



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 05 April 2016

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

| | Today | Week ending 08 th April 2016 |
|---|--------|--|
| Projected Transactions (+= Net injection / - = Net withdrawal) | -766 | 4,349 |
| Estimated Excess Reserves | 9,868 | 15,593 |
| Required Reserves | 48,064 | 48,064 |

Known Projected Transactions

| | Week ending 08 th Apr 2016 | Week ending 15 th Apr 2016 | Week ending 22 nd Apr 2016 | Apr 2016 | May 2016 |
|--------------------------------|--|--|--|-------------|-------------|
| Maturity of normal TBs/TNs/PNs | 20,015 | 7,485 | 13,730 | 44,743 | 27,519 |
| Maturity of OMO | 1,063 | 34,727 | 2,459 | 42,955 | 32,877 |

Commentary:

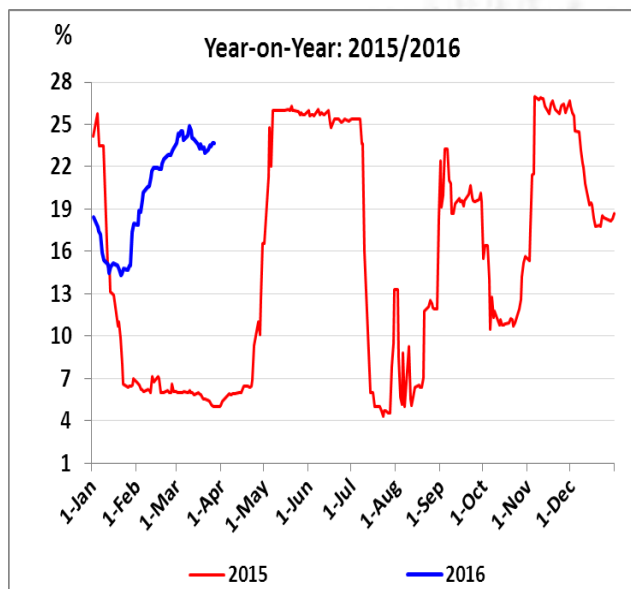
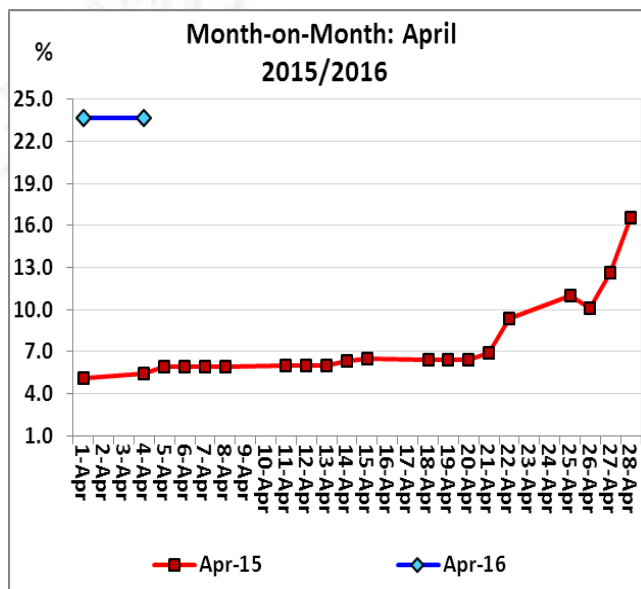
- Excess reserves are estimated to close today at K9.87 billion from K10.63 billion that was recorded yesterday.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

| (a) Inter-bank borrowing | Volume | Average rate (%) |
|--|--------|------------------|
| O/N | 5,480 | 23.69 |
| 07 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| (b) RBM Open market operations | | |
| (i) Repos | - | - |
| 07 days | - | - |
| 30 days | 273 | 27.82 |
| 60 days | 120 | 28.00 |
| 273 days | - | - |
| 364 days | 549 | 28.00 |
| (ii) Reverse Repos | - | - |
| 7 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| 90 days | - | - |
| (iii) Deposits on Overnight Deposit Facility | - | - |
| (c) Access on the Lombard Facility | 820 | 29.00 |

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the overnight interbank market increased to K5.48 billion yesterday from K2.5 billion recorded on Friday, 01st April 2016.
- The overnight interbank market rate (IBR) gained a basis point yesterday and closed at 23.69 percent from 23.68 percent observed on 01st April 2016.
- K942 million was withdrawn from the banking system through repos on Monday, 04th April 2016.
- A total of K820 million was accessed on the Lombard Facility yesterday.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

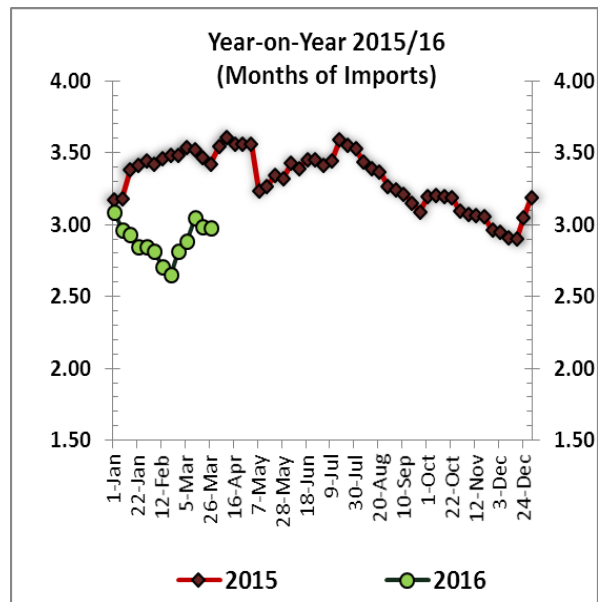
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn) | Reserves (US\$ million) | Import Cover * (Months) |
|-----------------------------|-------------------------|-------------------------|
| 11 th March 2016 | 603.33 | 2.89 |
| 18 th March 2016 | 637.19 | 3.05 |
| 25 th March 2016 | 624.82 | 2.99 |
| 01 st April 2016 | 621.77 | 2.97 |

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

Commentary:

- Gross official reserves decreased during the week ending 01st April 2016 compared to the preceding week. As at 01st April 2016, the gross official reserves stood at US\$621.77 million (2.97 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) |
|-----------------------------|--------------------|--------|--------|-------------------------|
| 11 th March 2016 | -11.08 | 295.06 | 283.98 | 1.36 |
| 18 th March 2016 | -13.36 | 286.17 | 272.80 | 1.31 |
| 24 th March 2016 | -13.83 | 290.64 | 276.81 | 1.32 |
| 01 st April 2016 | -16.12 | 280.54 | 264.42 | 1.27 |

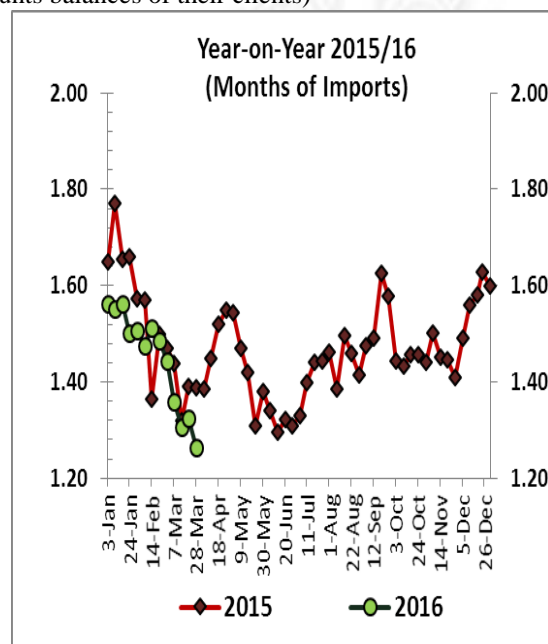
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn) | ADB's Purchases | ADB's Sales |
|--------------------------------|-----------------|-------------|
| 25 th March 2016 | 29.27 | 33.69 |
| 01 st April 2016 | 35.80 | 38.89 |
| On 04 th April 2016 | 3.75 | 4.39 |

Commentary:

- The ADBs purchased US\$35.80 million from the market during the week ending 01st April 2016 and sold US\$38.89 million. On 04th April 2016, ADBs purchased US\$3.75 million and sold US\$4.39 million to the market.

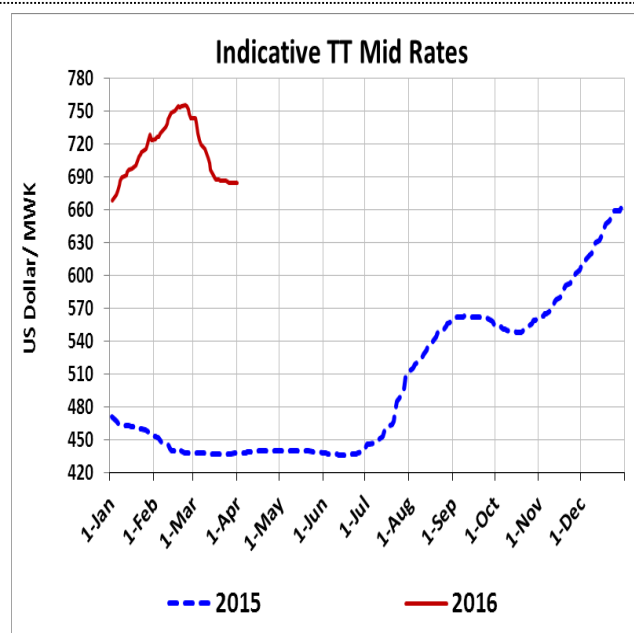
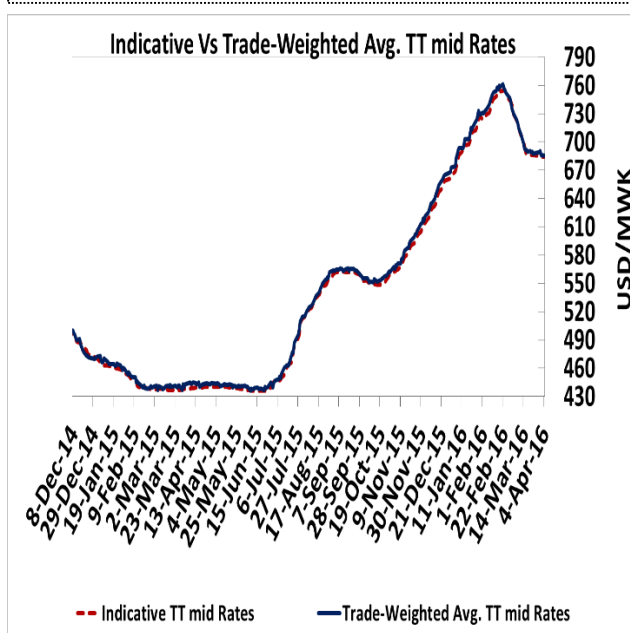


iii. Exchange Rate Developments

| | 24 Mar 2016 | 29 Mar 2016 | 30 Mar 2016 | 31 Mar 2016 | 01 Apr 2016 | 04 Apr 2016 | Today Indicative |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|
| MWK/USD | 687.2885 | 689.1961 | 688.6683 | 689.9919 | 685.9570 | 685.5776 | 684.2533 |
| MWK/GBP | 970.4505 | 973.4060 | 989.2896 | 985.2109 | 978.5833 | 971.4102 | 976.0189 |
| MWK/EUR | 766.3249 | 769.9577 | 775.4930 | 780.1776 | 775.7026 | 783.2388 | 779.4329 |
| MWK/ZAR | 44.4500 | 44.2051 | 44.8752 | 45.7850 | 46.2060 | 46.6749 | 46.2849 |

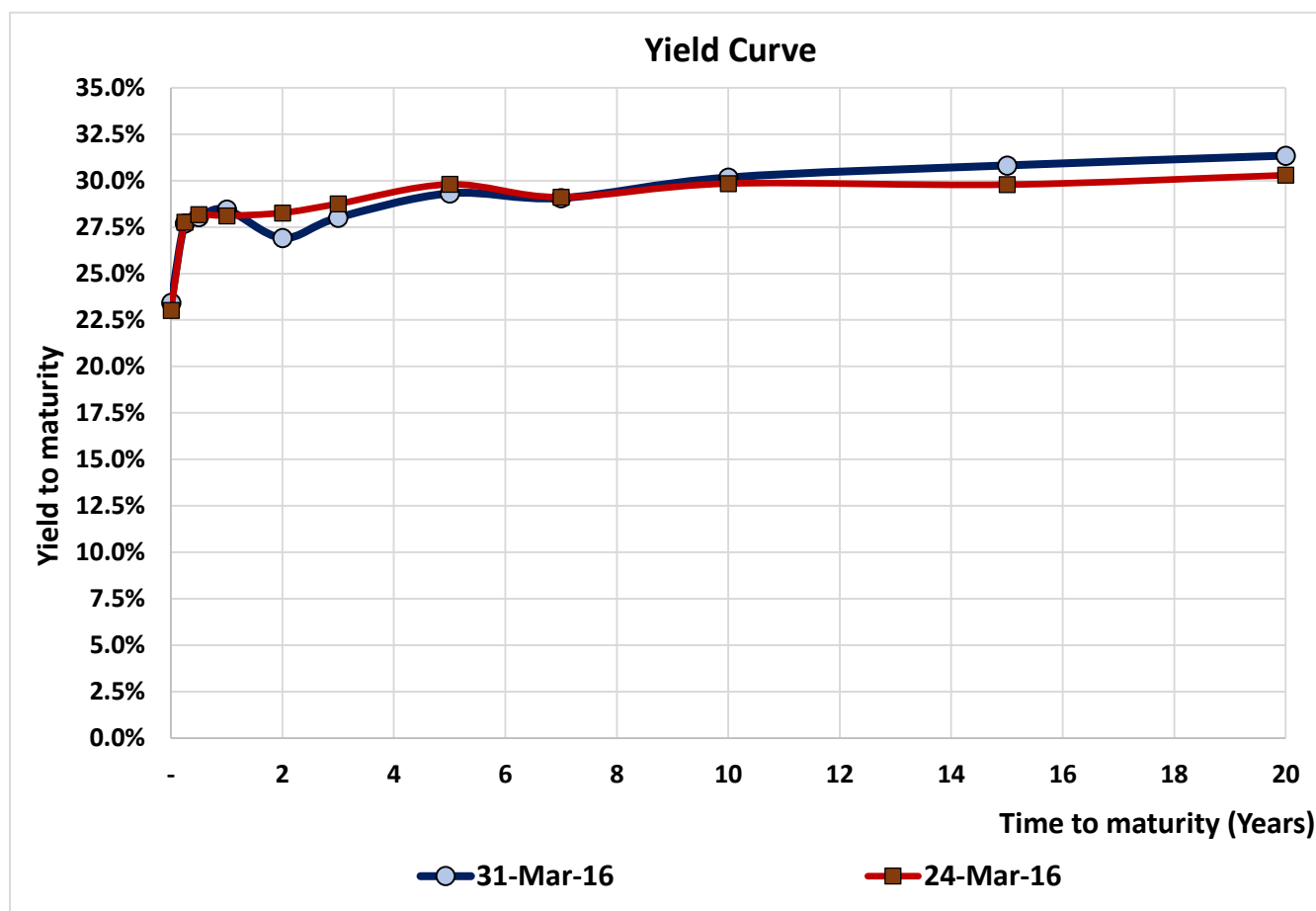
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Monday, 04th April 2016, the Kwacha appreciated against the USD, and the GBP, and depreciated against the EUR, and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K684.2533 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 |
|--|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 17 th 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 th 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 st 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 th 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 th January 2016 | 14.91% | 24.50% | 24.95% | 25.38% | 25.74% | 26.42% | 25.19% | 25.10% | 24.80% | 24.64% | 24.51% |
| 28 th January 2016 | 15.02% | 23.97% | 25.43% | 26.50% | 26.05% | 26.66% | 26.20% | 25.90% | 25.63% | 25.48% | 25.31% |
| 25 th February 2016 | 22.85% | 26.88% | 26.91% | 27.00% | 26.45% | 27.03% | 26.85% | 26.73% | 26.58% | 26.48% | 26.36% |
| 10 th March 2016 | 24.17% | 26.99% | 27.00% | 27.50% | 27.45% | 28.25% | 28.45% | 28.91% | 29.24% | 29.68% | 30.05% |
| 17 th March 2016 | 23.58% | 26.72% | 27.18% | 28.48% | 27.77% | 27.99% | 28.66% | 28.23% | 28.89% | 29.33% | 29.62% |
| 24 th March 2016 | 23.02% | 27.77% | 28.17% | 28.11% | 28.26% | 28.75% | 29.80% | 29.11% | 29.84% | 29.78% | 30.29% |
| 31 st March 2016 | 23.43% | 27.69% | 28.04% | 28.44% | 26.91% | 28.01% | 29.32% | 29.06% | 30.17% | 30.82% | 31.35% |
| 31 – 24 Mar 2016 Change in Yield (Bp) | 41 | -08 | -14 | 33 | -135 | -75 | -48 | -05 | 32 | 103 | 105 |



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