



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 27<sup>th</sup> February 2019

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 1 <sup>st</sup> March 2019
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	3,150	-3,785
Estimated Excess Reserves before OMO	43,095	36,160
Estimated Excess Reserves after OMO	0	0
Required Reserves	50,147	50,147

#### ii. Known Projected Transactions

	Week ending 15 <sup>th</sup> February 2019	Week ending 22 <sup>nd</sup> February 2019	February 2019	Week ending 1 <sup>st</sup> March 2019
Maturity of normal TBs/TNs/PNs	5,012	13,406	53,737	31,106
Maturity of OMO Repos	7,564	26,292	60,320	36,554

#### Commentary:

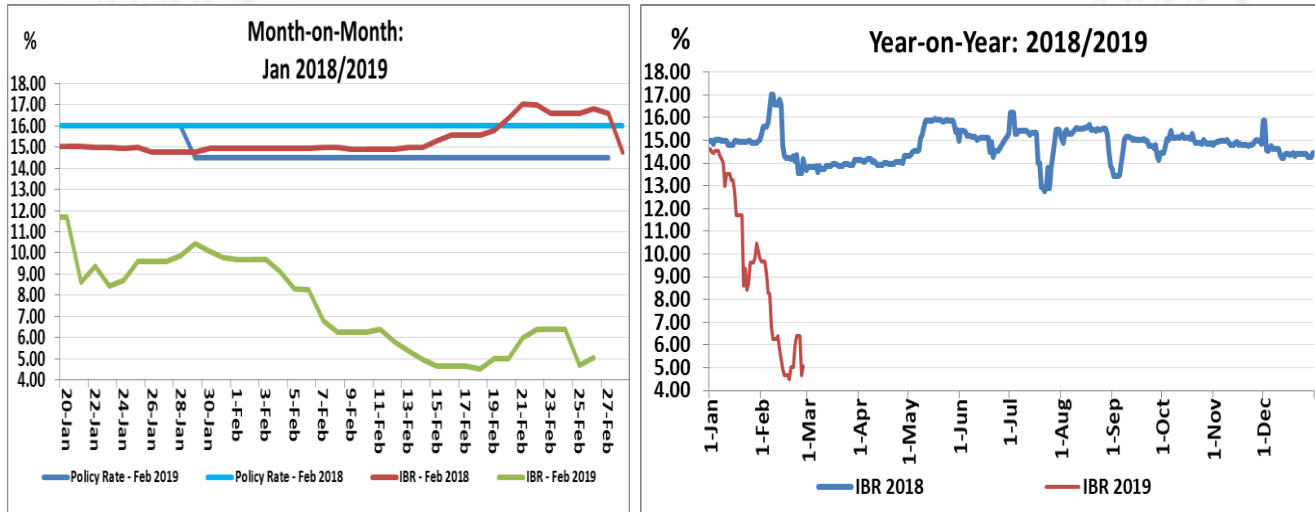
Excess reserves increased to K39.94 billion on Tuesday, 26<sup>th</sup> February 2019, from K30.52 billion recorded on Monday, 25<sup>th</sup> February 2019.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume (Mk' mn)	Average rate (%)
O/N	15,000	5.07
2 days		
7 days		
<b>(b) RBM Open market operations</b>		
<b>(i) Repos</b>		
O/N	-	-
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
91 days	-	-
<b>(ii) Reverse Repos</b>		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	-	-

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market increased to K15.00 billion on Tuesday, 26<sup>th</sup> February 2019, from K5.50 billion on Monday, 25<sup>th</sup> February 2019.
- The overnight interbank market rate (IBR) increased by 39 (bps) basis points and stood at 5.07 percent on Tuesday, 26<sup>th</sup> February 2019 from 4.68 percent on Monday, 25<sup>th</sup> February 2019.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

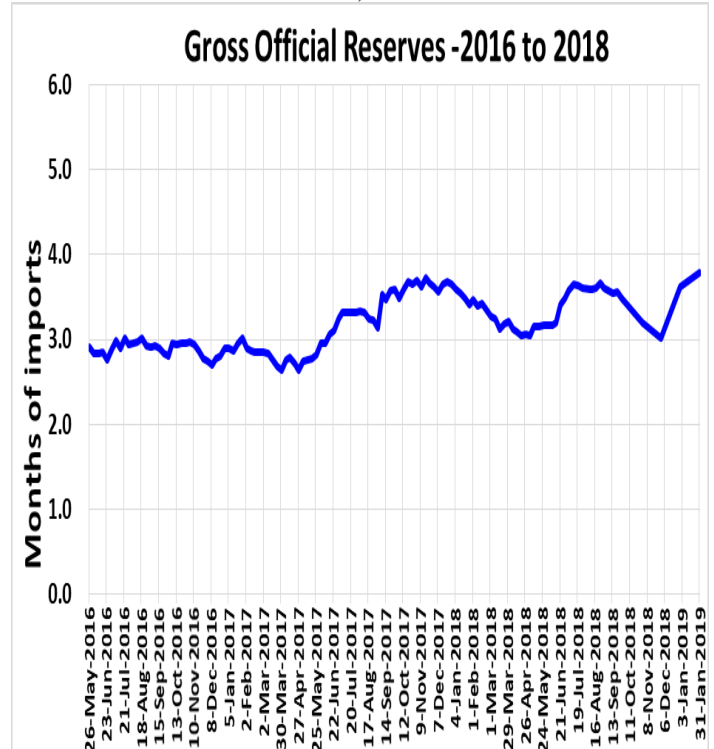
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ million)	Reserves (US\$ million)	Import Cover * (Months)
31 <sup>st</sup> Aug 2018	753.52	3.61
28 <sup>th</sup> Sep 2018	727.63	3.48
31 <sup>st</sup> Oct 2018	669.92	3.20
30 <sup>th</sup> Nov 2018	631.21	3.04
31 <sup>st</sup> Dec 2018	755.22	3.61
31 <sup>st</sup> Jan 2019	790.28	3.78

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

### Commentary:

- Gross official reserves increased during January 2019 to \$790.228 million (3.78 months of imports) from \$755.22 million (3.61 months of imports) at the end of the preceding month.



## 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)
31 <sup>st</sup> Oct 2018	0.80	328.43	329.23	1.58
30 <sup>th</sup> Nov 2018	1.63	336.28	337.92	1.62
31 <sup>st</sup> Dec 2018	2.37	328.47	330.84	1.58
31 <sup>st</sup> Jan 2019	-4.89	324.01	319.12	1.53

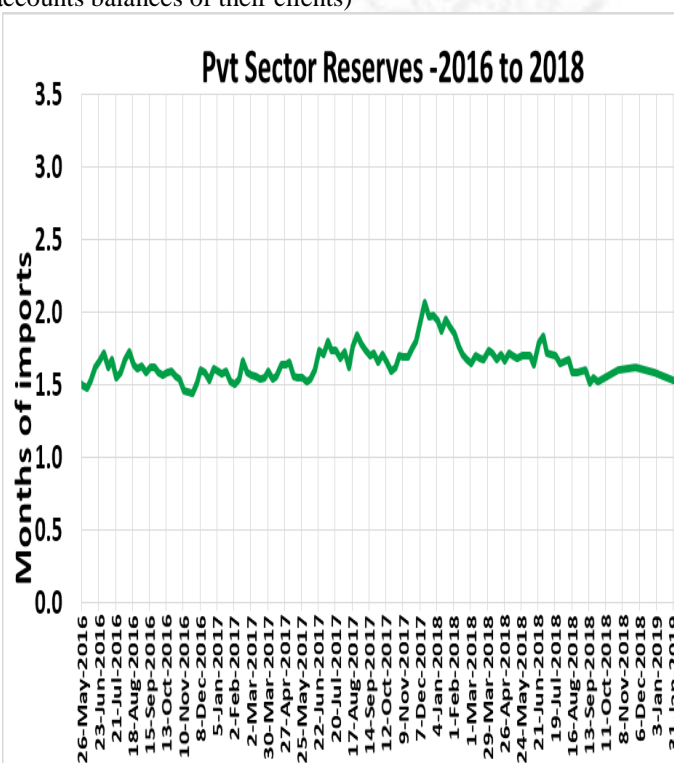
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
8 <sup>th</sup> Feb 2019	25.06	25.42
15 <sup>th</sup> Feb 2019	35.89	38.34
22 <sup>nd</sup> Feb 2019	31.07	39.68
On 26 <sup>th</sup> Feb 2019	5.49	5.87

#### Commentary:

- ADB's FX trading slightly dropped during the week ending 22<sup>nd</sup> February 2019 compared to the previous week. ADBs purchased a total of US\$31.07 million from the market and sold a total of US\$39.68 million during the week. On Tuesday 26<sup>th</sup> February 2019, ADBs purchased US\$5.49 million from the market and sold US\$5.87 million.

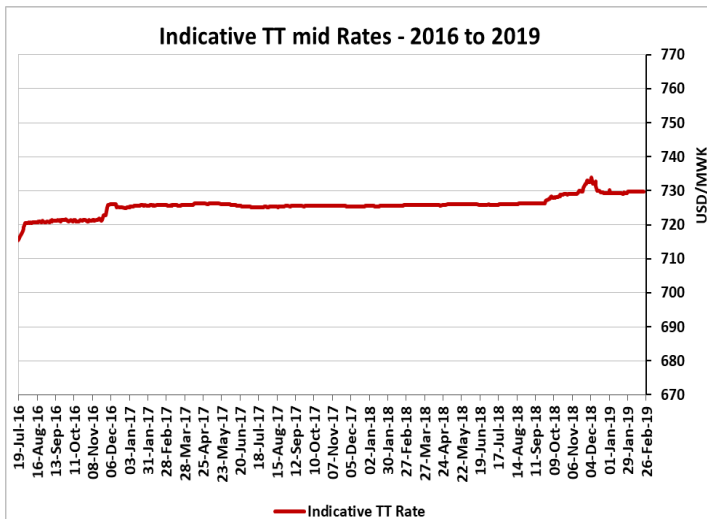
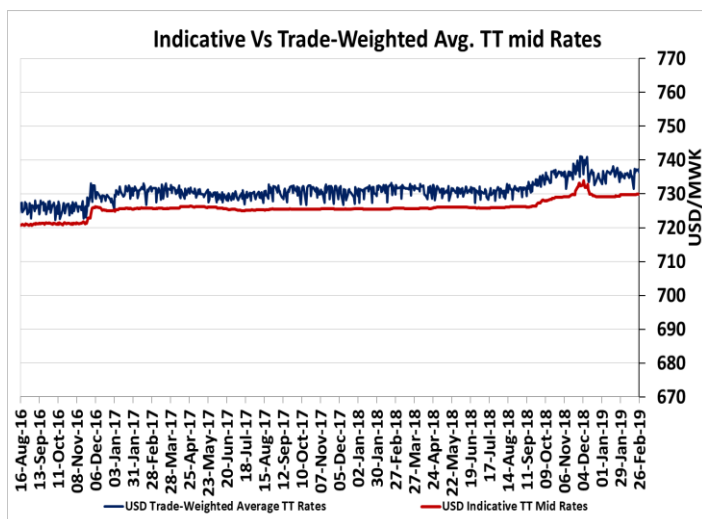


## iii. Exchange Rate Developments

	20 <sup>th</sup> Feb 2019	21 <sup>st</sup> Feb 2019	22 <sup>nd</sup> Feb 2019	25 <sup>th</sup> Feb 2019	26 <sup>th</sup> Feb 2019	Today's indicative Rates
MWK/USD	736.2568	737.2752	736.9124	737.1544	736.3637	729.8927
MWK/GBP	963.2198	957.7729	960.5451	962.1429	966.5198	966.4509
MWK/EUR	831.3757	831.7107	835.5957	830.9545	835.1566	830.3259
MWK/ZAR	52.1509	52.2995	52.7858	52.9566	53.0625	52.6998

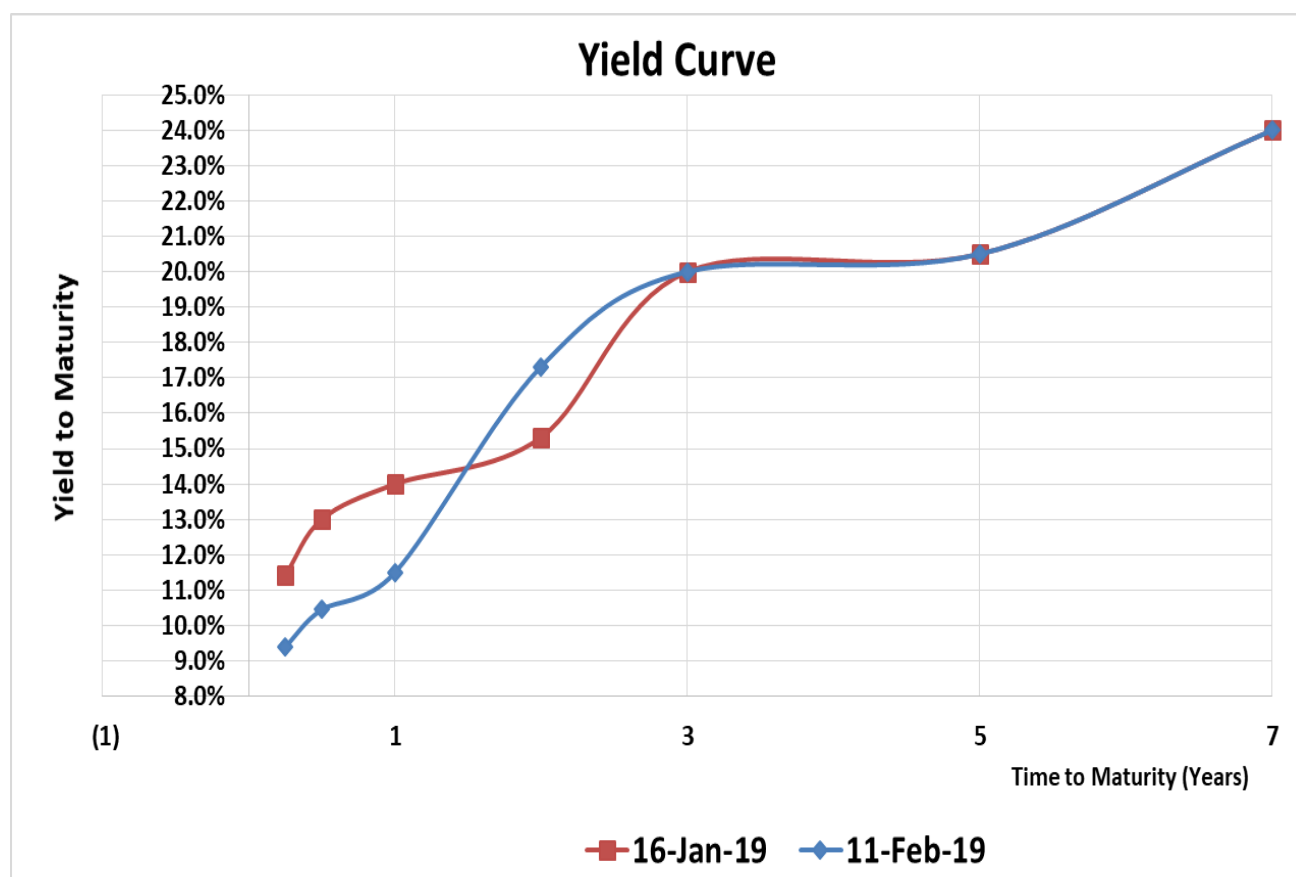
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Tuesday, 26<sup>th</sup> February 2019, the Kwacha appreciated against the USD but depreciated against the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to be trading at 729.8927 per US Dollar today, 27<sup>th</sup> February 2019.



#### D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%
22 <sup>nd</sup> February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%
29 <sup>th</sup> March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%
31 <sup>st</sup> August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%
16 <sup>th</sup> January 2019	11.42%	13.00%	14.00%	15.32%	20.00%	20.50%	24.00%
11 <sup>th</sup> February 2019	9.40%	10.45%	11.50%	17.32%	20.00%	20.50%	24.00%
11 Feb 2019 – 16 Jan 2018 Change in Yield (Bp)	(2.02)	(2.55)	(2.50)	2.00	0.00	0.00	0.00



**DISCLAIMER:** This information is provided for general reference purposes only. Whilst every effort is made to ensure that the information is up to date and Accurate, the Reserve Bank of Malawi does not accept responsibility for any loss that may arise from reliance on the information contained herein.