



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 12 October 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 14 <sup>th</sup> October 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-8,743	15,788
Estimated Excess Reserves before OMO	-6,717	15,693
Estimated Excess Reserves after OMO	0	0
Required Reserves	54,085	54,085

#### i. Known Projected Transactions

	Week ending 14 <sup>th</sup> October 2016	Week ending 21 <sup>st</sup> October	Week ending 28 <sup>th</sup> October	October 2016	November 2016
Maturity of normal TBs/TNs/PNs	24,671	13,103	9,448	55,671	37,692
Maturity of OMO Repos	8,869	19,313	26,456	66,146	27,642

#### Commentary:

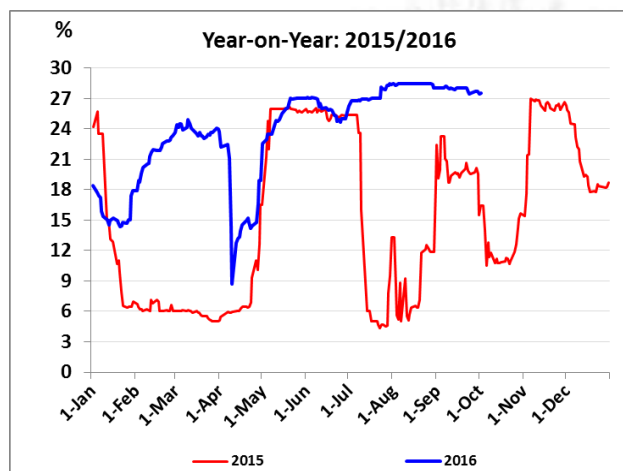
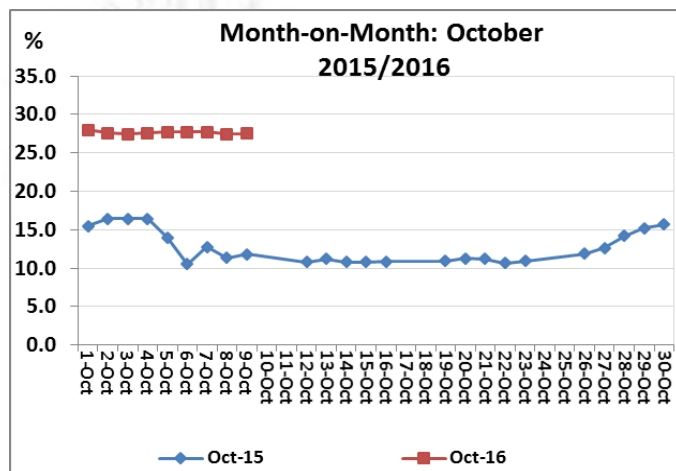
- Excess reserves dropped to K2.03 billion yesterday from K5.58 billion recorded on Monday, 10<sup>th</sup> October 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	1,890	27.50
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
<b>(i) Repos</b>		
07 days	60	29.00
14 days	-	-
31 days	66	29.00
63 days	188	29.00
273 days	-	-
364 days	280	29.00
<b>(ii) Reverse Repos</b>		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(iii) Deposits on Overnight Deposit Facility</b>		
	-	-
<b>(c) Access on the Lombard Facility</b>	10,040	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K1.89 billion yesterday from K3.07 billion recorded on Monday, 10<sup>th</sup> October 2016.
- The overnight interbank market rate (IBR) increased by 8 basis points and closed at 27.50 percent from 27.42 percent recorded on Monday, 10<sup>th</sup> October 2016.
- About K594.13 million was withdrawn from the banking system through OMO repos yesterday.
- A total of K10.04 billion was accessed on the Lombard Facility yesterday, 11<sup>th</sup> October 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

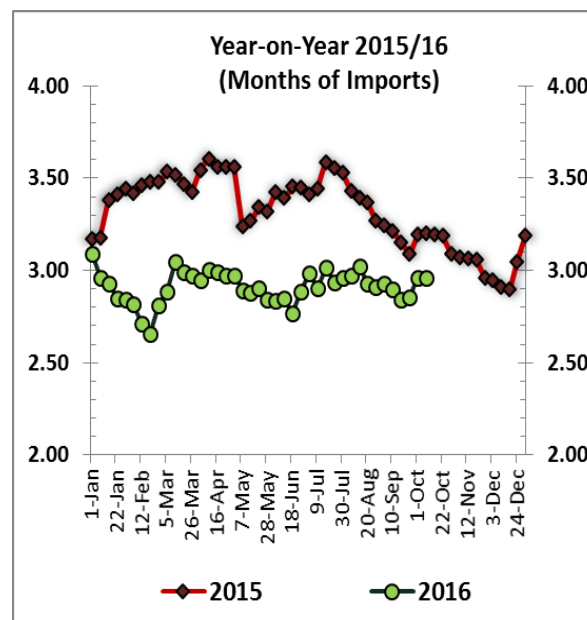
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover* (Months)
23 <sup>rd</sup> September 2016	593.49	2.84
30 <sup>th</sup> September 2016	596.66	2.85
7 <sup>th</sup> October 2016	618.39	2.96
10 <sup>th</sup> October 2016	618.42	2.96

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

### Commentary:

- Gross official reserves increased during the week ending 7<sup>th</sup> October 2016 compared to the previous week. As at 10<sup>th</sup> October 2016, the gross official reserves stood at US\$618.42 million (2.96 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)
23rd September 2016	5.03	333.92	338.95	1.62
30 <sup>th</sup> September 2016	2.21	327.46	329.66	1.58
07 <sup>th</sup> October 2016	-4.49	331.62	327.13	1.57
10 <sup>th</sup> October 2016	-4.93	337.21	332.29	1.59

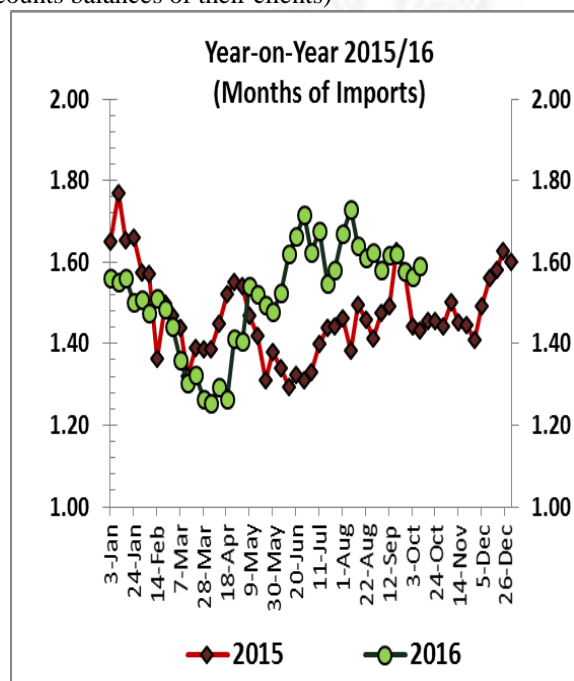
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
23 <sup>rd</sup> September 2016	45.17	41.53
30 <sup>th</sup> September 2016	64.35	67.59
07 <sup>th</sup> October 2016	41.69	47.18
On 11 <sup>th</sup> October 2016	4.17	5.01

### Commentary:

- ADB's purchased US\$41.69 million from the market and monetary authorities during the week ending 7<sup>th</sup> October 2016 against sales to the market at US\$47.18 million. Yesterday, 11<sup>th</sup> October 2016, ADB's purchased US\$4.17 million from the market and sold US\$5.01 million.

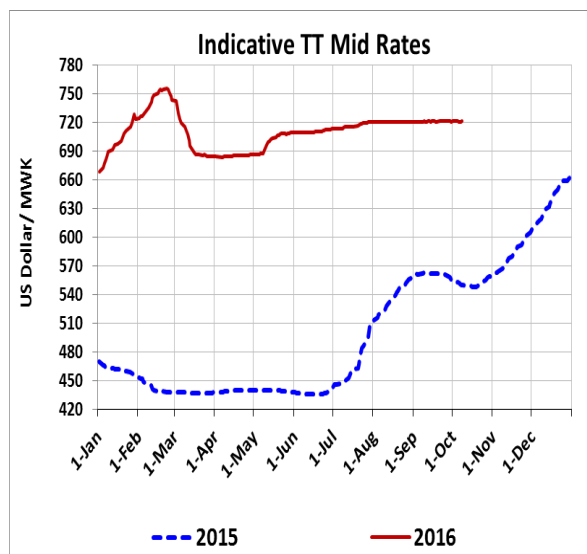
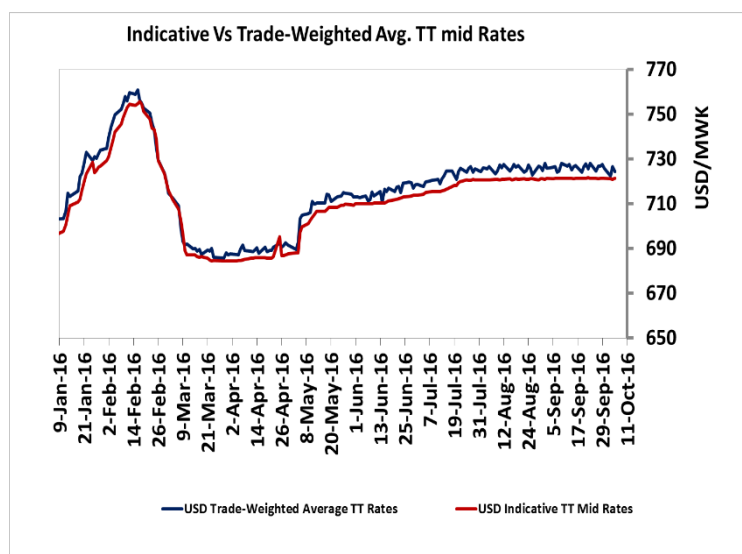


## iii. Exchange Rate Developments

	04 <sup>th</sup> Oct 2016	05 <sup>th</sup> Oct 2016	06 <sup>th</sup> Oct 2016	07 <sup>th</sup> Oct 2016	10 <sup>th</sup> Oct 2016	11 <sup>th</sup> Oct 2016	Today's Indicative
MWK/USD	726.8383	727.3797	725.7665	722.2821	726.5297	724.2134	721.0662
MWK/GBP	928.7054	922.9133	923.2411	900.9008	896.7010	894.4522	885.7577
MWK/EUR	806.6505	810.5429	811.8265	804.6082	809.0850	804.8547	796.2734
MWK/ZAR	52.8724	52.5328	52.4372	52.0956	52.5223	52.1275	50.2475

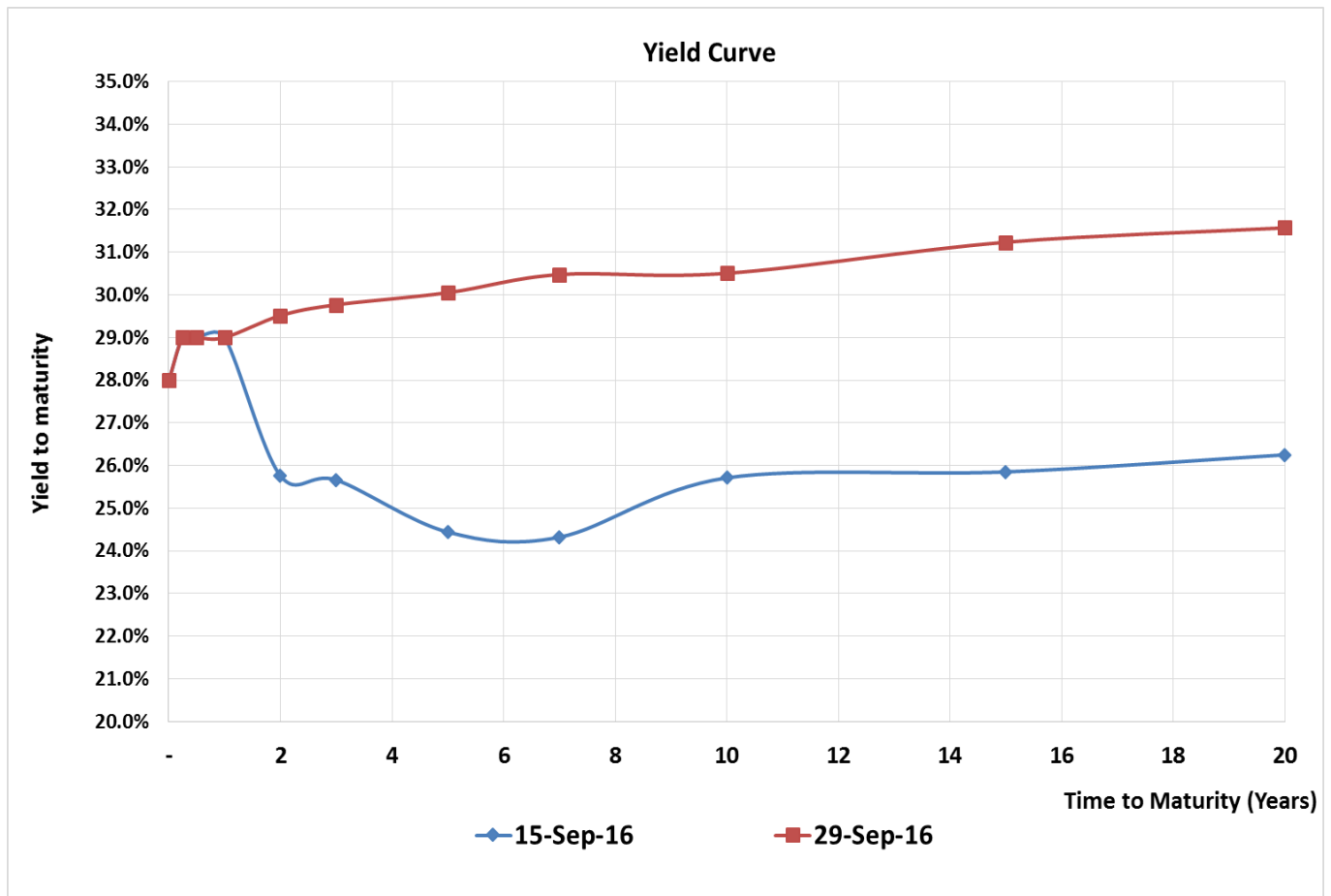
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday, 11<sup>th</sup> October 2016, the Kwacha appreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K721.0662 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
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%
12 <sup>th</sup> August 2016	28.29%	29.00%	29.00%	29.00%	26.16%	26.35%	26.21%	26.60%	26.43%	27.32%	28.39%
19 <sup>th</sup> August 2016	28.45%	27.84%	27.57%	27.66%	27.10%	27.24%	27.05%	27.12%	27.28%	28.69%	29.78%
01 <sup>st</sup> September 2016	28.50%	29.00%	29.00%	29.00%	35.04%	35.56%	36.84%	36.41%	37.80%	38.15%	41.26%
08 <sup>th</sup> September 2016	28.00%	29.00%	29.00%	29.00%	28.84%	29.87%	32.91%	32.43%	32.93%	40.28%	41.63%
15 <sup>th</sup> September 2016	28.00%	29.00%	29.00%	29.00%	28.16%	28.35%	27.70%	27.57%	29.21%	29.67%	29.84%
29 <sup>th</sup> September 2016	28.00%	29.00%	29.00%	29.00%	29.51%	29.77%	30.05%	30.48%	30.51%	31.23%	31.57%
29 September-15 September Change in Yield (Bp)	0	0	0	0	136	142	236	291	129	156	173



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