



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 26 February 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 26 <sup>th</sup> February 2016
Projected Transactions (+= Net injection / - = Net withdrawal)	-3,016	-52
Estimated Excess Reserves	86	86
Required Reserves	51,746	51,746

#### Known Projected Transactions

	Week ending 26 <sup>th</sup> Feb 2016	Week ending 04 <sup>th</sup> Mar 2016	Week ending 11 <sup>th</sup> Mar 2016	Feb 2016	Mar 2016
Maturity of normal TBs/TNs/PNs	6,667	6,509	6,667	27,695	60,504
Maturity of OMO	14,719	6,857	7,981	50,726	54,982

#### Commentary:

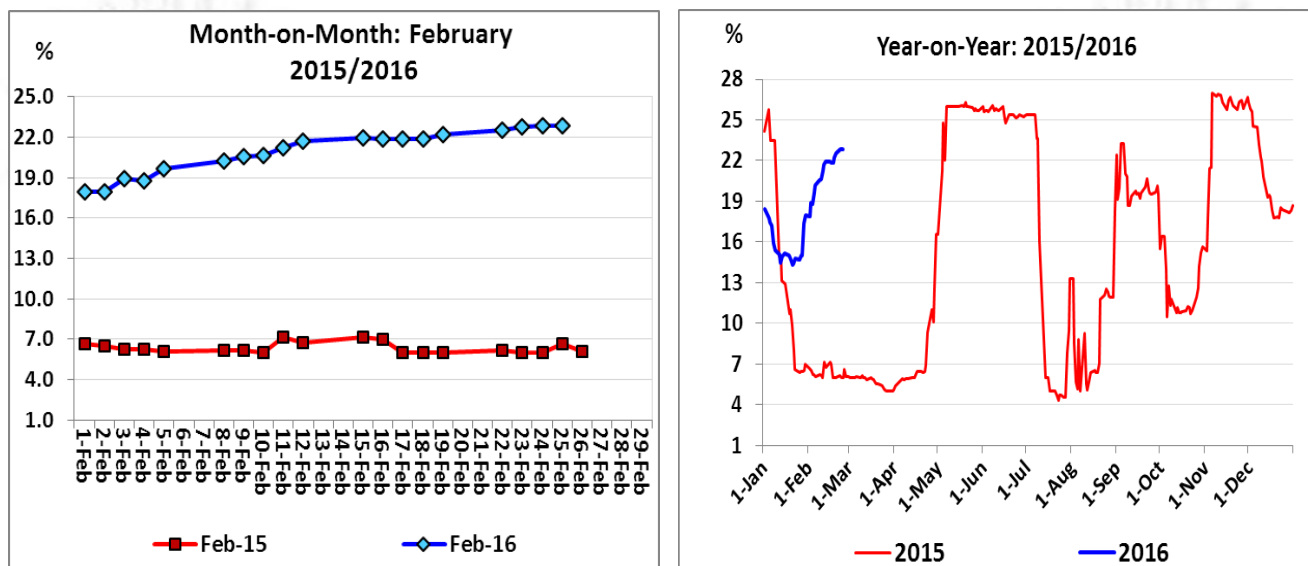
- Excess reserves are estimated to close at K86 million today from K3.10 billion that was recorded yesterday.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	2,100	22.85
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
32 days	69	27.00
60 days	415	27.00
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
90 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
<b>(c) Access on the Lombard Facility</b>	<b>8,065</b>	<b>29.00</b>

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market declined to K2.10 billion on 25<sup>th</sup> February 2016 from K4.47 billion recorded on Wednesday, 24<sup>th</sup> February 2016.
- The overnight interbank market rate (IBR) stood at 22.85 percent yesterday, up from 22.84 percent observed on 24<sup>th</sup> February 2016.
- K484 million was withdrawn from the banking system through repos yesterday.
- A total of K8.07 billion was accessed on the Lombard Facility on 25<sup>th</sup> February 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

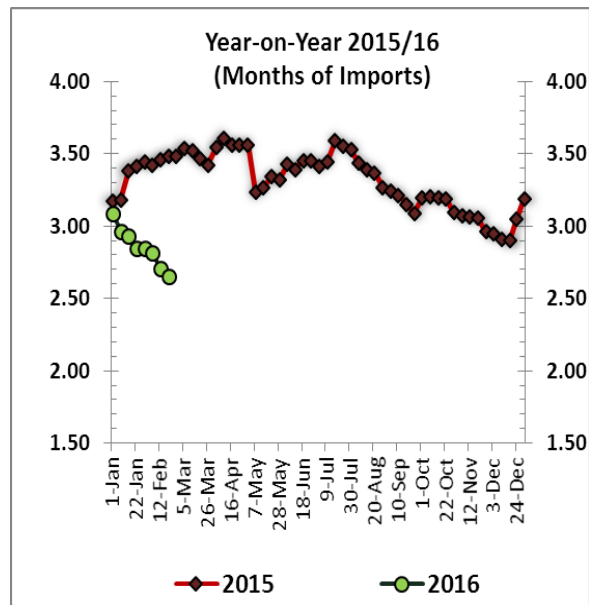
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
05 <sup>th</sup> February 2016	594.24	2.84
12 <sup>th</sup> February 2016	588.20	2.81
19 <sup>th</sup> February 2016	566.52	2.71
25 <sup>th</sup> February 2016	555.16	2.66

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

### Commentary:

- Gross official reserves declined during the week ending 19<sup>th</sup> February 2016 compared to the preceding week as monetary authorities continued to support importation of strategic commodities in the market. The gross official reserves stood at US\$555.16 million (2.66 months of imports) on 25<sup>th</sup> February 2016.



## 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)
12 <sup>th</sup> February 2016	0.35	307.89	308.24	1.47
19 <sup>th</sup> February 2016	3.69	312.11	315.80	1.51
25 <sup>th</sup> February 2016	7.81	312.20	320.02	1.53

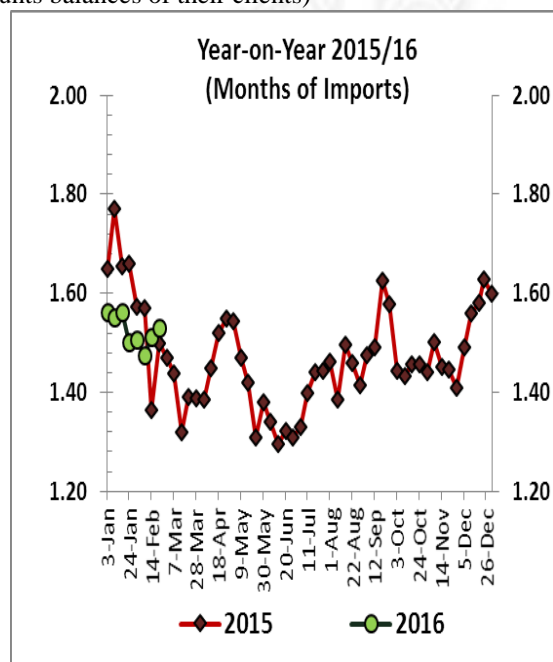
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
12 <sup>th</sup> February 2016	46.67	53.23
19 <sup>th</sup> February 2016	47.86	46.40
On 25 <sup>th</sup> February 2016	20.65	24.24

### Commentary:

- The ADBs purchased US\$47.86 million from the market and monetary authorities during the week ending 19<sup>th</sup> February 2016 against sales at US\$46.40 million. On 25<sup>th</sup> February 2016, ADBs purchased US\$20.65 million from the market and sold US\$24.24 million.

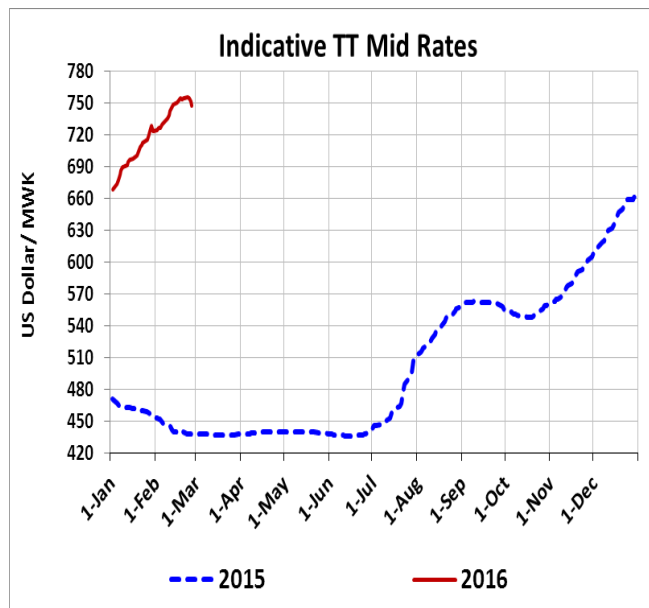
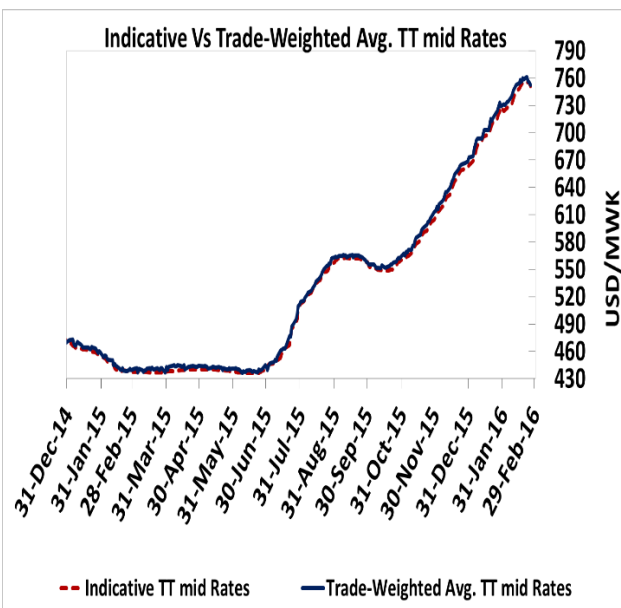


## iii. Exchange Rate Developments

	18 Feb 2016	19 Feb 2016	22 Feb 2016	23 Feb 2016	24 Feb 2016	25 Feb 2016	Today Indicative
MWK/USD	759.5836	758.7170	760.8483	756.1750	754.8050	752.7197	747.6623
MWK/GBP	1,086.1365	1,088.6997	1,086.6223	1,077.7862	1,062.9202	1,045.3184	1,043.8861
MWK/EUR	847.9099	848.8259	841.6550	843.5777	836.9875	843.5083	823.7743
MWK/ZAR	49.1044	49.4732	49.6956	50.0958	50.0189	48.2534	47.9132

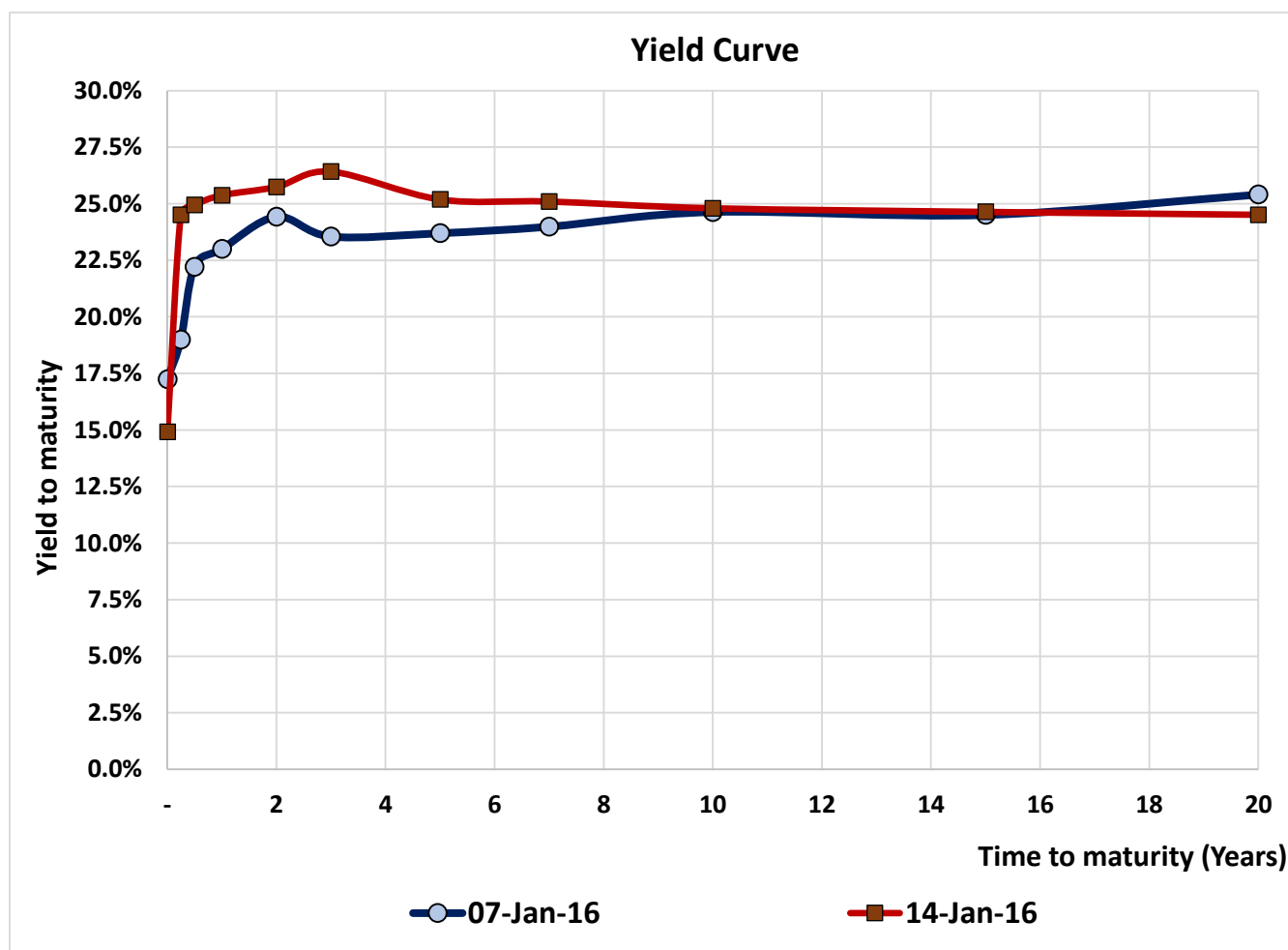
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Thursday, 25<sup>th</sup> February 2016, the Kwacha appreciated against the USD, the GBP, and the ZAR and depreciated against the EUR. Indicatively, the Malawi Kwacha is expected to trade around K747.6623 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
12 <sup>th</sup> November 2015	26.83%	21.17%	22.64%	24.10%	24.98%	25.10%	25.45%	25.72%	25.87%	26.13%	26.31%
19 <sup>th</sup> November 2015	26.42%	24.85%	25.72%	25.80%	25.82%	25.17%	27.74%	25.39%	27.74%	28.52%	29.01%
26 <sup>th</sup> November 2015	26.44%	25.67%	25.80%	26.84%	25.22%	25.65%	27.97%	25.53%	27.73%	28.34%	28.77%
03 <sup>rd</sup> December 2015	25.64%	23.87%	24.95%	26.04%	24.02%	24.60%	26.74%	25.25%	26.79%	27.36%	27.78%
10 <sup>th</sup> December 2015	21.96%	23.47%	24.63%	26.00%	25.72%	25.50%	26.20%	26.11%	25.93%	25.93%	25.98%
17 <sup>th</sup> December 2015	18.42%	24.50%	26.65%	26.24%	26.12%	25.87%	26.42%	26.63%	26.61%	26.62%	26.44%
24 <sup>th</sup> December 2015	18.40%	27.00%	26.00%	25.23%	25.53%	24.98%	26.23%	26.50%	26.29%	26.42%	26.49%
31 <sup>st</sup> December 2015	18.69%	22.17%	23.18%	24.10%	25.00%	25.13%	25.47%	25.74%	25.89%	26.15%	26.32%
07 <sup>th</sup> January 2016	17.24%	19.00%	22.22%	23.00%	24.42%	23.55%	23.70%	23.99%	24.64%	24.51%	25.41%
14 <sup>th</sup> January 2016	14.91%	24.50%	24.95%	25.38%	25.74%	26.42%	25.19%	25.10%	24.80%	24.64%	24.51%
14 – 07 Jan 2016 Change in Yield (Bp)	-233	550	273	238	132	287	149	111	16	13	-90



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