



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 01 December 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 2 <sup>nd</sup> December 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-5,175	-17,567
Estimated Excess Reserves before OMO	-1,457	-1,457
Estimated Excess Reserves after OMO	0	0
Required Reserves	53,697	53,697

#### ii. Known Projected Transactions

	Week ending 25 <sup>th</sup> November 2016	Week ending 2 <sup>nd</sup> December 2016	Week ending 9 <sup>th</sup> December 2016	November 2016	December 2016
Maturity of normal TBs/TNs/PNs	2,654	513	14,346	37,692	29,744
Maturity of OMO Repos	40,400	13,439	9,447	110,535	54,695

#### Commentary:

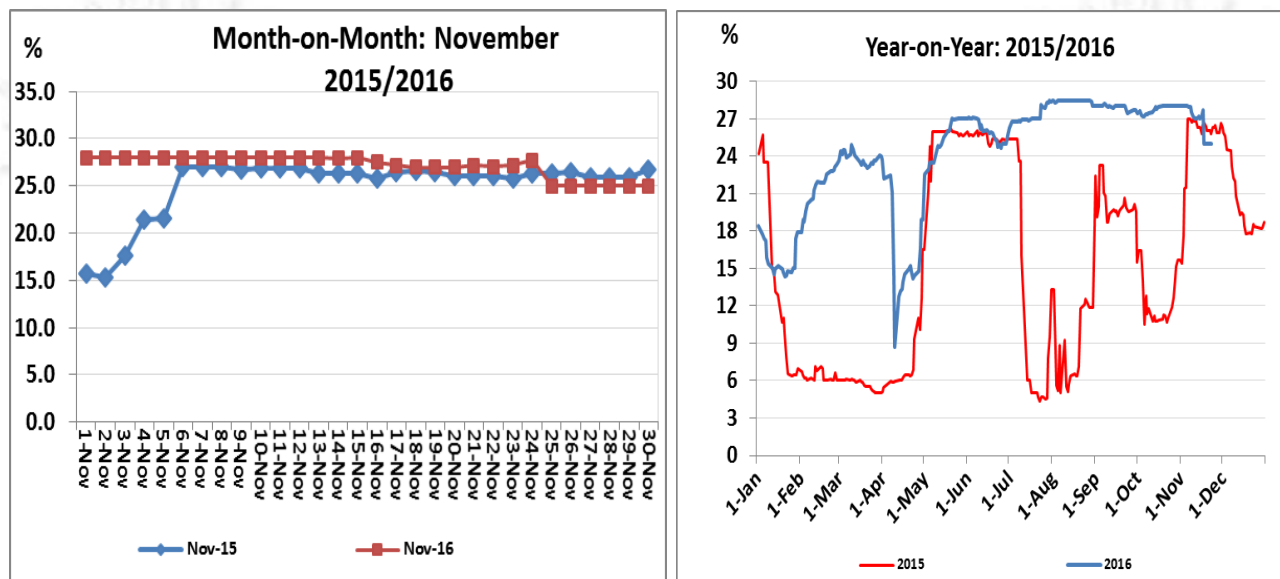
- Excess reserves dropped K3.72 billion yesterday from K9.35 billion recorded on Tuesday, 29<sup>th</sup> November 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	2,200	25.00
07 days	-	-
14 days	-	-
28 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
46 days	-	-
60 days	-	-
273 days	-	-
364 days	10,866	26.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	10,100	26.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K2.20 billion from K6.15 billion recorded on Tuesday, 29<sup>th</sup> November 2016.
- The overnight interbank market rate (IBR) increased by 2 basis points and stood at 25.00 percent from 24.98 percent recorded on Tuesday, 29<sup>th</sup> November 2016.
- About K10.87 billion was withdrawn from the banking system through OMO repos yesterday.
- About K10.10 billion was accessed on the Lombard Facility yesterday, 30<sup>th</sup> November 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

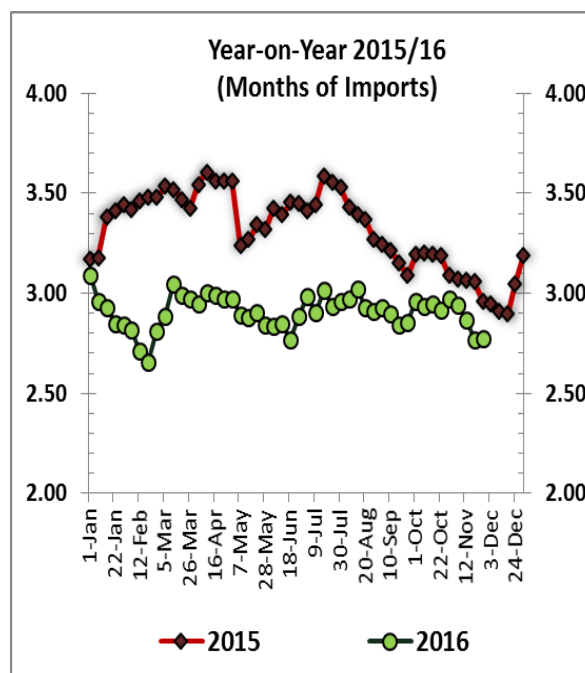
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
11 <sup>th</sup> November 2016	615.37	2.94
18 <sup>th</sup> November 2016	598.97	2.87
25 <sup>th</sup> November 2016	578.97	2.77
29 <sup>th</sup> November 2016	580.57	2.78

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

### Commentary:

- Gross official reserves decreased during the week ending 25<sup>th</sup> November 2016 compared to the previous week. As at 29<sup>th</sup> November 2016, the gross official reserves improved a little bit and stood at US\$580.57 million (2.78 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)
11 <sup>th</sup> November 2016	-8.12	314.31	306.18	1.46
18 <sup>th</sup> November 2016	-5.23	308.50	303.27	1.45
25 <sup>th</sup> November 2016	-1.24	301.88	300.65	1.44
30 <sup>th</sup> November 2016	0.84	312.91	313.74	1.50

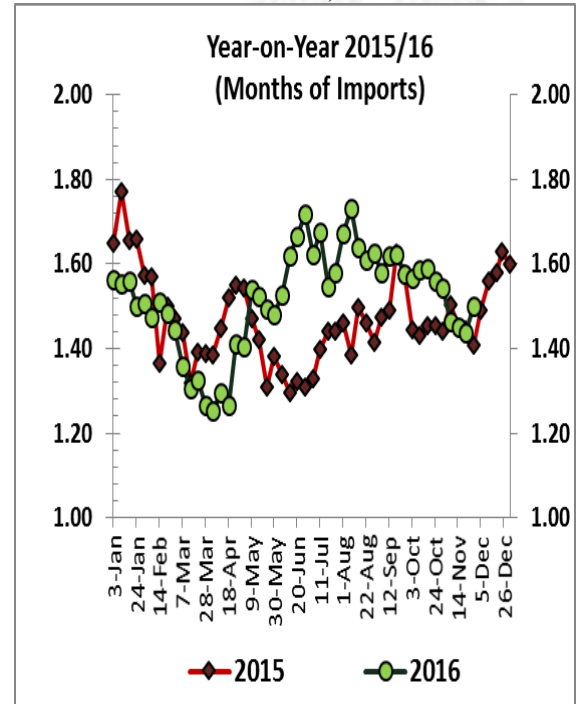
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
11 <sup>th</sup> November 2016	39.88	45.90
18 <sup>th</sup> November 2016	36.61	34.71
25 <sup>th</sup> November 2016	44.61	42.05
On 30 <sup>th</sup> November 2016	18.76	18.10

#### Commentary:

- ADB's purchased US\$44.61 million from the market and monetary authorities during the week ending 25<sup>th</sup> November 2016 against sales to the market at US\$42.05 million. Yesterday, ADB's purchased about US\$18.76 million from the market and sold US\$18.10 million.

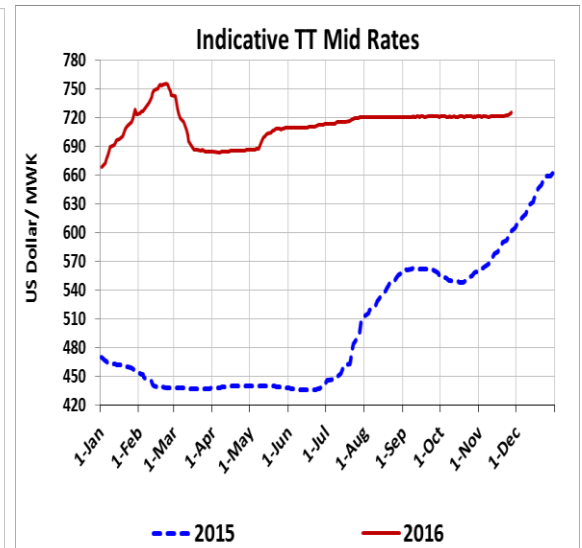
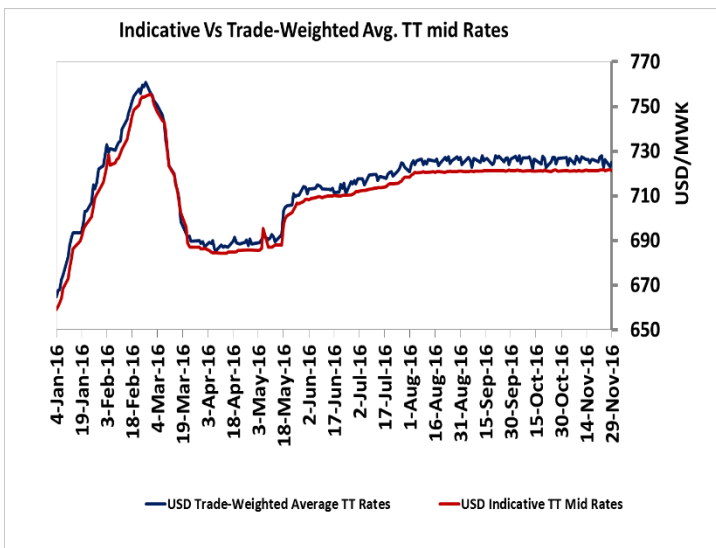


## iii. Exchange Rate Developments

	23 <sup>rd</sup> Nov 2016	24 <sup>th</sup> Nov 2016	25 <sup>th</sup> Nov 2016	28 <sup>th</sup> Nov 2016	29 <sup>th</sup> Nov 2016	30 <sup>th</sup> Nov 2016	Today's Indicative Rates
MWK/USD	724.9595	728.9932	726.4153	729.4375	732.9973	730.4640	725.7744
MWK/GBP	899.5305	908.2850	906.9130	906.5454	905.9827	912.2269	908.7421
MWK/EUR	768.4512	768.4005	767.6679	771.1571	770.3284	771.5601	769.8289
MWK/ZAR	51.8298	51.4620	51.1252	52.0774	52.2232	52.0766	51.7475

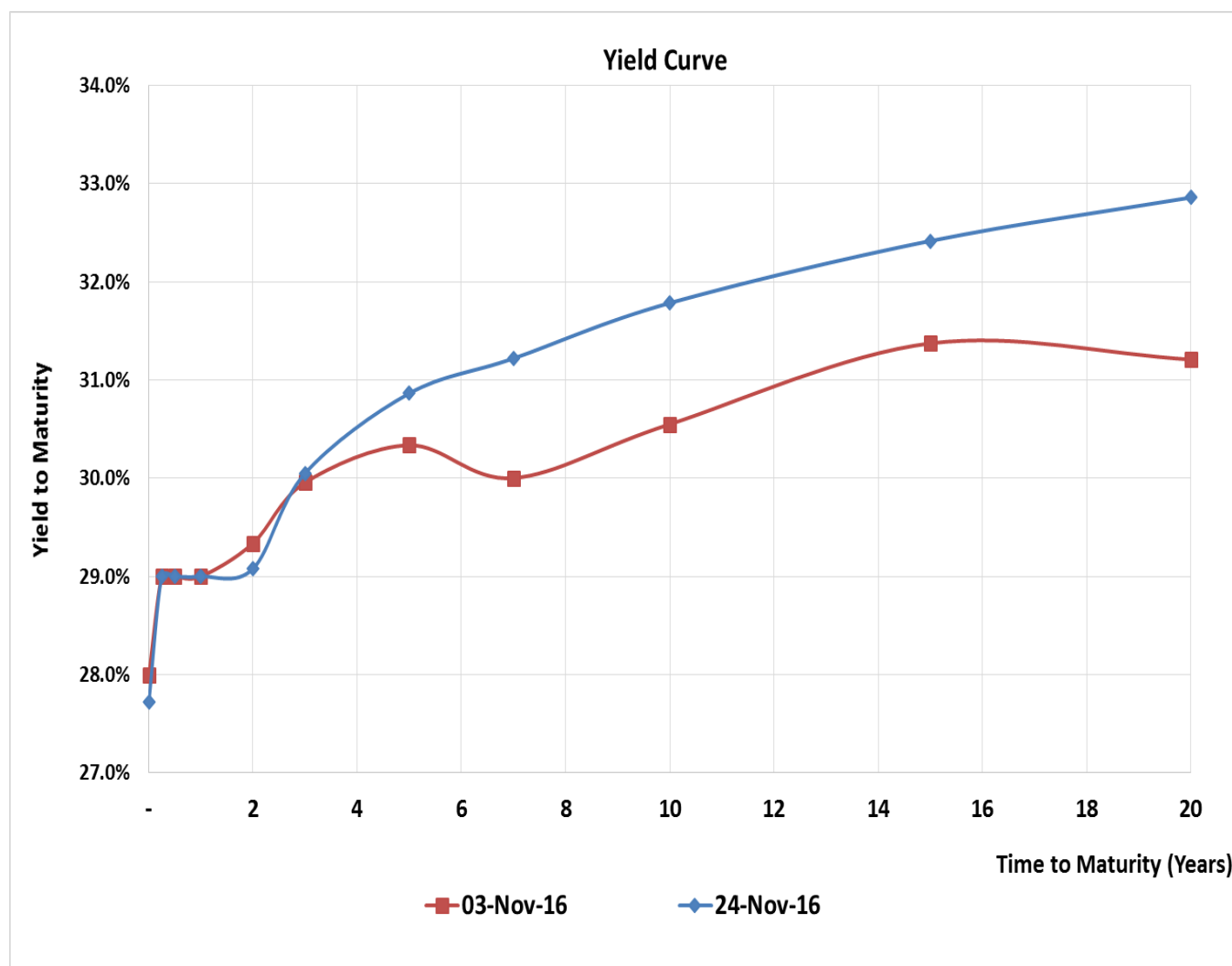
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday, the Kwacha depreciated against the GBP and the EUR but appreciated versus the USD and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K725.7744 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
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%
20 <sup>th</sup> October 2016	27.49%	29.00%	29.00%	29.00%	29.50%	30.27%	31.78%	31.57%	32.21%	32.67%	33.34%
3 <sup>rd</sup> November 2016	28.00%	29.00%	29.00%	29.00%	29.34%	29.96%	30.34%	30.00%	30.55%	31.37%	31.21%
24 <sup>th</sup> November 2016	27.72%	29.00%	29.00%	29.00%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
24 November- 03 November Change in Yield (Bp)	-28	0	0	0	-26	9	53	122	123	104	165



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