



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 12 December 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 16 <sup>th</sup> December 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-12,213	931
Estimated Excess Reserves before OMO	-7,330	5,814
Estimated Excess Reserves after OMO	0	0
Required Reserves	52,305	52,305

#### ii. Known Projected Transactions

	Week ending 9 <sup>th</sup> December 2016	Week ending 16 <sup>th</sup> December 2016	Week ending 23 <sup>rd</sup> December 2016	Week ending 30 <sup>th</sup> December 2016	January 2017
Maturity of normal TBs/TNs/PNs	14,346	14,375	5,840	3,006	42,324
Maturity of OMO Repos	9,447	13,048	27,133	506	48,120

#### Commentary:

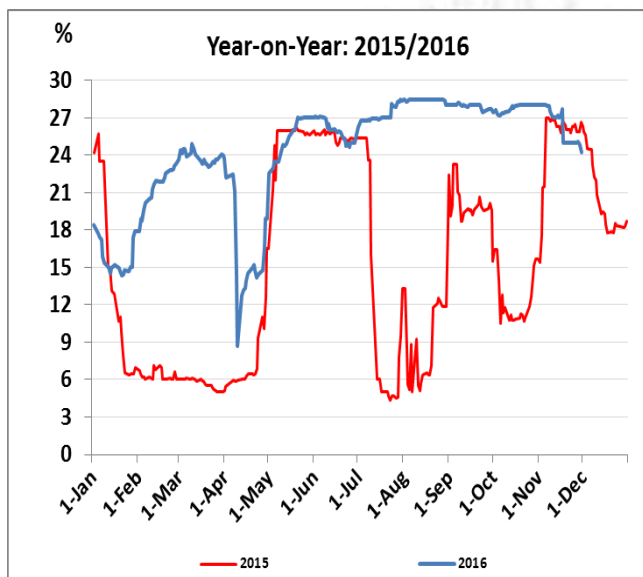
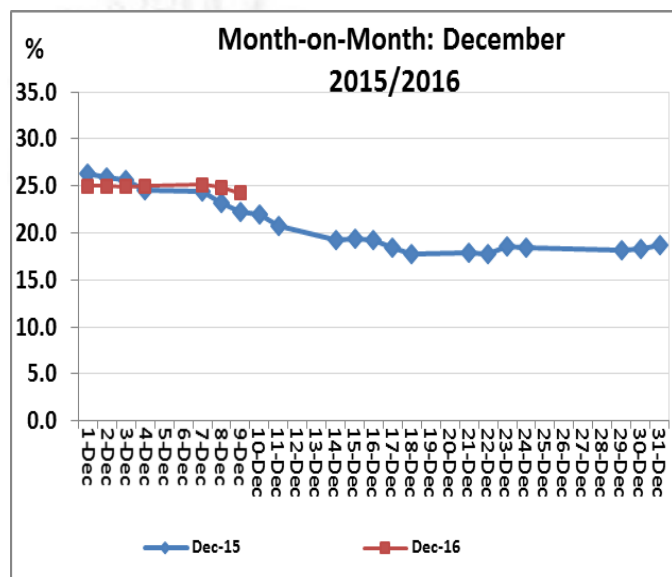
- Excess reserves dropped to K4.88 billion on Friday, 9<sup>th</sup> December 2016 from K16.29 billion recorded on Thursday, 8<sup>th</sup> December 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	2,450	24.24
07 days	-	-
14 days	-	-
28 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
42 days	3,000	24.00
63 days	6,000	25.00
273 days	-	-
364 days	3,361	26.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	19,590	26.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K2.45 billion of Friday, 9<sup>th</sup> December 2016 from K4.47 billion recorded on Thursday, 8<sup>th</sup> December 2016.
- The overnight interbank market rate (IBR) dropped to 24.24 percent from 24.83 percent recorded on Thursday, 8<sup>th</sup> December 2016.
- About K12.36 billion was withdrawn from the banking system through OMO repos on Friday, 9<sup>th</sup> December 2016.
- About K19.59 billion was accessed on the Lombard Facility on Friday, 9<sup>th</sup> December 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

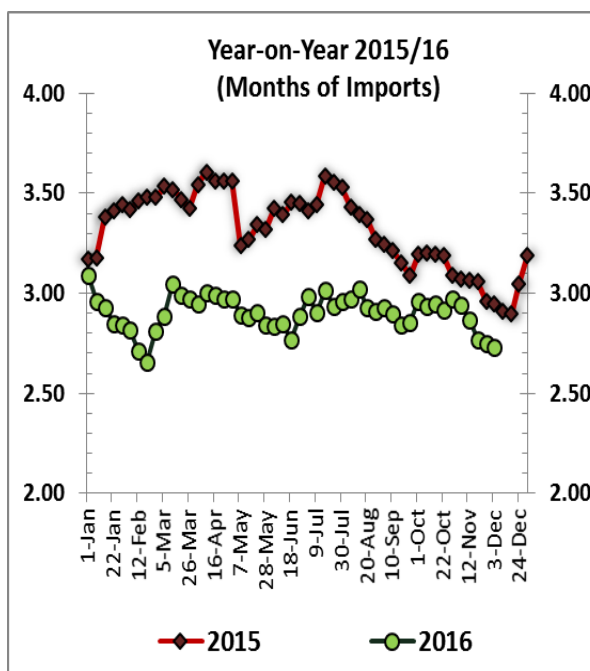
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
18 <sup>th</sup> November 2016	598.97	2.87
25 <sup>th</sup> November 2016	578.97	2.77
2 <sup>nd</sup> December 2016	574.41	2.75
On 8 <sup>th</sup> December 2016	570.79	2.73

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

### Commentary:

- Gross official reserves decreased during the week ending 2<sup>nd</sup> December 2016 compared to the previous week. As at 8<sup>th</sup> December 2016, the gross official reserves stood at US\$570.79 million (2.73 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)
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
2 <sup>nd</sup> December 2016	3.01	312.59	315.61	1.51
On 8 <sup>th</sup> December 2016	6.49	323.40	329.89	1.58

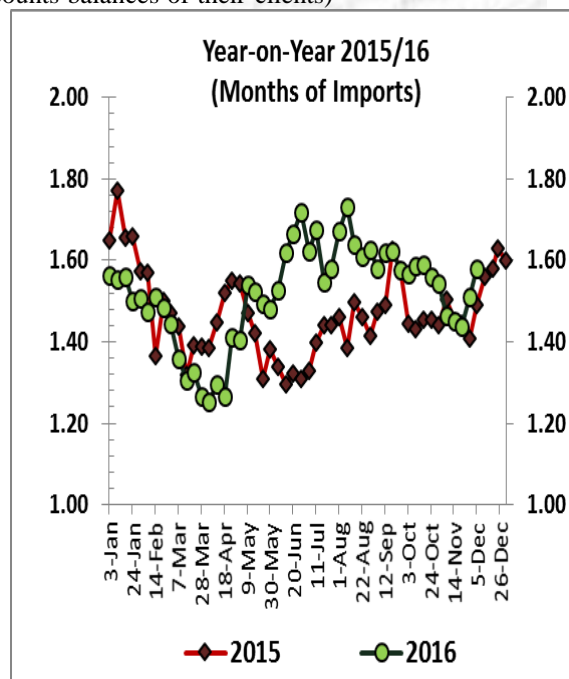
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
25 <sup>th</sup> November 2016	44.61	42.05
2 <sup>nd</sup> December 2016	53.29	53.16
9 <sup>th</sup> December 2016	50.03	50.66
On 9 <sup>th</sup> December 2016	10.10	13.68

### Commentary:

- ADB's purchased US\$50.03 million from the market and monetary authorities during the week ending 9<sup>th</sup> December 2016 against sales to the market at US\$50.66 million. On 9<sup>th</sup> December 2016 alone, ADB's purchased about US\$10.10 million from the market and sold US\$13.68 million.

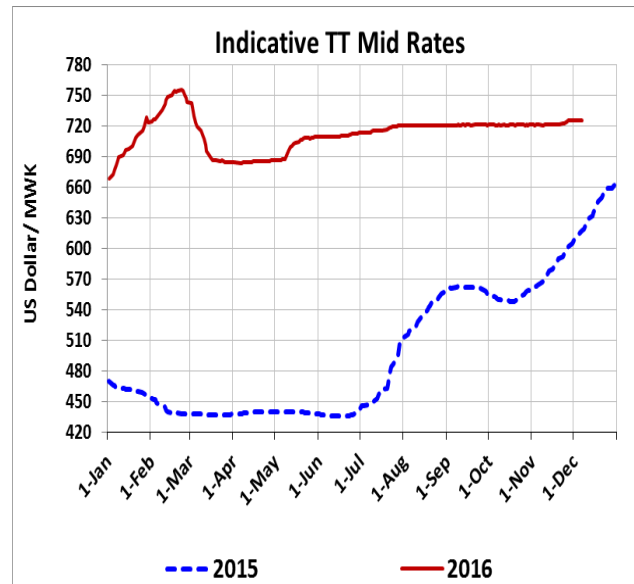
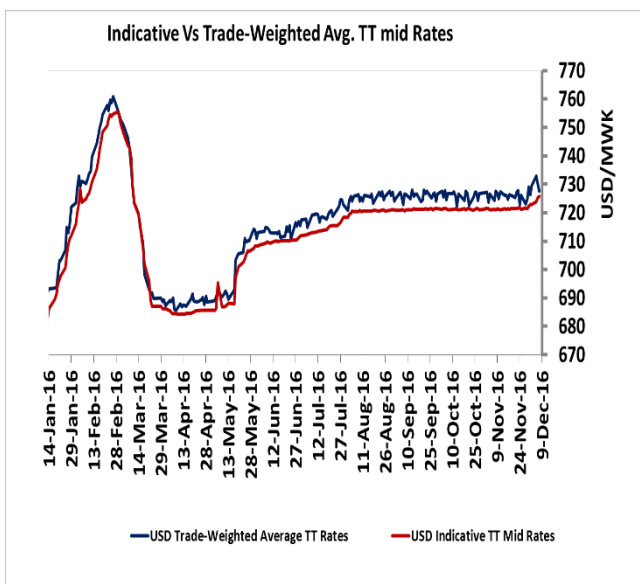


## iii. Exchange Rate Developments

	2 <sup>nd</sup> Dec 2016	5 <sup>th</sup> Dec 2016	6 <sup>th</sup> Dec 2016	7 <sup>th</sup> Dec 2016	8 <sup>th</sup> Dec 2016	9 <sup>th</sup> Dec 2016	Today's Indicative Rates
MWK/USD	732.4762	732.4229	728.8532	728.6113	730.4551	730.5000	725.9840
MWK/GBP	919.2339	925.7557	928.4076	920.8675	926.2305	922.8498	913.7235
MWK/EUR	780.5551	771.9041	783.3043	781.7795	785.1298	773.3876	766.3487
MWK/ZAR	51.6673	52.7268	52.6194	53.5071	54.3043	53.2319	52.5211

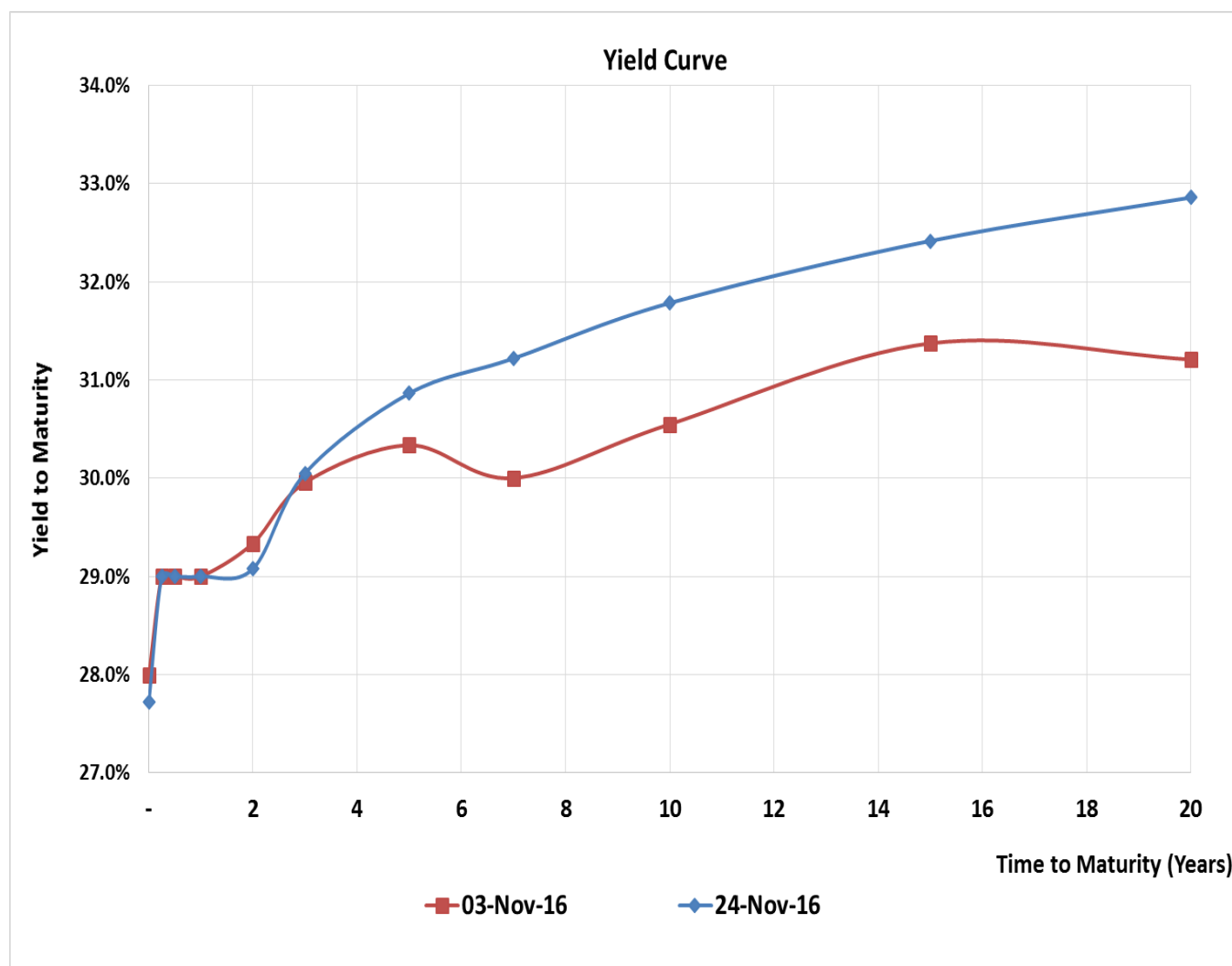
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 9<sup>th</sup> December 2016, the Kwacha depreciated marginally against the USD but appreciated versus the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K725.9840 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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