



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 8th December 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 8 th December 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-8,826	-8,612
Estimated Excess Reserves before OMO	-5,075	-5,075
Estimated Excess Reserves after OMO	0	0
Required Reserves	69,368	69,368

ii. Known Projected Transactions

	Week ending 8 th December 2017	Week ending 15 th December 2017	Week ending 22 nd December 2017	December 2017
Maturity of normal TBs/TNs/PNs	6,054	1019	18,242	27,979
Maturity of OMO Repos	17,049	17,492	8,776	57,285

Commentary:

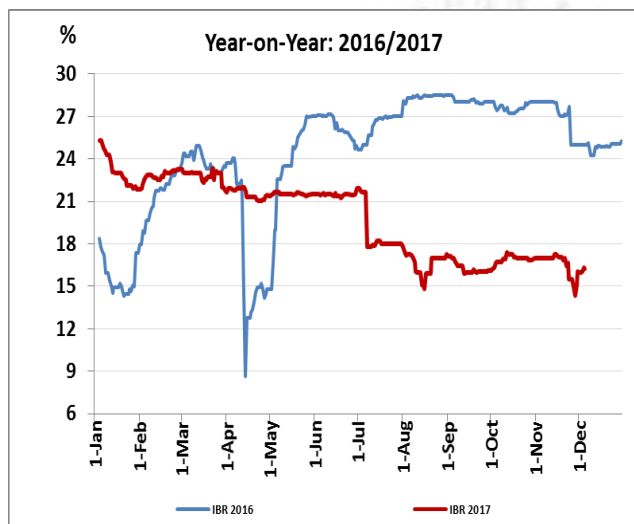
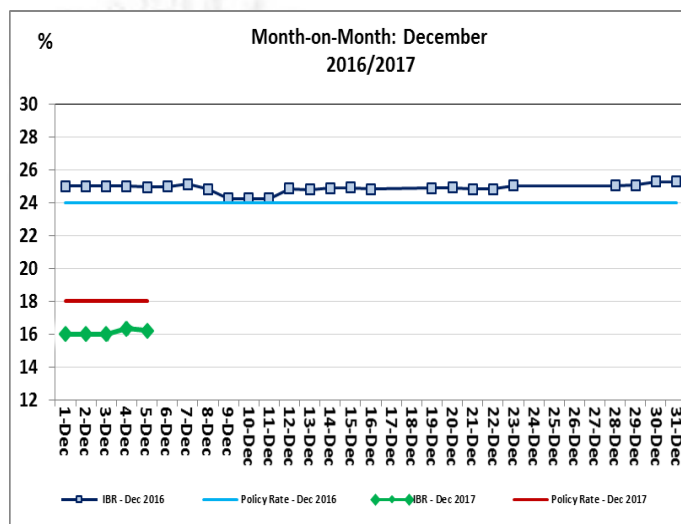
- On Thursday 7th December 2017, excess reserves dropped to K3.75 billion from K6.72 billion recorded on Wednesday, 6th December 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,080	16.21
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	970	16.00
14 days	6,312	16.00
63 days	332	16.00
91 days	-	-
273 days	2000	16.00
364 days	4,462	16.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	10,560	20.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market dropped to K6.08 billion on Thursday, 7th December 2017 from K12.66 billion recorded on Wednesday, 6th December 2017.
- The weighted average overnight interbank market rate (IBR) dropped by 12 basis point to 16.21 percent on Thursday 7th December 2017 compared to 16.33 percent on Wednesday, 6th December 2017.
- A total of K14.08 billion was withdrawn through repos yesterday, 7th December 2017.
- A total of K10.56 billion was accessed on the Lombard facility on Thursday, 7th December 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

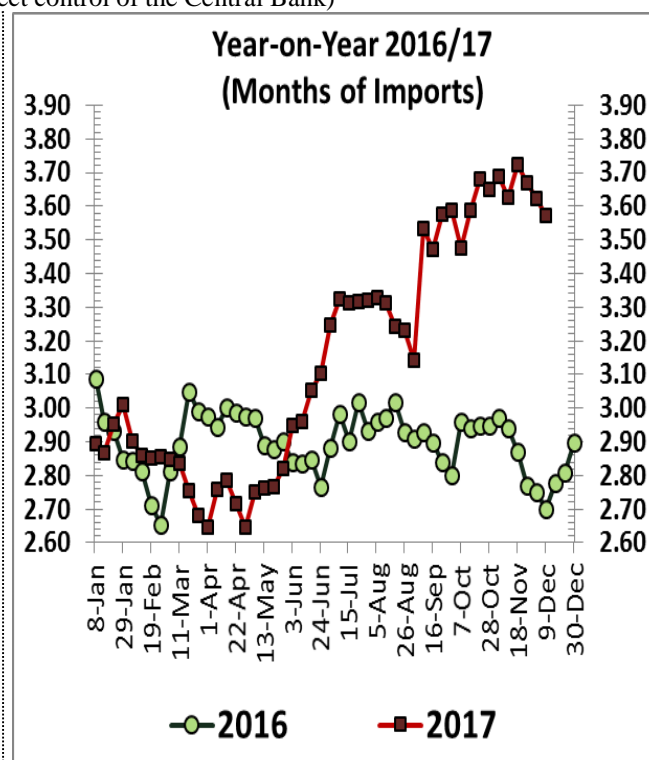
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
10 th November 2017	757.92	3.63
17 th November 2017	778.17	3.72
24 th November 2017	766.45	3.67
1 st December 2017	761.07	3.64
On 6 th December 2017	746.77	3.57

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

Commentary:

- Gross official reserves dropped during the week ending 1st December 2017 compared to the preceding week. The official reserves closed at US\$761.07 million (3.64 months of imports) on 1st December 2017 compared to US\$766.45 million (3.67 months of imports) recorded on 24th November 2017. On 6th December 2017, official reserves stood at US\$746.77 million (3.57 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)
17th November 2017	2.20	351.56	353.76	1.69
24th November 2017	4.34	362.07	366.40	1.75
1st November 2017	0.75	375.33	376.55	1.80
On 7 th December 2017	5.01	403.21	408.22	1.95

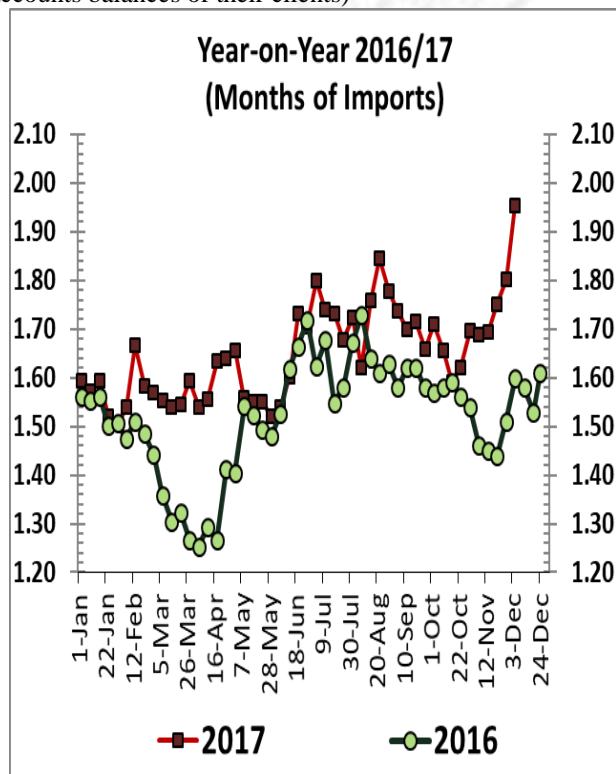
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
17th November 2017	45.08	43.28
24th November 2017	48.86	45.19
1st December 2017	40.23	45.18
On 7 th December 2017	6.94	12.59

Commentary:

- ADB's FX trading dropped during the week ending 1st December 2017 compared to the previous week. ADBs purchased US\$40.23 million from the market and sold US\$45.18 million during the week. On Thursday, 7th December 2017, ADBs purchased US\$6.94 million and sold US\$12.59 million.

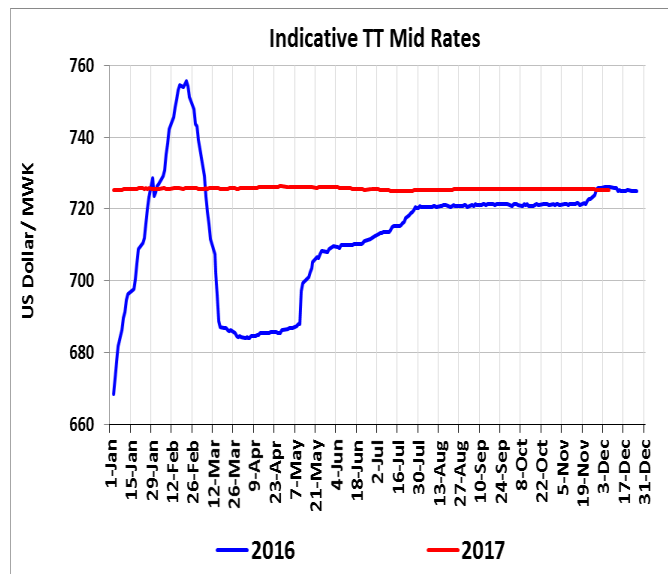
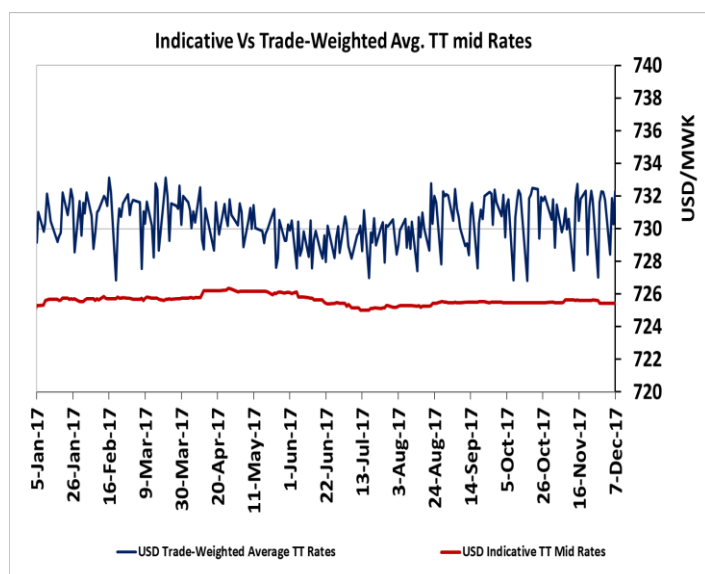


iii. Exchange Rate Developments

	1 st December 2017	4 th December 2017	5 th December 2017	6 th December 2017	7 th December 2017	Today's Indicative Rates
MWK/USD	731.7365	728.4404	731.8705	730.2938	732.3236	725.4144
MWK/GBP	987.3574	981.3412	981.2633	975.4601	972.3670	978.9467
MWK/EUR	871.0325	862.6349	864.3693	863.8472	859.5583	853.4500
MWK/ZAR	53.0717	53.0774	53.9322	53.9333	53.8952	52.7977

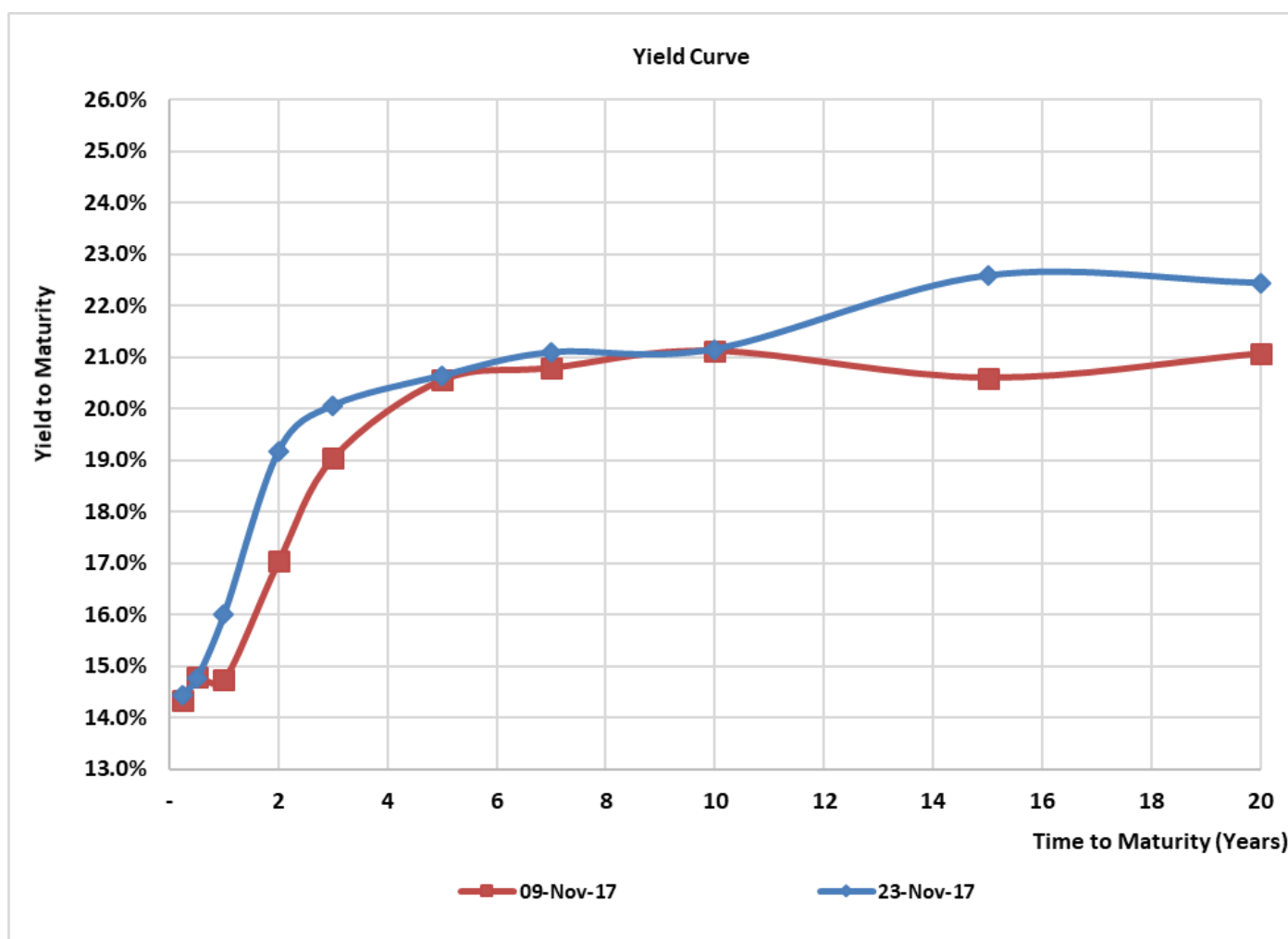
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Thursday 7th December 2017, the Kwacha appreciated against the GBP, the EUR and the ZAR but depreciated against the USD. Indicatively, the Kwacha is expected to trade around K725.4144 against the USD today, 8th December 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
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%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 th October 2017	17.37%	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 th November 2017	17.00%	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 rd November 2017	16.63%	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
23 Nov – 9 Nov 2017 Change in Yield (Bp)	-0.37	0.12	-0.04	1.27	2.15	1.02	0.08	0.30	0.04	1.98	1.37



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