



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 02 October 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

| | Today | Week ending 6 th October 2017 |
|--|---------|---|
| Projected Autonomous Transactions (+= Net injection / - = Net withdrawal) | -23,401 | -25,781 |
| Estimated Excess Reserves before OMO | -22,601 | -24,755 |
| Estimated Excess Reserves after OMO | 0 | 0 |
| Required Reserves | 70,257 | 70,257 |

ii. Known Projected Transactions

| | Week ending 06 October 2017 | Week ending 13 October 2017 | Week ending 20 October 2017 | October 2017 | November 2017 |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------|---------------|
| Maturity of normal TBs/TNs/PNs | 2,316 | 2,232 | 7,316 | 30,631 | 6,636 |
| Maturity of OMO Repos | 18,693 | 2,742 | 13,581 | 42,575 | 42,502 |

Commentary:

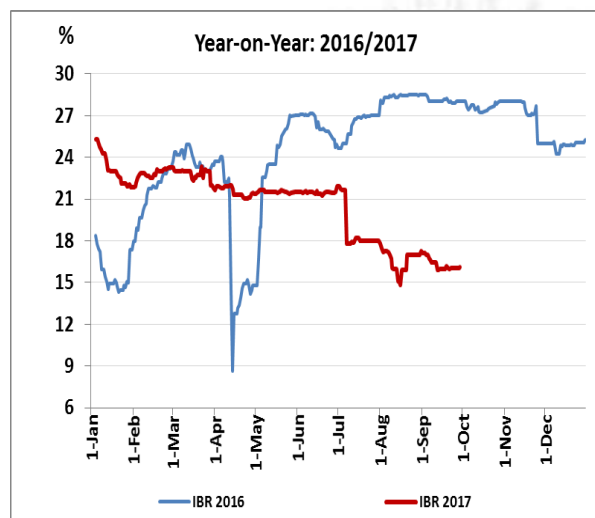
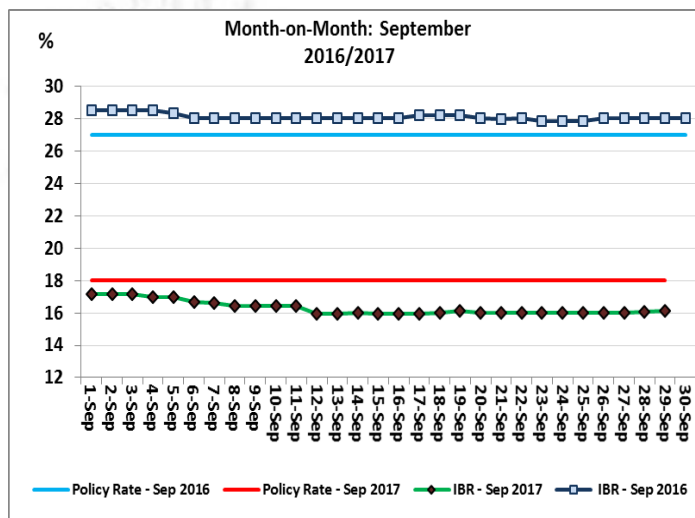
- Excess reserves dropped to K800 million on Friday, 29th September 2017 from K1.87 billion recorded on Thursday, 28th September 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

| (a) Inter-bank borrowing | Volume | Average rate (%) |
|---|---------------|------------------|
| O/N | 4,930 | 16.11 |
| 07 days | - | - |
| 14 days | - | - |
| 21 days | - | - |
| (b) RBM Open market operations | | |
| (i) Repos | | |
| O/N | - | - |
| 7 days | 397 | 16.00 |
| 14 days | - | - |
| 28 days | - | - |
| 63 days | - | - |
| 273 days | - | - |
| 364 days | 1,951 | 16.00 |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 30 days | - | - |
| (c) Access on the Lombard Facility | 30,675 | 20.00 |

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market went down to K4.93 billion on Friday, 29th September 2017 from K12.89 billion recorded during the previous day.
- The weighted average overnight interbank market rate (IBR) increased to 16.11 percent from 16.04 percent recorded on Thursday, 28th September 2017.
- K2.35 billion was withdrawn from the banking system through OMO repos last Friday.
- A total of K30.68 billion was accessed on the Lombard Facility on Friday, 29th September 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

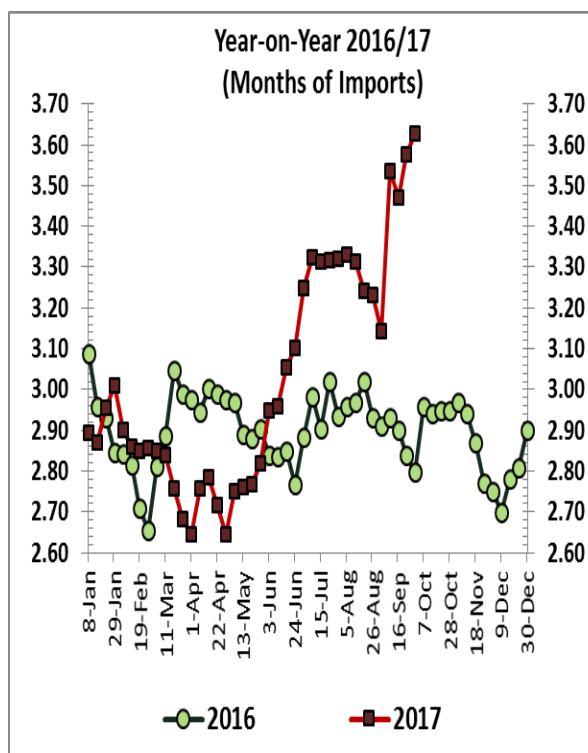
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn) | Reserves (US\$ million) | Import Cover * (Months) |
|------------------------------------|-------------------------|-------------------------|
| 25 th August 2017 | 675.44 | 3.23 |
| 01 st September 2017 | 656.85 | 3.14 |
| 08 th September 2017 | 738.59 | 3.53 |
| 15 th September 2017 | 726.21 | 3.47 |
| 22 nd September 2017 | 747.71 | 3.58 |
| On 28 th September 2017 | 757.90 | 3.63 |

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

Commentary:

- Gross official reserves increased during the week ending 22nd September 2017 compared to the preceding week. The official reserves closed at US\$747.71 million (3.58 months of imports) on 22nd September 2017 compared to US\$726.21 million (3.47 months of imports) recorded on 15th September 2017. As at 28th September 2017, gross official reserves increased further and closed at US\$757.90 million (3.63 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) |
|---------------------------------|--------------------|--------|--------|-------------------------|
| 08 th September 2017 | 2.37 | 360.58 | 362.95 | 1.74 |
| 15 th September 2017 | -5.20 | 360.66 | 355.46 | 1.70 |
| 22 nd September 2017 | -3.94 | 362.43 | 358.48 | 1.72 |
| 28 th September 2017 | -2.88 | 344.10 | 341.21 | 1.63 |

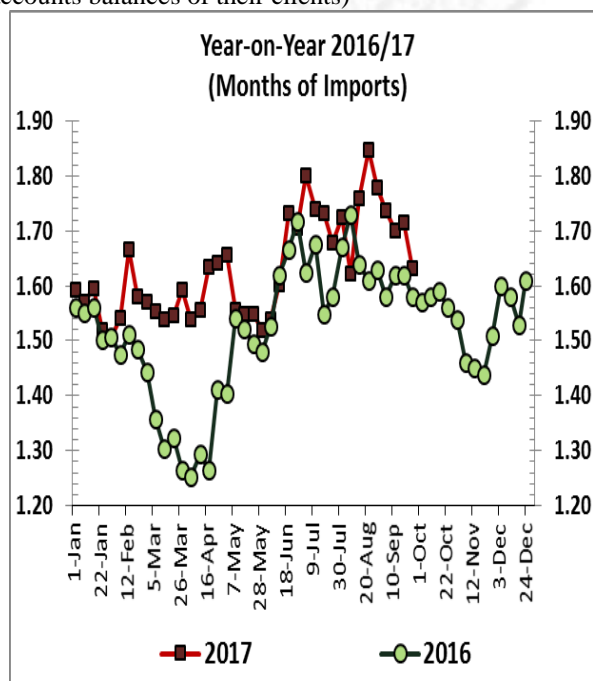
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn) | ADB's Purchases | ADB's Sales |
|------------------------------------|-----------------|-------------|
| 22 nd September 2017 | 46.53 | 45.99 |
| 29 th September 2017 | 57.63 | 50.13 |
| On 29 th September 2017 | 9.98 | 6.88 |

Commentary:

- FX trading increased during the week ending 29th September 2017 compared to the previous week. ADBs purchased US\$57.63 million from the market and sold US\$50.13 million last week. On Friday, 29th September 2017 alone, ADBs purchased US\$9.98 million and sold US\$6.88 million.

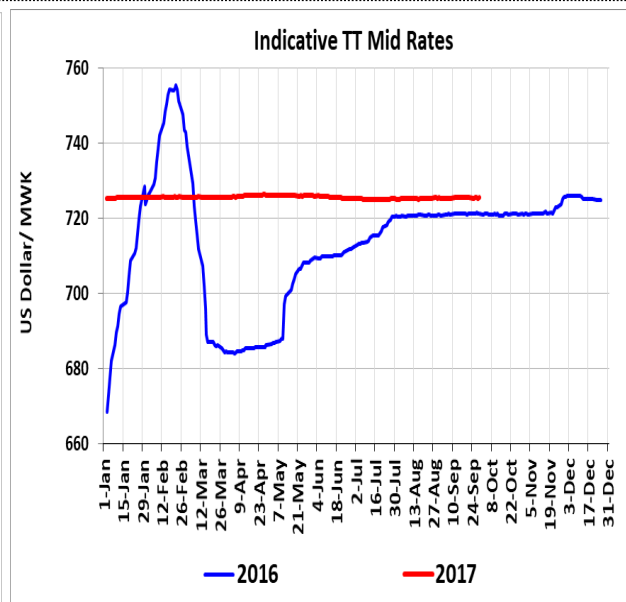
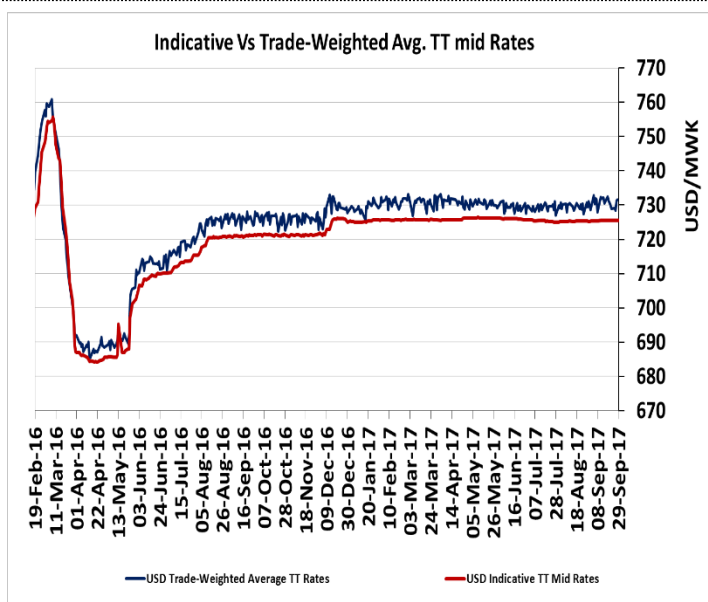


iii. Exchange Rate Developments

| | 25 th Sept 2017 | 26 th Sept 2017 | 27 th Sept 2017 | 28 th Sept 2017 | 29 th Sept 2017 | Today's Indicative Rates |
|---------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| MWK/USD | 732.2548 | 732.1244 | 730.2446 | 732.3839 | 731.6260 | 725.5001 |
| MWK/GBP | 993.2153 | 983.2675 | 985.5885 | 982.7417 | 977.4854 | 969.9211 |
| MWK/EUR | 869.5864 | 863.8535 | 859.7669 | 854.5787 | 860.1434 | 854.2764 |
| MWK/ZAR | 55.1886 | 54.5545 | 54.8657 | 53.4886 | 53.8496 | 53.3833 |

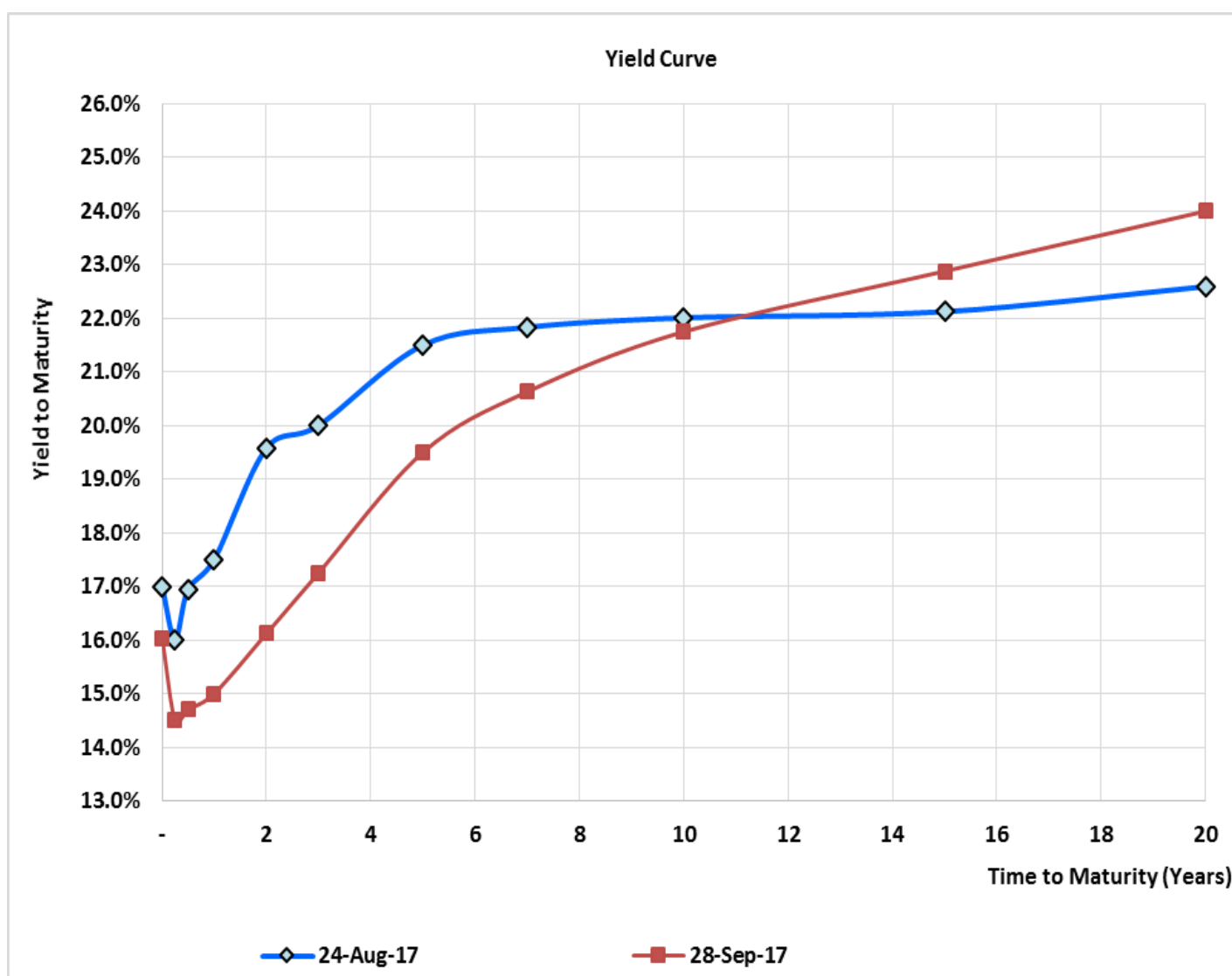
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Friday, 29th September 2017, the Kwacha appreciated against the USD and the GBP but depreciated against the EUR and the ZAR. Indicatively, the Kwacha is expected to trade around K725.5001 against the USD today, 2nd October 2017.



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 |
|--|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 27 April 2017 | 21.46% | 21.50% | 22.47% | 23.47% | 24.81% | 23.67% | 23.24% | 25.08% | 23.91% | 23.64% | 28.08% |
| 11 th May 2017 | 21.51% | 21.48% | 22.08% | 23.30% | 25.28% | 25.32% | 25.69% | 27.14% | 27.36% | 28.46% | 25.14% |
| 1 st June 2017 | 21.50% | 21.49% | 21.97% | 23.00% | 24.81% | 24.75% | 24.83% | 26.70% | 26.43% | 26.98% | 29.47% |
| 22 nd June 2017 | 21.50% | 21.41% | 21.96% | 23.00% | 23.11% | 23.11% | 23.16% | 23.49% | 23.90% | 24.85% | 25.89% |
| 13 th July 2017 | 17.93% | 16.89% | - | 19.00% | 23.74% | 23.85% | 23.69% | 24.52% | 24.25% | 23.57% | 24.92% |
| 27 th July 2017 | 17.98% | 16.94% | 17.95% | 18.99% | 23.88% | 23.12% | 22.51% | 24.29% | 23.37% | 22.08% | 24.14% |
| 10 th August 2017 | 16.03% | 16.52% | 17.33% | 18.53% | 20.92% | 20.84% | 21.40% | 23.01% | 23.47% | 23.27% | 24.83% |
| 24 th August 2017 | 17.00% | 16.01% | 16.95% | 17.50% | 19.58% | 20.00% | 21.50% | 21.83% | 22.01% | 22.13% | 22.59% |
| 28 th September 2017 | 16.04% | 14.50% | 14.70% | 15.00% | 16.12% | 17.25% | 19.50% | 20.63% | 21.75% | 22.88% | 24.00% |
| 28 Sept - 24 Aug Change in Yield (Bp) | -96 | -151 | -225 | -250 | -346 | -275 | -200 | -120 | -26 | 75 | 141 |



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