



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 24 January 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 27 th January 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-1,448	2,101
Estimated Excess Reserves before OMO	3,296	7,997
Estimated Excess Reserves after OMO	0	0
Required Reserves	55,115	55,115

ii. Known Projected Transactions

	Week ending 27 th January 2017	Week ending 3 rd February 2017	Week ending 10 th February 2017	January 2017	February 2017
Maturity of normal TBs/TNs/PNs	11,648	5,266	3,278	42,324	30,581
Maturity of OMO Repos	11,737	10,493	13,257	97,398	44,183

Commentary:

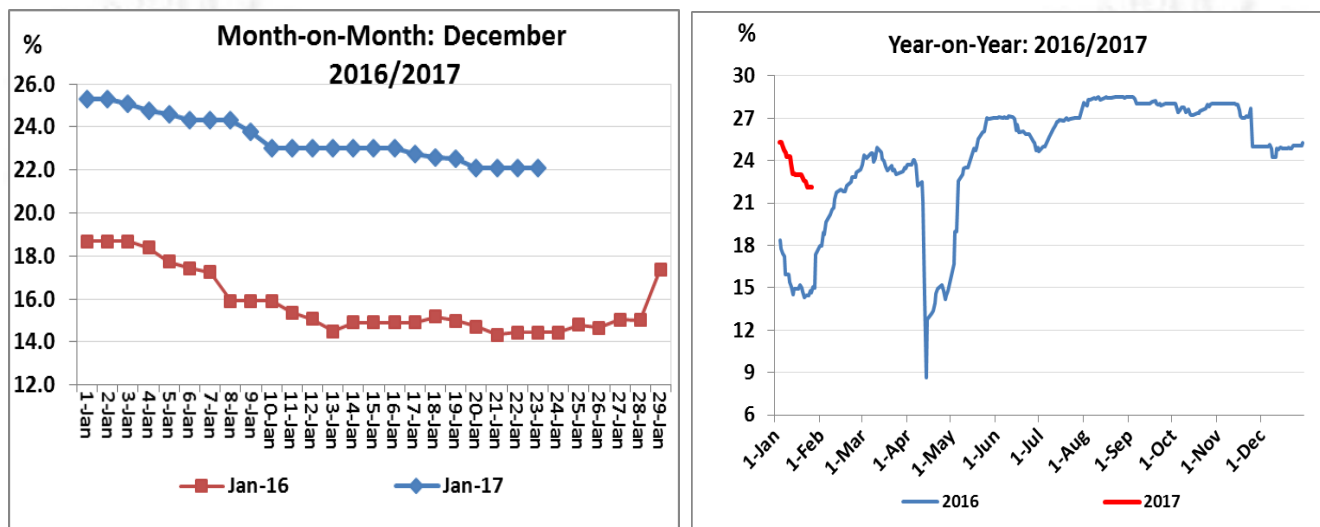
- Excess reserves dropped to K4.74 billion yesterday from K8.26 billion recorded on Friday, 20th January 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,550	22.09
07 days	-	-
14 days	-	-
28 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	2,130	24.00
60 days	-	-
273 days	-	-
364 days	2,464	26.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	1,750	26.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K6.55 billion yesterday from K2.25 billion recorded on Friday, 20th January 2017.
- The overnight interbank market rate (IBR) dropped by 2 basis points and closed at 22.09 percent.
- About K4.59 billion was withdrawn from the banking system through OMO repos yesterday, 23rd January 2017.
- A total of K1.75 billion was accessed on the Lombard Facility yesterday, 23rd January 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

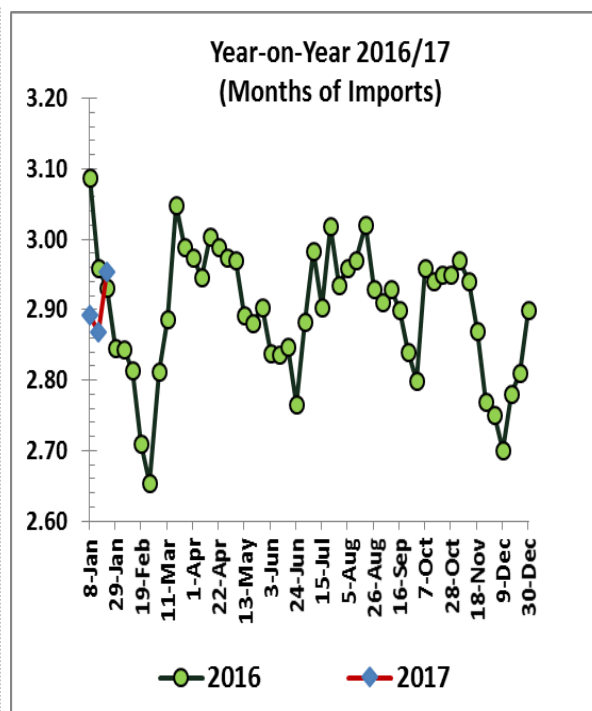
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
30 th December 2016	606.93	2.90
6 th January 2017	604.55	2.89
13 th January 2017	599.54	2.87
20 th January 2017	617.41	2.95

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

Commentary:

- Gross official reserves increased during the week ending 20th January 2017 compared to the previous week. As at 20th January 2017, the gross official reserves stood at US\$617.41 million (2.95 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)
30 th December 2016	-0.78	336.79	336.61	1.61
6 th January 2017	-0.48	333.40	332.92	1.59
13 th January 2017	-0.82	329.29	328.47	1.57
20 th January 2017	2.93	330.40	333.33	1.59

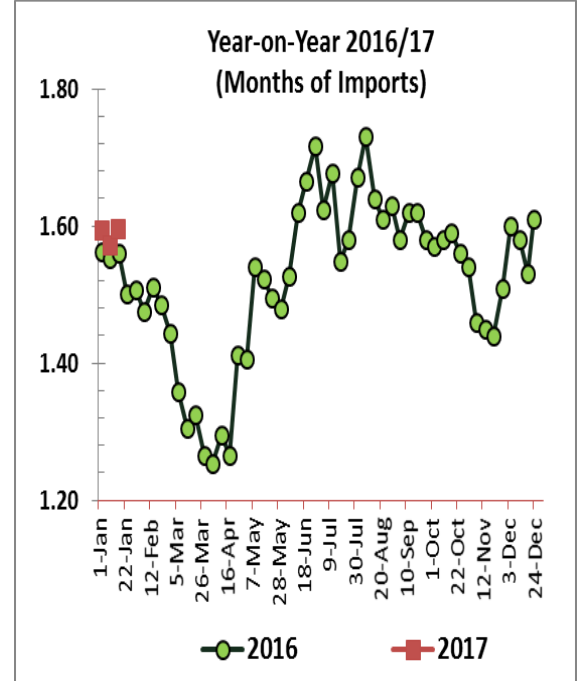
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
6 th January 2017	44.59	46.77
13 th January 2017	39.54	45.12
20 th January 2017	48.93	46.56
On 23 rd January 2017	7.78	8.18

Commentary:

- ADB's purchased US\$48.93 million from the market and monetary authorities during the week ending 20th January 2017 against sales to the market at US\$46.56 million. Yesterday, ADB's purchased US\$7.78 million from the market and sold US\$8.18 million.

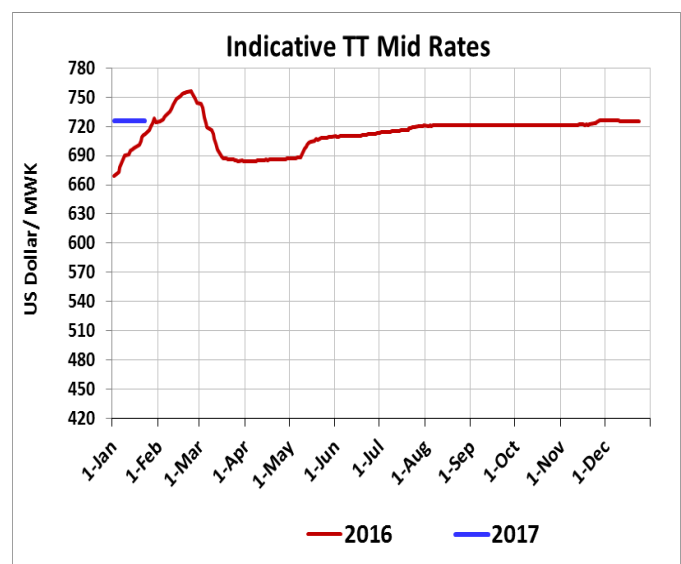
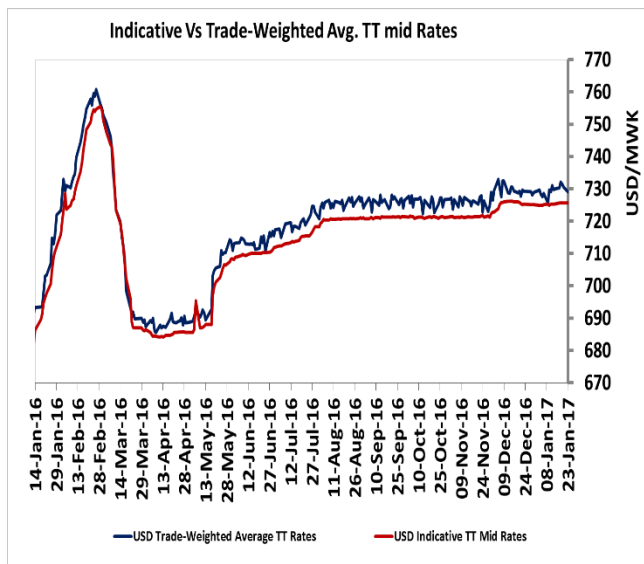


iii. Exchange Rate Developments

	13 th Jan 2017	17 th Jan 2017	18 th Jan 2017	19 th Jan 2017	20 th Jan 2017	23 rd Jan 2017	Today's Indicative Rates
MWK/USD	730.4646	729.1901	729.4986	729.7690	732.2247	730.8372	725.6788
MWK/GBP	893.0222	886.4120	900.2650	899.5333	900.0723	904.7686	907.6065
MWK/EUR	772.3751	775.9000	775.1369	779.7787	777.3933	779.1519	780.5401
MWK/ZAR	53.7835	53.4588	53.6957	53.6818	53.8447	54.1005	53.9334

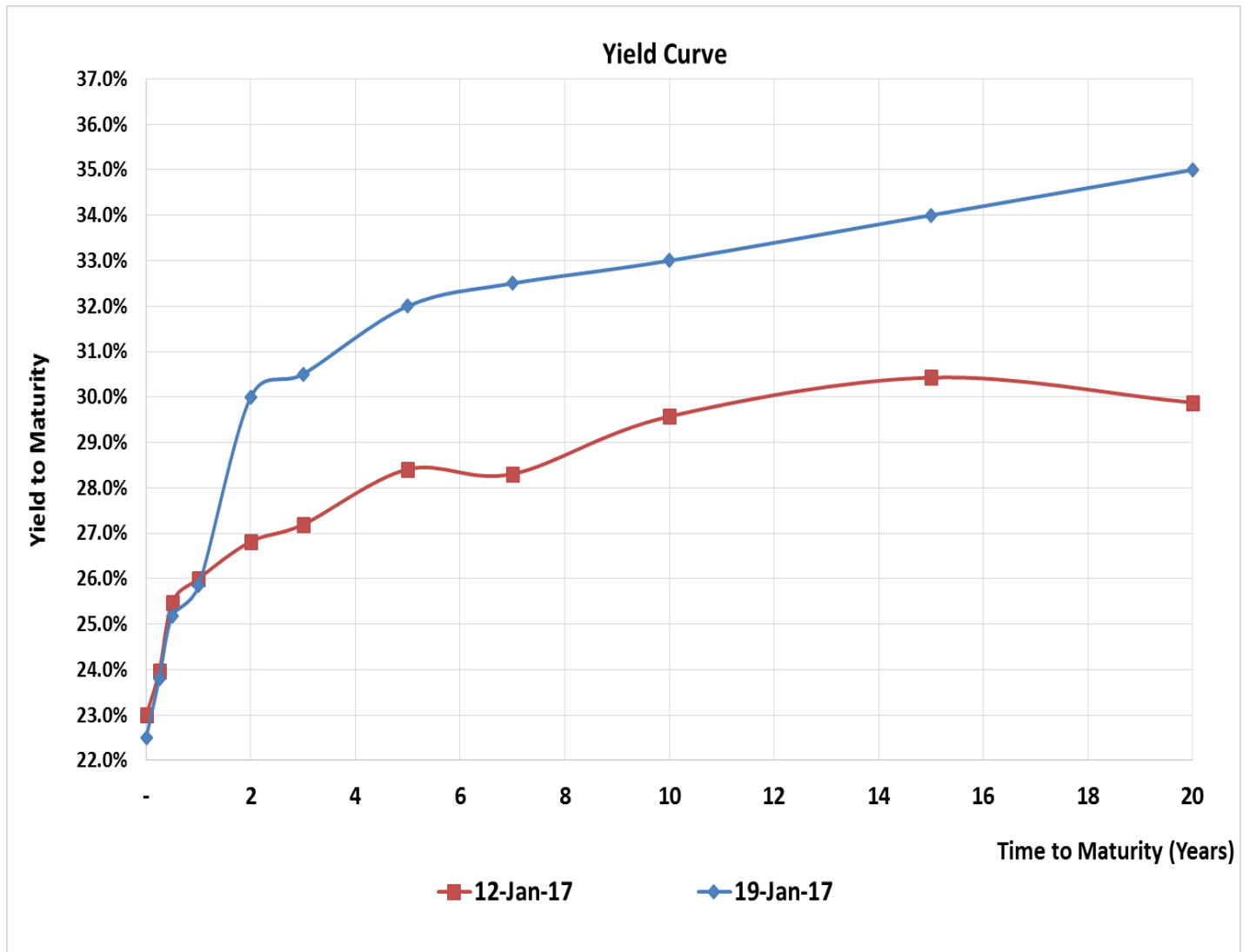
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, 23rd January 2017, the Kwacha appreciated against the USD. The local currency, however, lost value against the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K725.6788 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
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%
20 th 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 rd 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 th November 2016	27.72%	27.74%	27.88%	28.18%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
12 th January 2017	23.00%	23.98%	25.47%	26.00%	26.82%	27.19%	28.41%	28.31%	29.57%	30.43%	29.88%
19 th January 2017	22.51	23.80%	25.19%	25.84%	30.00%	30.50%	32.00%	32.50%	33.00%	34.00%	35.00%
19 January 2017-12 January 2017 Change in Yield (Bp)	-49	-18	-28	-16	318	331	359	419	343	357	512



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