



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 20 July 2016

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 22 nd July 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-3,739	-5,372
Estimated Excess Reserves before OMO	2,115	899
Estimated Excess Reserves after OMO	0.00	0.00
Required Reserves	53,556	53,556

i. Known Projected Transactions

	Week ending 22 July 2016	Week ending 29 July 2016	Week ending 05 Aug 2016	July 2016	August 2016
Maturity of normal TBs/TNs/PNs	3,821	3,505	2,745	54,990	42,739
Maturity of OMO	6,973	17,060	5,742	58,420	10,971

Commentary:

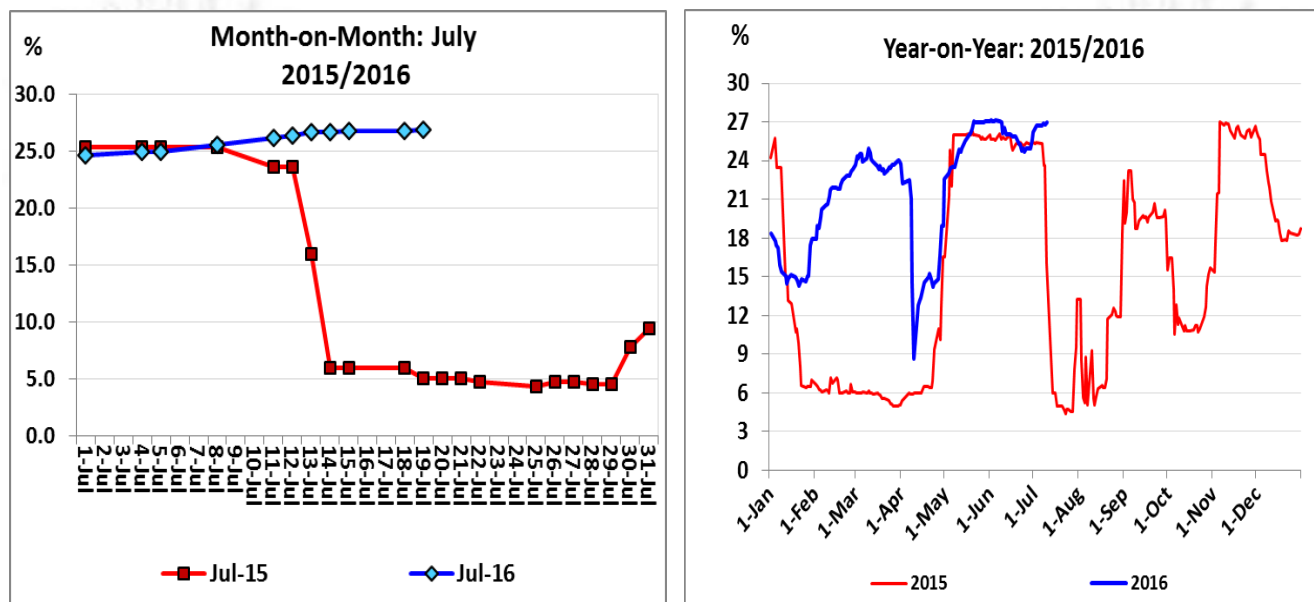
- Excess reserves increased to K5.85 billion yesterday from K5.35 billion recorded on Monday, 18th July 2016.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	5,700	26.93
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
273 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
(c) Access on the Lombard Facility	4,030	29.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market went down to K5.70 billion yesterday from K7.23 billion recorded on Monday, 18th July 2016.
- The overnight interbank market rate (IBR) increased to 26.93 percent from 26.78 percent recorded on Monday, 18th July 2016.
- A total of K4.03 billion was accessed on the Lombard Facility yesterday, 19th July 2016.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

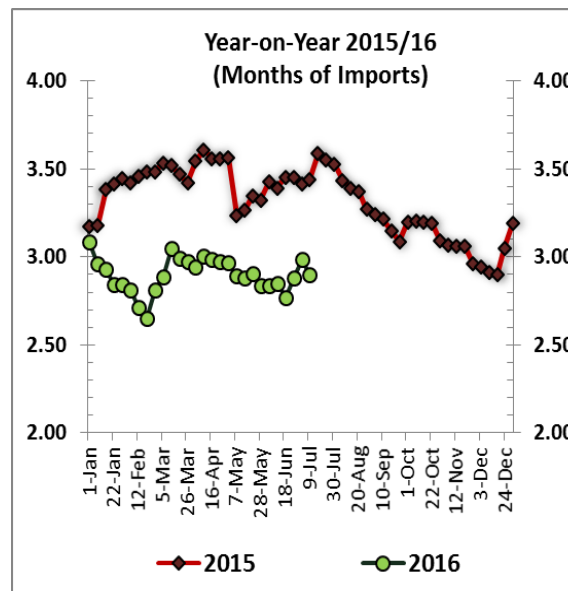
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
24 th June 2016	578.22	2.77
01 st July 2016	602.44	2.88
08 th July 2016	623.58	2.98
15 th July 2016	606.63	2.90
19 th July 2016	605.52	2.90

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

Commentary:

- Gross official reserves decreased marginally during the week ending 15th July 2016 compared to the previous week. As at 19th July 2016, the gross official reserves stood at US\$605.52 million (2.90 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)
08 th July 2016	-4.18	343.50	339.32	1.62
15 th July 2016	-1.33	351.84	350.51	1.68
18 th July 2016	-4.57	351.81	347.24	1.66

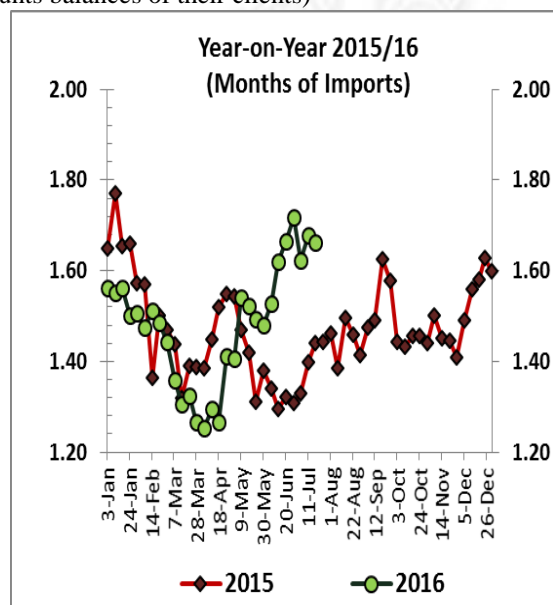
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
08 th July 2016	26.74	34.32
15 th July 2016	53.28	52.79
On 19 th July 2016	5.76	5.59

Commentary:

- ADB's purchased US\$53.28 million from the market and monetary authorities during the week ending 15th July 2016 against sales to the market at US\$52.79 million. Yesterday, ADB's purchased US\$5.76 million from the market and sold US\$5.59 million.

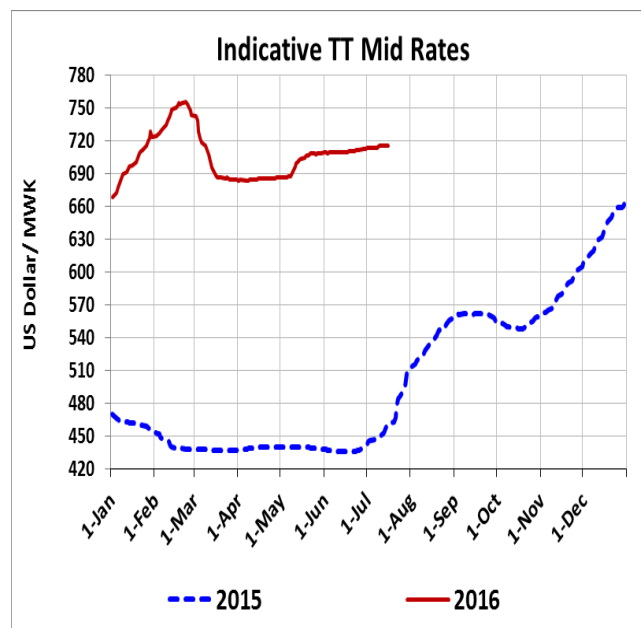
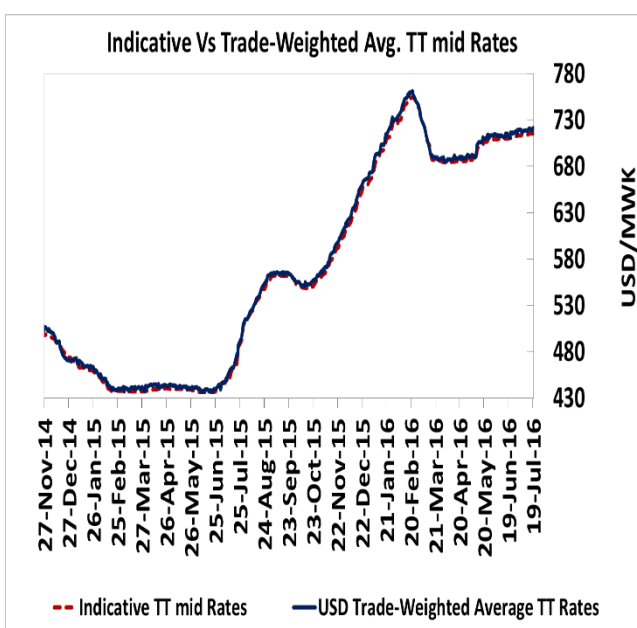


iii. Exchange Rate Developments

	12 July 2016	13 July 2016	14 July 2016	15 July 2016	18 July 2016	19 July 2016	Today's indicative
MWK/USD	717.7437	719.5078	720.4105	720.7845	718.7806	721.1906	716.0073
MWK/GBP	941.4414	954.7851	950.9927	964.1075	947.3937	954.7433	938.7572
MWK/EUR	799.6656	797.7645	798.9983	797.8837	798.0142	798.7502	789.1116
MWK/ZAR	50.2694	49.8715	49.7190	50.0498	50.3127	50.6603	49.9621

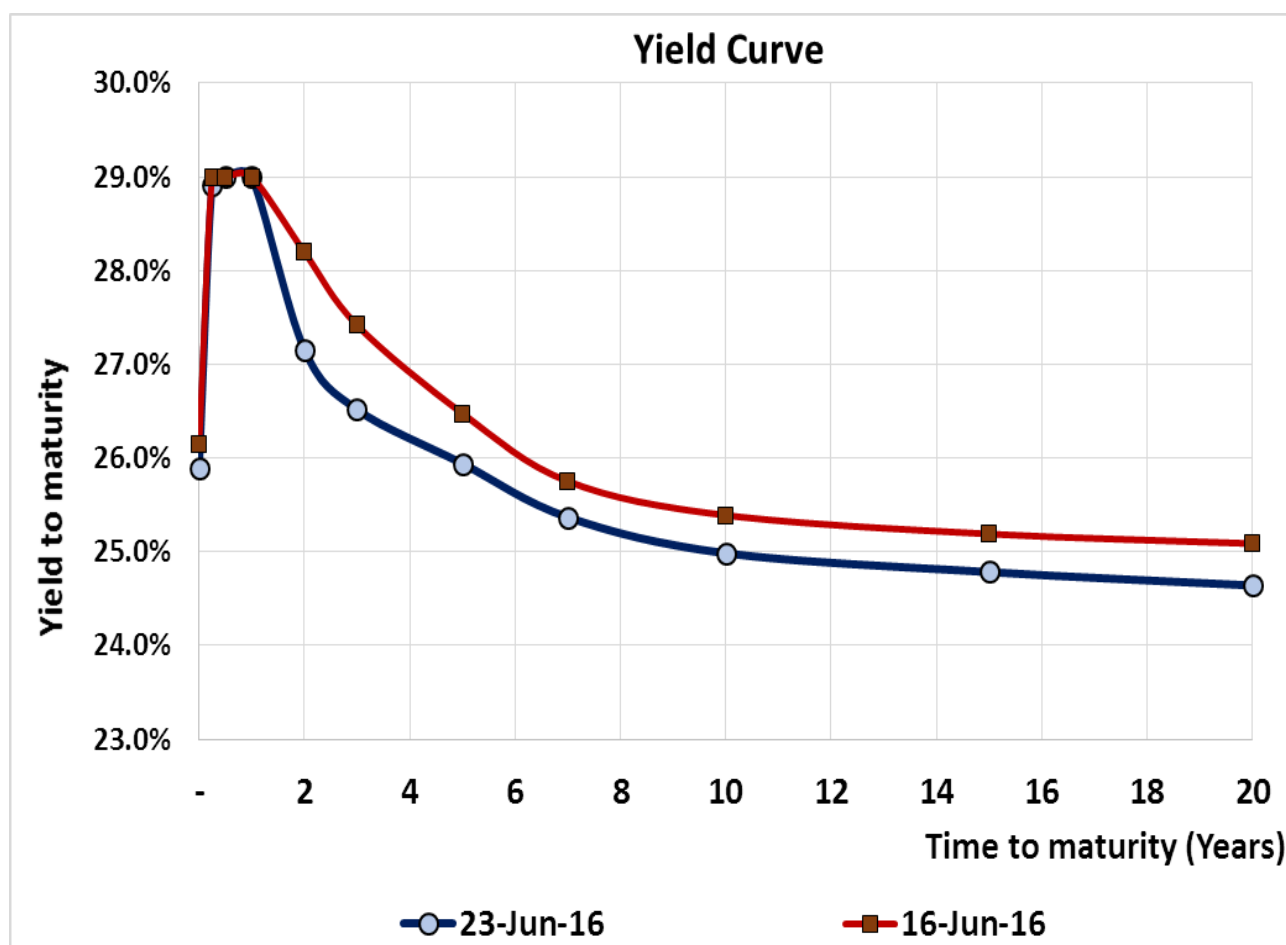
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K716.0073 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
07 th 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 th April 2016	8.67%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
19 th May 2016	25.54%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
26 th May 2016	27.01%	28.97%	29.00%	29.00%	30.82%	31.13%	34.82%	33.67%	35.23%	35.75%	37.08%
09 th June 2016	27.01%	29.00%	29.00%	29.00%	28.26%	28.04%	27.48%	26.23%	26.04%	25.84%	25.63%
16 th June 2016	26.15%	29.00%	29.00%	29.00%	28.20%	27.42%	26.48%	25.75%	25.39%	25.19%	25.09%
23 rd June 2016	25.89%	28.92%	29.00%	29.00%	27.16%	26.52%	25.94%	25.37%	24.99%	24.78%	24.64%
23 Jun–16 Jun 2016 Change in Yield (Bp)	-26	-8	0	0	-104	-90	-54	-38	-40	-41	-45



Commentary:

Indicative yields for long tenors have depicted an inverted curve suggesting lower medium to long term expected inflation rates.

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