



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 05 August 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 05 <sup>th</sup> August 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-6,234	-6,234
Estimated Excess Reserves before OMO	7,165	1,829
Estimated Excess Reserves after OMO	0.00	0.00
Required Reserves	52,977	52,977

#### i. Known Projected Transactions

	Week ending 05 Aug 2016	Week ending 12 Aug 2016	Week ending 19 Aug 2016	August 2016	September 2016
Maturity of normal TBs/TNs/PNs	2,745	1,211	2,669	42,739	56,792
Maturity of OMO	5,742	4,029	278	10,971	2,189

#### Commentary:

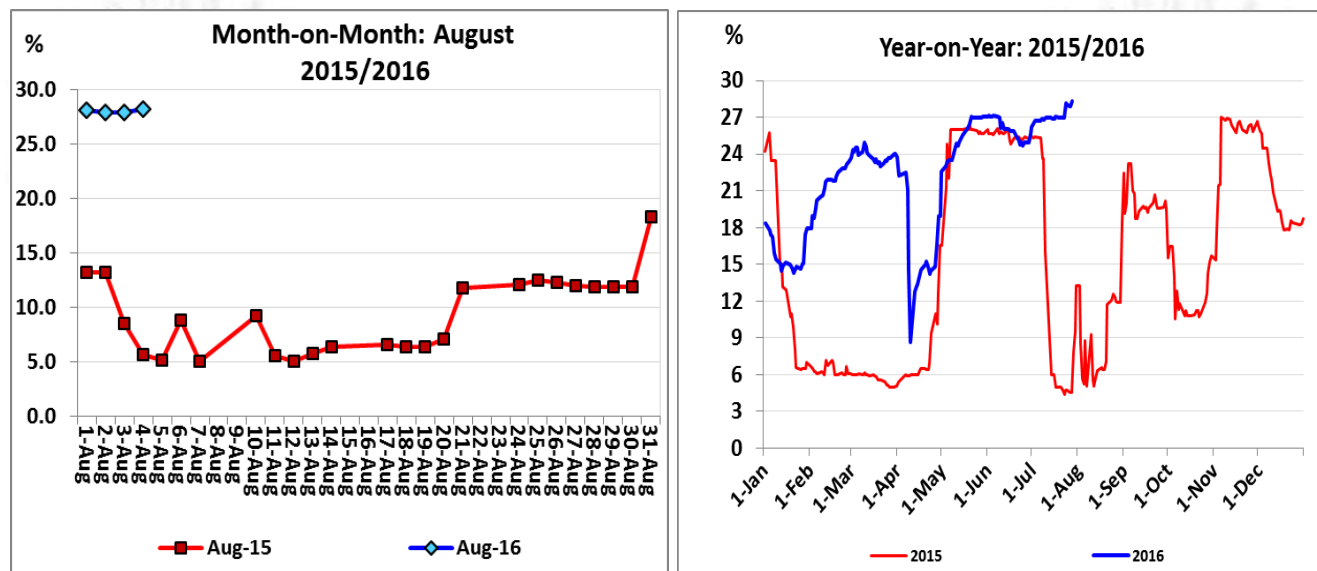
- Excess reserves dropped yesterday to K8.96 billion from K13.21 billion recorded on Wednesday, 3<sup>rd</sup> August 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	3,200	28.31
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(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	-	-
<b>(c) Access on the Lombard Facility</b>	10,254	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased yesterday to K3.20 billion from K6.85 billion that was recorded on Wednesday, 3<sup>rd</sup> August 2016.
- The overnight interbank market rate (IBR) increased to 28.31 percent from 27.91 percent that was recorded on Wednesday, 3<sup>rd</sup> August 2016.
- A total of K10.25 billion was accessed on the Lombard Facility yesterday, 4<sup>th</sup> August 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

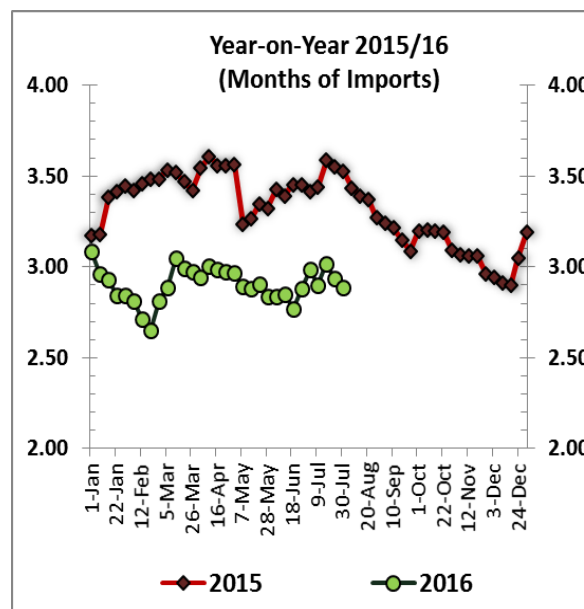
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
08 <sup>th</sup> July 2016	623.58	2.98
15 <sup>th</sup> July 2016	606.63	2.90
22 <sup>nd</sup> July 2016	630.96	3.02
29 <sup>th</sup> July 2016	613.38	2.93
4 <sup>th</sup> August 2016	603.82	2.89

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

### Commentary:

- Gross official reserves decreased during the week ending 29<sup>th</sup> July 2016 compared to the previous week. As at 4<sup>th</sup> August 2016, the gross official reserves increased and stood at US\$603.82 million (2.89 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)
15 <sup>th</sup> July 2016	-1.32	351.84	350.51	1.68
22 <sup>th</sup> July 2016	4.37	319.22	323.59	1.55
29 <sup>th</sup> July 2016	2.26	328.05	330.31	1.58
3 <sup>rd</sup> August 2016	2.29	331.05	333.34	1.59

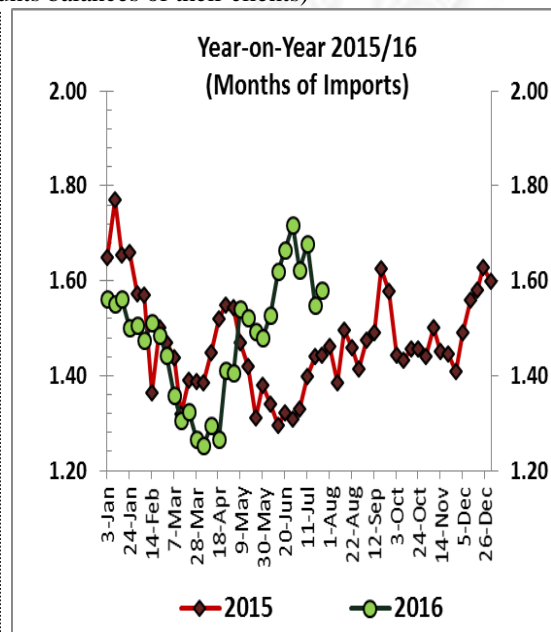
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
22 <sup>nd</sup> July 2016	41.95	36.46
29 <sup>th</sup> July 2016	55.72	56.58
On 4 <sup>th</sup> August 2016	7.16	6.46

### Commentary:

- ADB's purchased US\$55.72 million from the market and monetary authorities during the week ending 29<sup>th</sup> July 2016 against sales to the market at US\$56.58 million. On 4<sup>th</sup> August 2016, ADB's purchased US\$7.16 million from the market and sold US\$6.46 million.

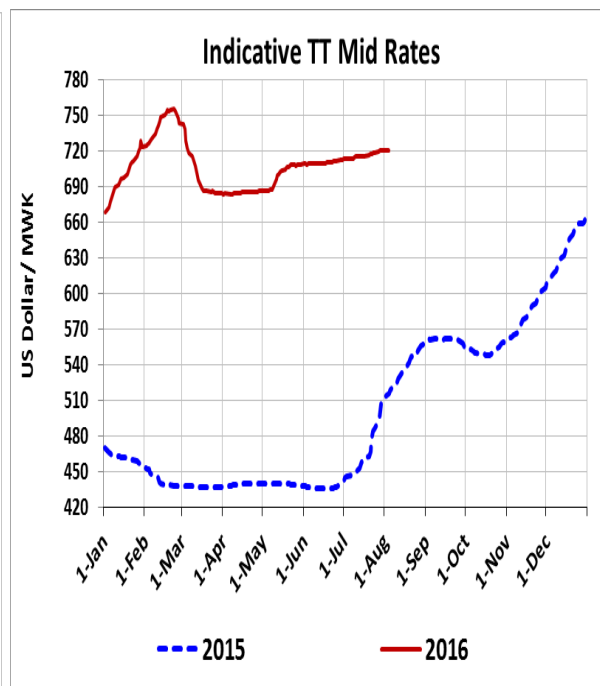
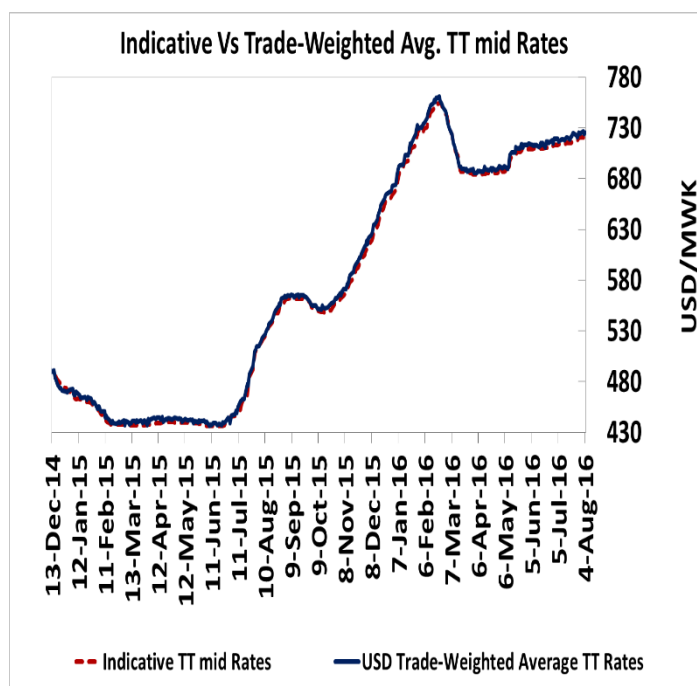


## iii. Exchange Rate Developments

	28 July 2016	29 July 2016	01 Aug 2016	02 Aug 2016	03 Aug 2016	04 Aug 2016	Today's indicative
MWK/USD	725.7040	724.1014	725.8273	726.4192	724.0226	725.4205	720.6148
MWK/GBP	957.0332	958.0929	955.7184	960.9301	965.2961	964.6135	946.0231
MWK/EUR	801.8641	801.0108	805.2744	807.5807	815.9346	809.5358	802.6928
MWK/ZAR	50.8950	51.0812	51.6163	51.8808	51.2449	52.2270	52.5482

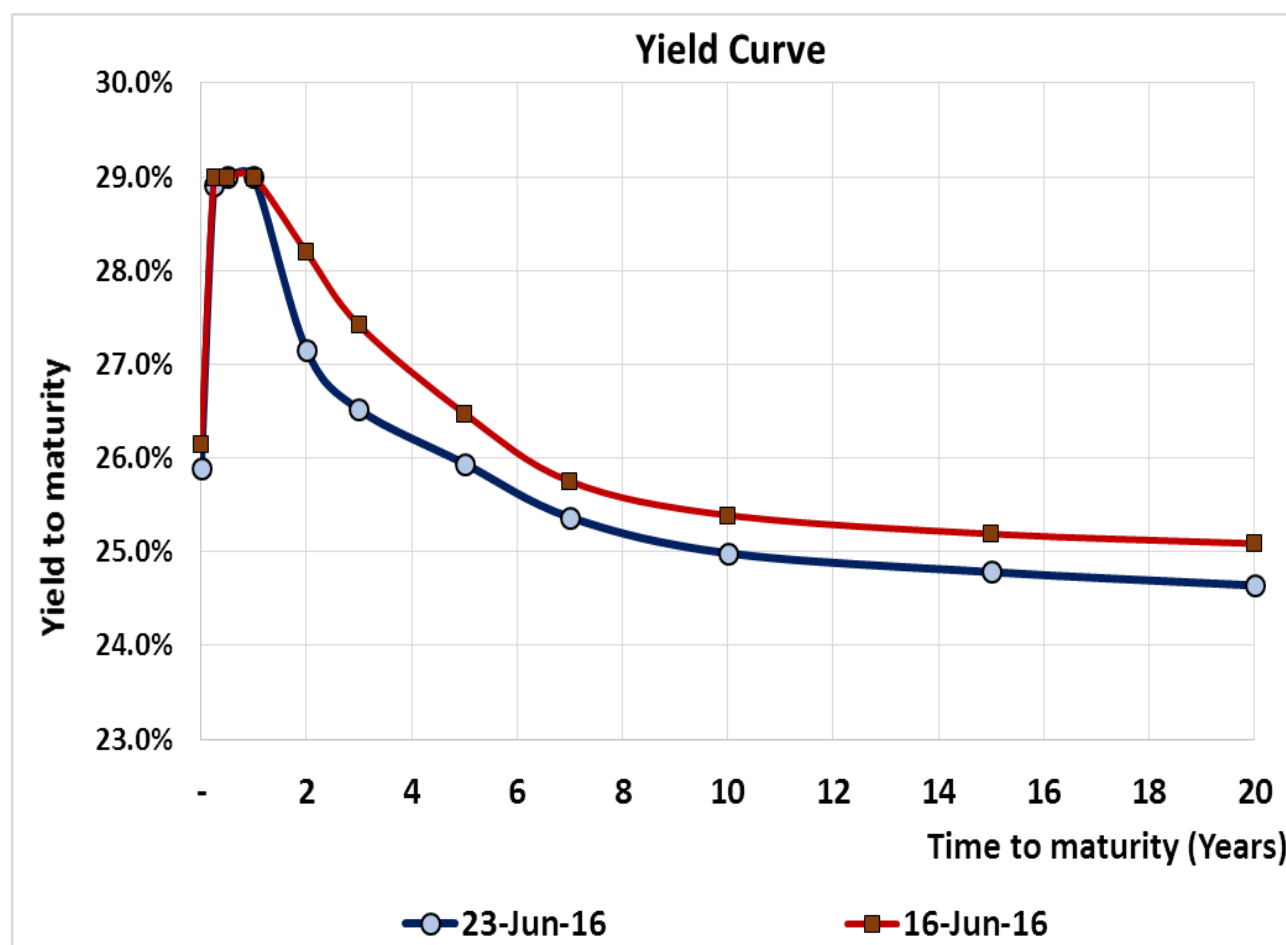
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday, the Kwacha depreciated against the USD and the ZAR but appreciated against the GBP and the EUR. Indicatively, the Malawi Kwacha is expected to trade around K720.6148 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 <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%
19 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>rd</sup> 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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