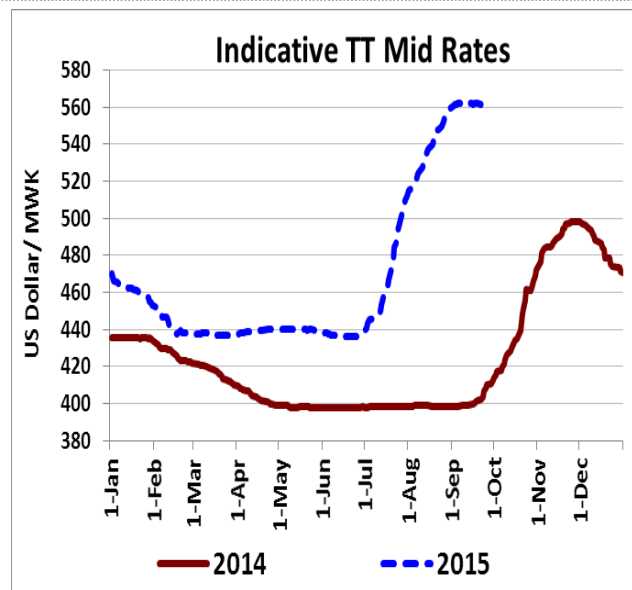
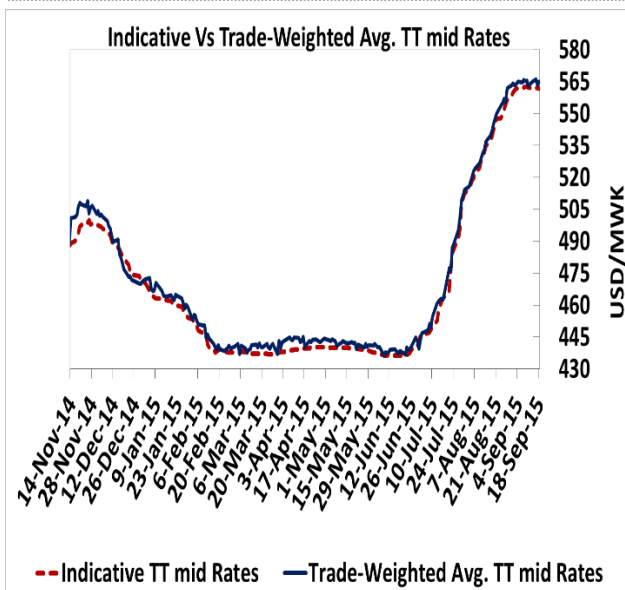


## iii. Exchange Rate Developments

|                | 11 Sept 2015 | 14 Sept 2015 | 15 Sept 2015 | 16 Sept 2015 | 17 Sept 2015 | 18 Sept 2015 | Today Indicative |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| <b>MWK/USD</b> | 563.0055     | 565.2992     | 565.3671     | 565.8939     | 563.2658     | 564.9815     | 561.8210         |
| <b>MWK/GBP</b> | 870.0728     | 870.9702     | 871.6538     | 870.0471     | 874.7615     | 880.6527     | 873.0137         |
| <b>MWK/EUR</b> | 643.5686     | 640.6705     | 638.1739     | 638.4913     | 637.0000     | 646.9342     | 634.9139         |
| <b>MWK/ZAR</b> | 41.6498      | 41.6910      | 41.8766      | 42.0561      | 42.5017      | 42.1910      | 42.2781          |

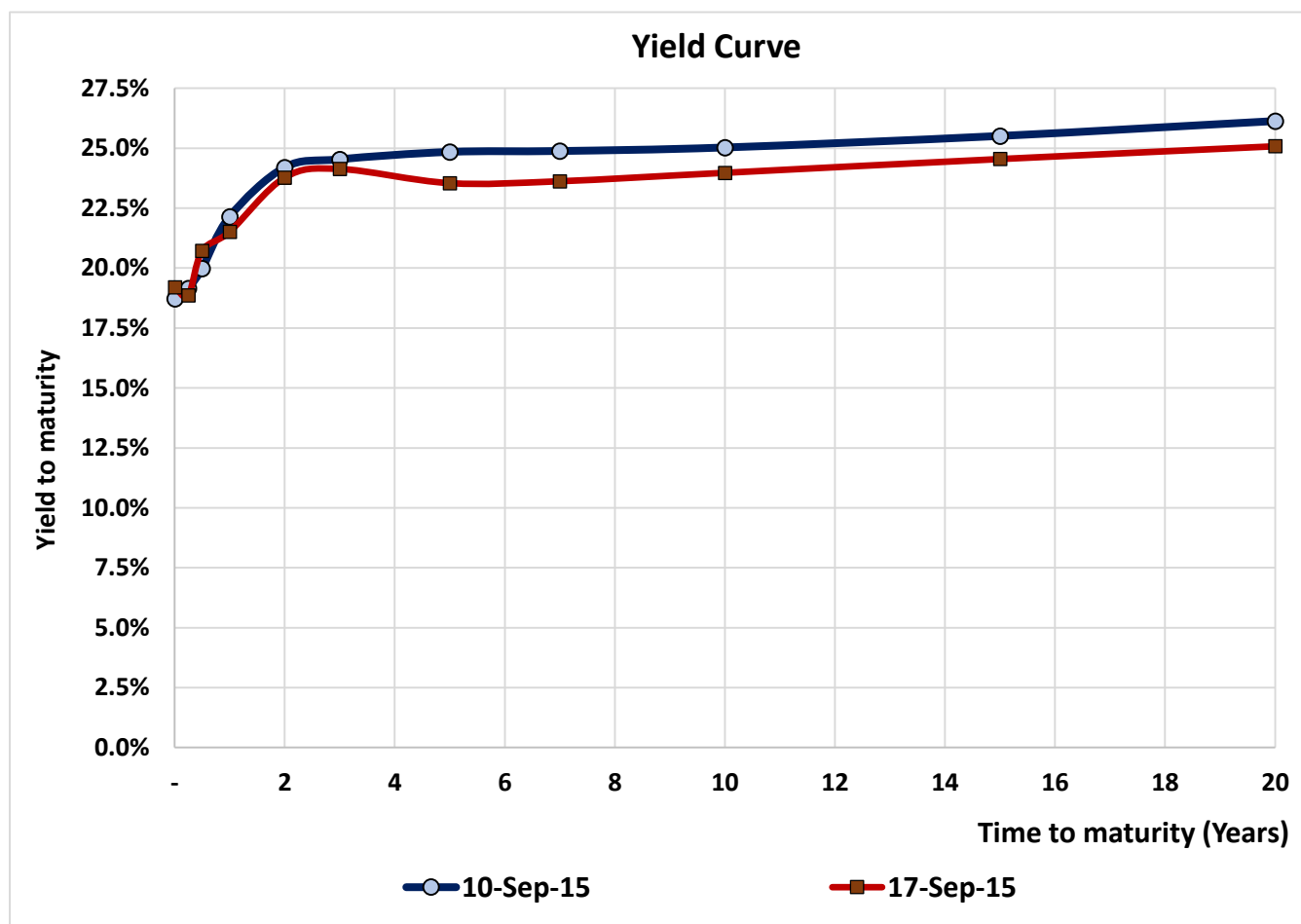
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus<sup>8</sup>

**Commentary:** The Kwacha depreciated against the USD, the GBP and the EUR last Friday. The local unit nonetheless, appreciated against the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K561.8210 against the USD today.



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

| Tenor                                       | Overnight | 91 day | 182 day | 364 day | 2 Year | 3 Year | 5 Year | 7 Year | 10 Year | 15 Year | 20 Year |
|---|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 02 <sup>nd</sup> July 2015                  | 25.35%    | 25.37% | 25.01%  | 25.02%  | 24.22% | 24.04% | 26.50% | 25.59% | 27.08%  | 27.82%  | 28.52%  |
| 09 <sup>th</sup> July 2015                  | 16.00%    | 24.00% | 25.01%  | 25.02%  | 23.17% | 22.76% | 25.62% | 24.16% | 26.27%  | 27.04%  | 27.56%  |
| 23 <sup>rd</sup> July 2015                  | 4.36%     | 23.10% | 23.21%  | 24.53%  | 23.42% | 22.94% | 24.91% | 23.94% | 25.43%  | 25.96%  | 26.35%  |
| 30 <sup>th</sup> July 2015                  | 9.49%     | 23.75% | 25.32%  | 24.23%  | 23.28% | 21.93% | 24.73% | 21.65% | 24.65%  | 25.72%  | 26.23%  |
| 06 <sup>th</sup> August 2015                | 9.53%     | 20.22% | 22.00%  | 23.02%  | 23.62% | 21.80% | 24.12% | 22.41% | 24.55%  | 25.17%  | 25.65%  |
| 13 <sup>th</sup> August 2015                | 5.72%     | 18.55% | 19.73%  | 23.07%  | 23.49% | 20.97% | 20.64% | 20.81% | 21.51%  | 22.16%  | 22.55%  |
| 20 <sup>th</sup> August 2015                | 7.10%     | 17.21% | 18.57%  | 20.81%  | 21.80% | 21.22% | 20.31% | 19.85% | 20.74%  | 21.76%  | 21.87%  |
| 27 <sup>th</sup> August 2015                | 11.98%    | 17.66% | 19.25%  | 20.76%  | 22.75% | 24.26% | 21.85% | 22.01% | 22.92%  | 23.97%  | 24.62%  |
| 03 <sup>rd</sup> September 2015             | 20.00%    | 19.20% | 20.18%  | 21.48%  | 23.11% | 24.46% | 23.32% | 23.46% | 24.10%  | 24.70%  | 25.24%  |
| 10 <sup>th</sup> September 2015             | 18.72%    | 19.15% | 19.98%  | 22.14%  | 24.20% | 24.54% | 24.84% | 24.88% | 25.03%  | 25.51%  | 26.13%  |
| 18 <sup>th</sup> September 2015             | 19.20%    | 18.86% | 20.72%  | 21.52%  | 23.78% | 24.14% | 23.54% | 23.62% | 23.98%  | 24.55%  | 25.08%  |
| 18 Sep-10 Sept 2015<br>Change in Yield (Bp) | 48        | -29    | 75      | -63     | -42    | -40    | -130   | -126   | -105    | -96     | -105    |



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