



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 27 April 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

|  | Today  | Week ending<br>29 <sup>th</sup> April 2016 |
|--|--------|--|
| Projected Autonomous Transactions<br>(+= Net injection / - = Net withdrawal) | 2,055  | 12,150                                     |
| Estimated Excess Reserves before OMO   | 10,933 | 15,873                                     |
| Estimated Excess Reserves after OMO  | 5,000  | 5,000                                      |
| Required Reserves  | 47,854 | 47,854                                     |

#### Known Projected Transactions

|                                | Week ending<br>29 <sup>th</sup> Apr 2016 | Week ending<br>06 <sup>th</sup> May 2016 | Week ending<br>13 <sup>th</sup> May 2016 | May<br>2016 | June<br>2016 |
|--------------------------------|--|--|--|-------------|--------------|
| Maturity of normal TBs/TNs/PNs | 3,513                                    | 8,551                                    | 6,494                                    | 27,519      | 39,531       |
| Maturity of OMO                | 4,347                                    | 10,469                                   | 32,277                                   | 75,709      | 20,072       |

#### Commentary:

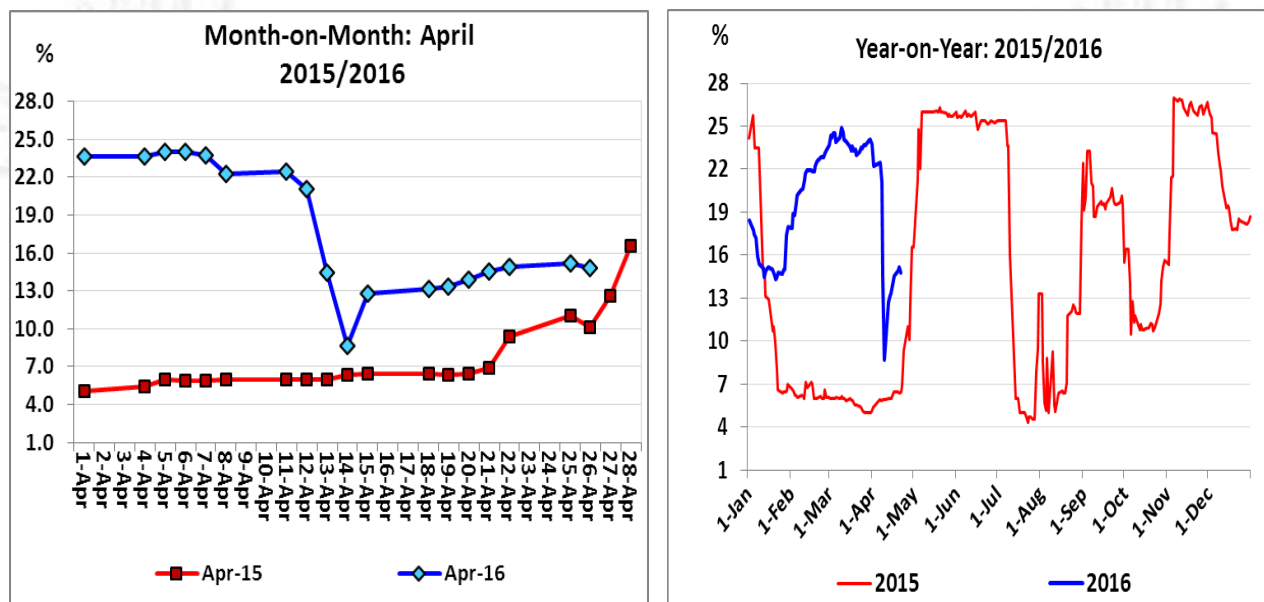
- Excess reserves closed yesterday at K8.91 billion from K2.86 billion observed on Friday, 22<sup>nd</sup> April 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

| (a) Inter-bank borrowing                     | Volume | Average rate (%) |
|--|--------|------------------|
| O/N  | 2,460  | 14.78            |
| 07 days                                      | -      | -                |
| 14 days                                      | -      | -                |
| 30 days                                      | -      | -                |
| <b>(b) RBM Open market operations</b>        |        |                  |
| (i) Repos                                    | -      | -                |
| 07 days                                      | -      | -                |
| 30 days                                      | -      | -                |
| 60 days                                      | -      | -                |
| 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>    | -      | -                |

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market declined to K2.46 billion yesterday from K5.26 billion recorded on Monday, 25<sup>th</sup> April 2016
- The overnight interbank market rate (IBR) dropped to 14.78 percent from 15.19 percent that was observed on Monday, 25<sup>th</sup> April 2016
- No access was observed on the Lombard Facility yesterday

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

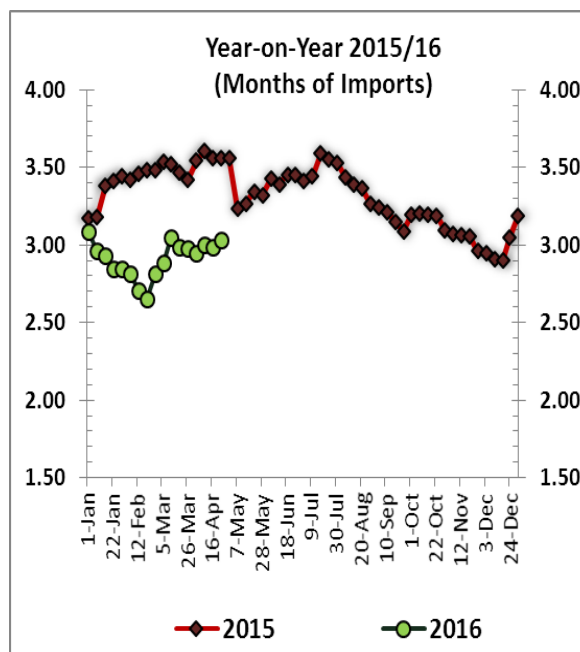
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn)              | Reserves (US\$ million) | Import Cover * (Months) |
|-----------------------------|-------------------------|-------------------------|
| 08 <sup>th</sup> April 2016 | 615.59                  | 2.95                    |
| 15 <sup>th</sup> April 2016 | 627.82                  | 3.00                    |
| 22 <sup>nd</sup> April 2016 | 624.61                  | 2.99                    |
| 26 <sup>th</sup> April 2016 | 633.53                  | 3.03                    |

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

### Commentary:

- Gross official reserves declined during the week ending 22<sup>nd</sup> April 2016 compared to the preceding week. As at 26<sup>th</sup> April 2016, the gross official reserves stood at US\$633.53 million (3.03 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) |
|--------------------------------|--------------------|--------|--------|-------------------------|
| 01 <sup>st</sup> April 2016    | -16.12             | 280.54 | 264.42 | 1.27                    |
| 08 <sup>th</sup> April 2016    | -12.60             | 274.53 | 261.93 | 1.25                    |
| 15 <sup>th</sup> April 2016    | -7.42              | 274.77 | 267.35 | 1.28                    |
| On 18 <sup>th</sup> April 2016 | -5.66              | 280.09 | 274.43 | 1.31                    |

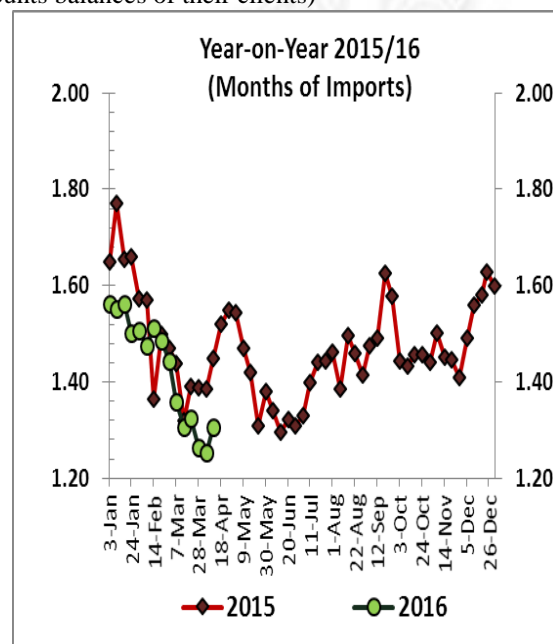
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn)          | ADB's Purchases | ADB's Sales |
|--------------------------------|-----------------|-------------|
| 15 <sup>th</sup> April 2016    | 37.96           | 45.03       |
| 22 <sup>nd</sup> April 2016    | 34.78           | 37.16       |
| On 26 <sup>th</sup> April 2016 | 6.77            | 7.26        |

### Commentary:

- The ADBs purchased US\$34.78 million from the market during the week ending 22<sup>nd</sup> April 2016 and sold US\$37.16 million. On 26<sup>th</sup> April 2016, ADBs purchased US\$6.77 million from the market and sold US\$7.26 million to the market.

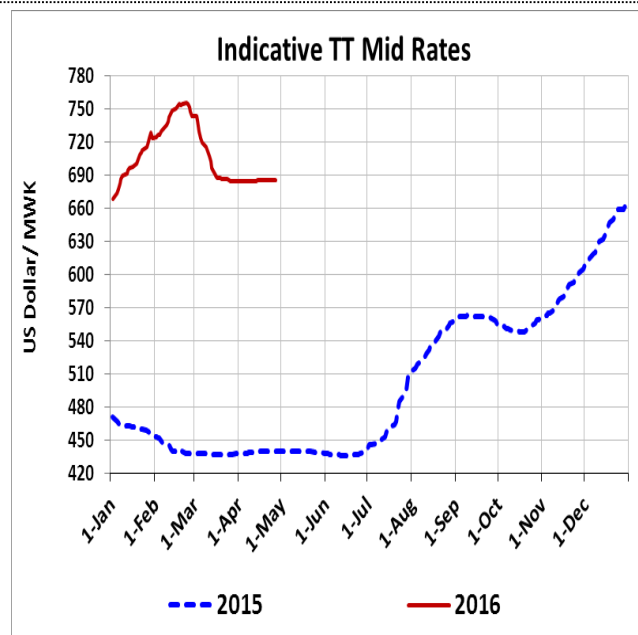
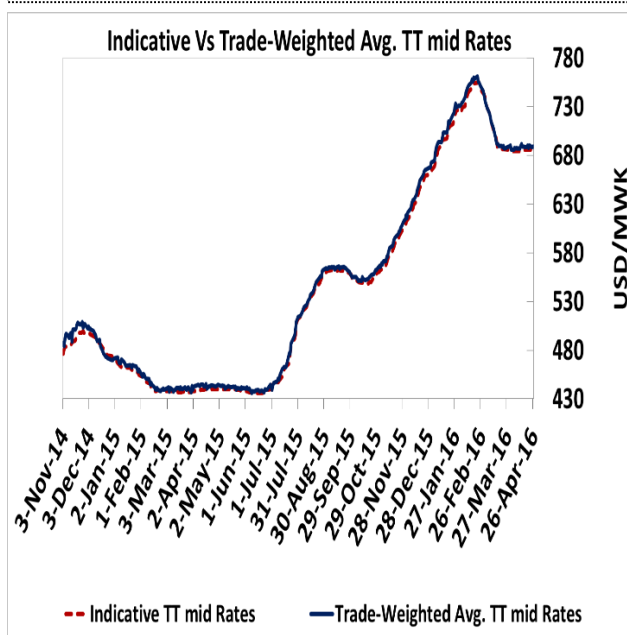


## iii. Exchange Rate Developments

|         | 19 Apr 2016 | 20 Apr 2016 | 21 Apr 2016 | 22 Apr 2016 | 25 Apr 2016 | 26 Apr 2016 | Today Indicative |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|
| MWK/USD | 689.3076    | 690.1577    | 687.7891    | 690.5750    | 688.5438    | 688.9079    | 685.6497         |
| MWK/GBP | 977.6479    | 986.3068    | 983.0517    | 991.7492    | 987.4581    | 993.6079    | 999.8144         |
| MWK/EUR | 774.6676    | 774.3561    | 772.6083    | 774.2629    | 770.7456    | 770.6286    | 774.6470         |
| MWK/ZAR | 47.7250     | 48.2813     | 48.0223     | 47.9784     | 47.8796     | 48.1626     | 47.6205          |

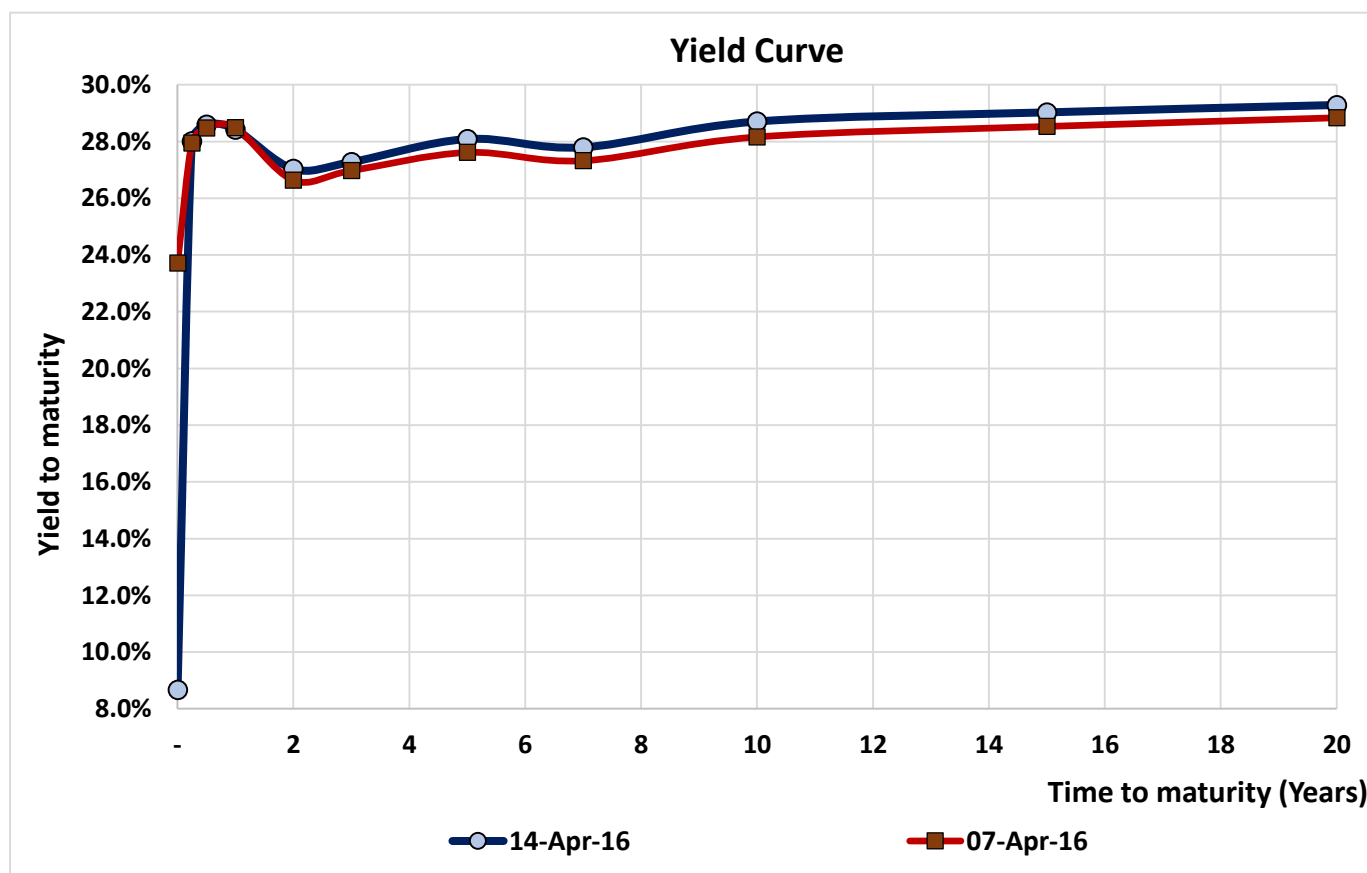
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Tuesday, 26<sup>th</sup> April 2016, the Kwacha depreciated against the USD, the GBP, and the ZAR and marginally appreciated against the EUR. Indicatively, the Malawi Kwacha is expected to trade around K685.6497 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 |
|--|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 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%  |
| 28 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>st</sup> March 2016                  | 23.43%    | 27.69% | 28.04%  | 28.44%  | 26.91% | 28.01% | 29.32% | 29.06% | 30.17%  | 30.82%  | 31.35%  |
| 07 <sup>th</sup> April 2016                  | 23.72%    | 27.95% | 28.48%  | 28.50%  | 26.64% | 26.98% | 27.62% | 27.33% | 28.16%  | 28.54%  | 28.84%  |
| 14 <sup>th</sup> April 2016                  | 8.67%     | 28.00% | 28.59%  | 28.43%  | 27.03% | 27.27% | 28.09% | 27.79% | 28.70%  | 29.02%  | 29.28%  |
| 14 Apr–07 April 2016<br>Change in Yield (Bp) | -1,505    | 6      | 11      | -7      | 39     | 30     | 47     | 47     | 54      | 49      | 44      |



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