



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 18 October 2016

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 21 st October 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	6,424	30,339
Estimated Excess Reserves before OMO	13,387	37,302
Estimated Excess Reserves after OMO	0	0
Required Reserves	54,085	54,085

i. Known Projected Transactions

	Week ending 21 st October 2016	Week ending 28 th October 2016	Week ending 4 th November 2016	October 2016	November 2016
Maturity of normal TBs/TNs/PNs	13,103	9,448	14,063	55,671	37,692
Maturity of OMO Repos	29,909	24,487	10,425	74,378	34,223

Commentary:

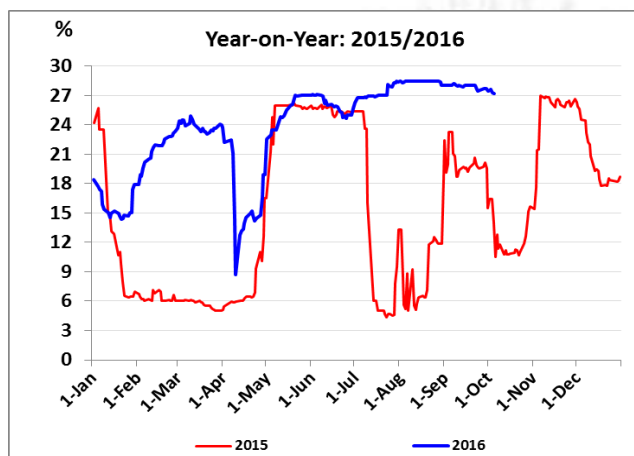
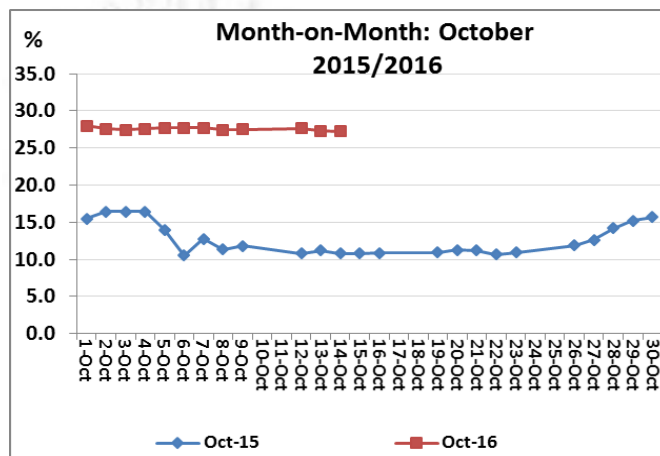
- Excess reserves increased to K6.96 billion on Friday, 14th October 2016 from K4.81 billion recorded on Thursday, 13th October 2016.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	3,700	27.22
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	2,000	29.00
14 days	-	-
33 days	530	29.00
63 days	2,367	29.00
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility		
	-	-
(c) Access on the Lombard Facility	570	29.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K3.70 billion on Friday, 14th October 2016 from K2.85 billion recorded on Thursday, 13th October 2016.
- The overnight interbank market rate (IBR) dropped by 7 basis points and closed at 27.22 percent.
- About K4.90 billion was withdrawn from the banking system through OMO repos on Friday, 14th October 2016.
- A total of K570.00 million was accessed on the Lombard Facility on Friday, 14th October 2016.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

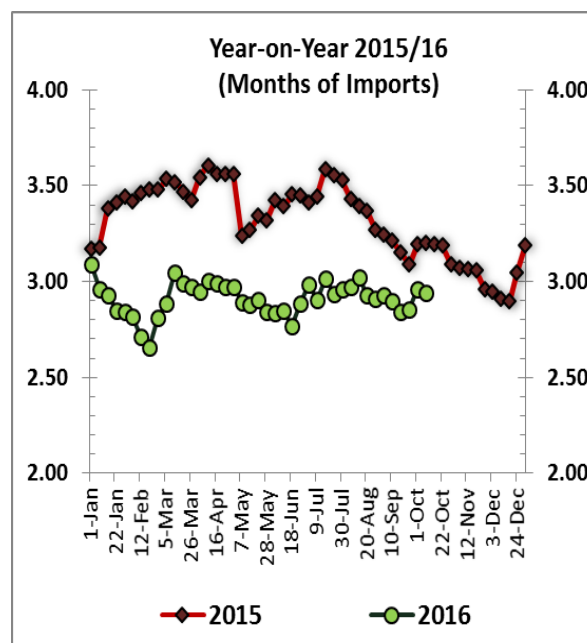
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
23 rd September 2016	593.49	2.84
30 th September 2016	596.66	2.85
7 th October 2016	618.39	2.96
13 th October 2016	615.27	2.94

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

Commentary:

- Gross official reserves increased during the week ending 7th October 2016 compared to the previous week. As at 13th October 2016, the gross official reserves stood at US\$615.27 million (2.94 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
30th September 2016	2.21	327.46	329.66	1.58
07th October 2016	-4.49	331.62	327.13	1.57
13th October 2016	-5.25	336.51	331.26	1.58

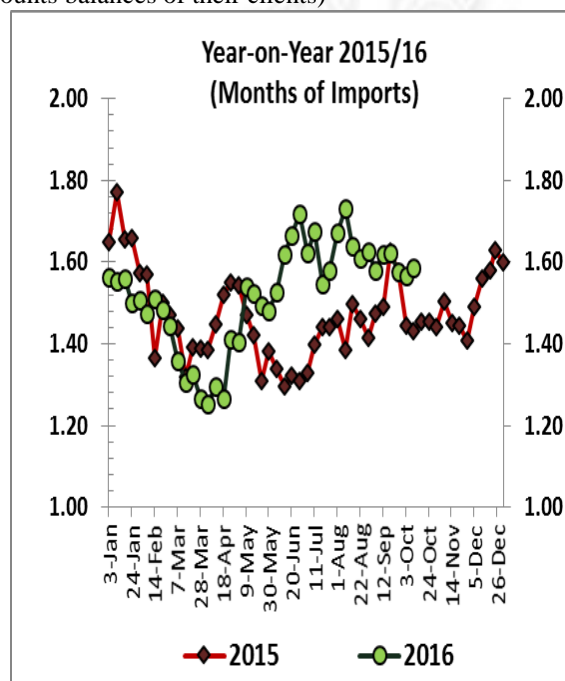
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
30th September 2016	64.35	67.59
07th October 2016	41.69	47.18
14th October 2016	35.67	38.76
On 14th October 2016	9.35	10.55

Commentary:

- ADB's purchased US\$35.67 million from the market and monetary authorities during the week ending 14th October 2016 against sales to the market at US\$38.76 million. On Friday, 14th October 2016 alone, ADB's purchased US\$9.35 million from the market and sold US\$10.55 million.

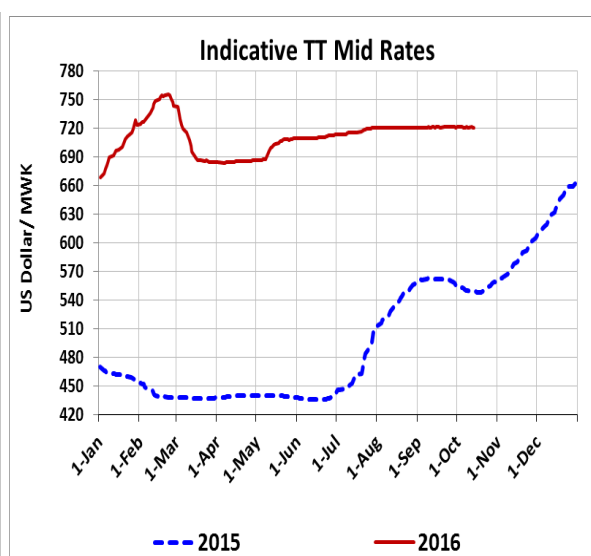
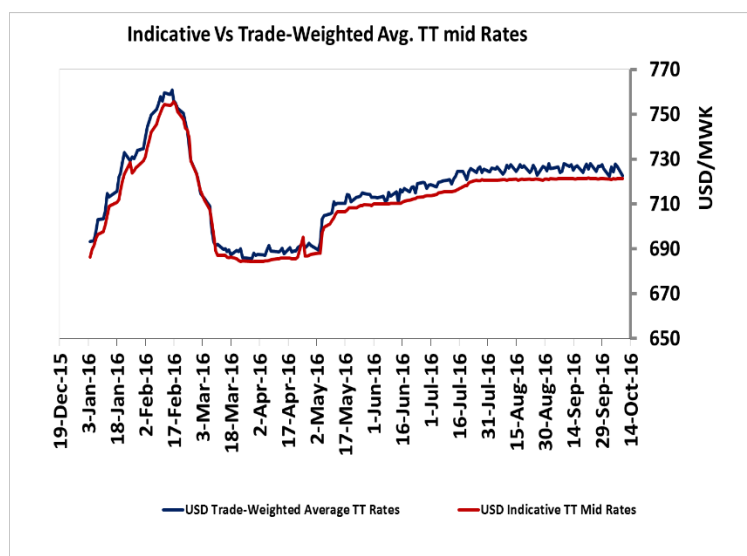


iii. Exchange Rate Developments

	07th Oct 2016	10th Oct 2016	11th Oct 2016	12th Oct 2016	13th Oct 2016	14th Oct 2016	Today's Indicative
MWK/USD	722.2821	726.5297	724.2134	727.6206	726.6703	722.6818	720.8726
MWK/GBP	900.9008	896.7010	894.4522	890.7475	883.5919	885.7764	881.4109
MWK/EUR	804.6082	809.0850	804.8547	800.9962	799.5577	797.4234	794.1853
MWK/ZAR	52.0956	52.5223	52.1275	50.2716	50.9186	50.7876	51.1478

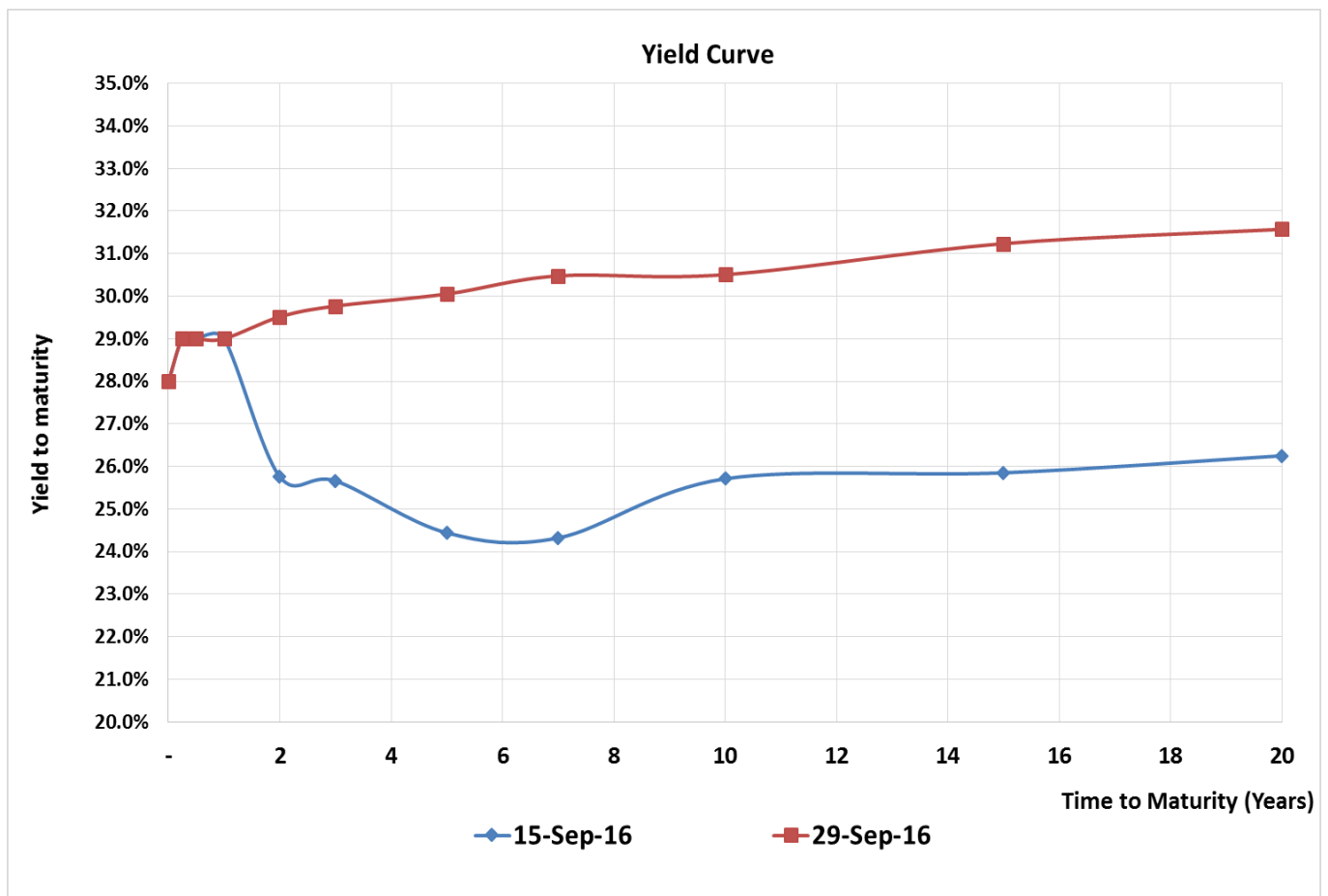
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Friday, 14th October 2016, the Kwacha appreciated against the USD, the EUR and the ZAR but depreciated versus the GBP. Indicatively, the Malawi Kwacha is expected to trade around K720.8726 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 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%
12 th 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 th 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 st 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 th 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 th 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 th 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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