



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 20<sup>th</sup> February 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 23 <sup>rd</sup> February 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-7,778	18,082
Estimated Excess Reserves before OMO	-6,084	20,364
Estimated Excess Reserves after OMO	0	0
Required Reserves	74,338	74,338

#### ii. Known Projected Transactions

	Week ending 23 <sup>rd</sup> February 2018	Week ending 2 <sup>nd</sup> March 2018	February 2018	March 2018
Maturity of normal TBs/TNs/PNs	5,092	5,871	62,062	51,241
Maturity of OMO Repos	6,834	13,693	74,236	80,978

#### Commentary:

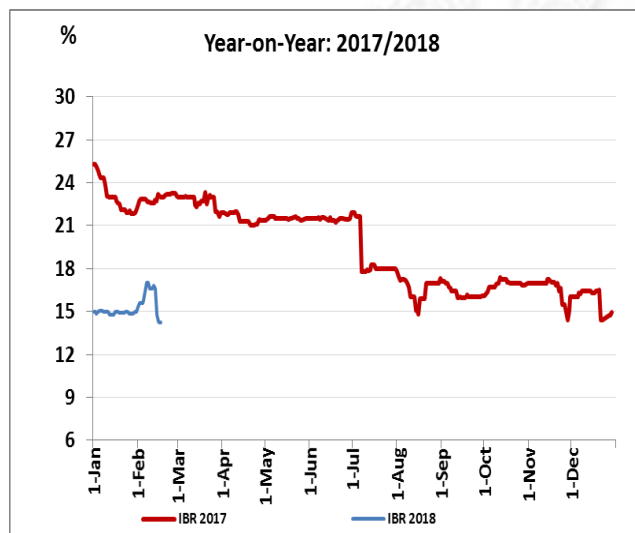
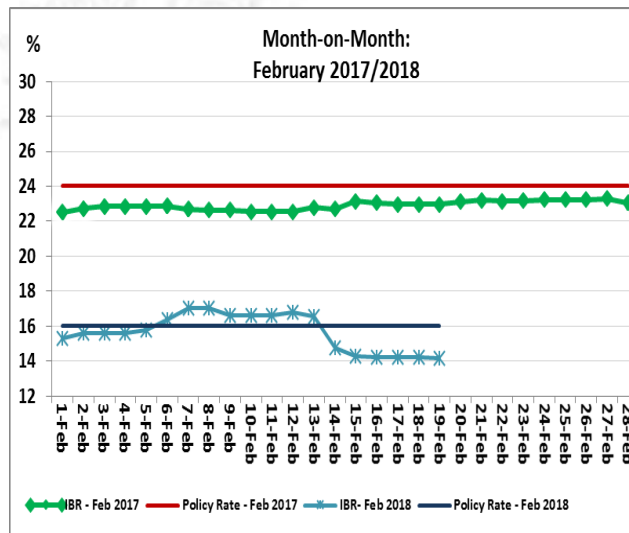
On Monday 19<sup>th</sup> February 2018, Excess reserves dropped and closed at K1.69 billion from K2.28 billion recorded on Friday, 16<sup>th</sup> February 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	11,120	14.17
7 days	-	-
14 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
28 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	2,820	18.00

## Weighted Average Interbank Rates



### Commentary:

- On Monday 19<sup>th</sup> February 2018, traded volume increased on the interbank market and closed at K11.12 billion from K10.29 billion recorded on Friday, 16<sup>th</sup> February 2018.
- The overnight interbank market rate (IBR) dropped by 10 basis points and closed at 14.17 percent.
- A total of K2.82 billion was accessed on the Lombard Facility on Monday, 19<sup>th</sup> February 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

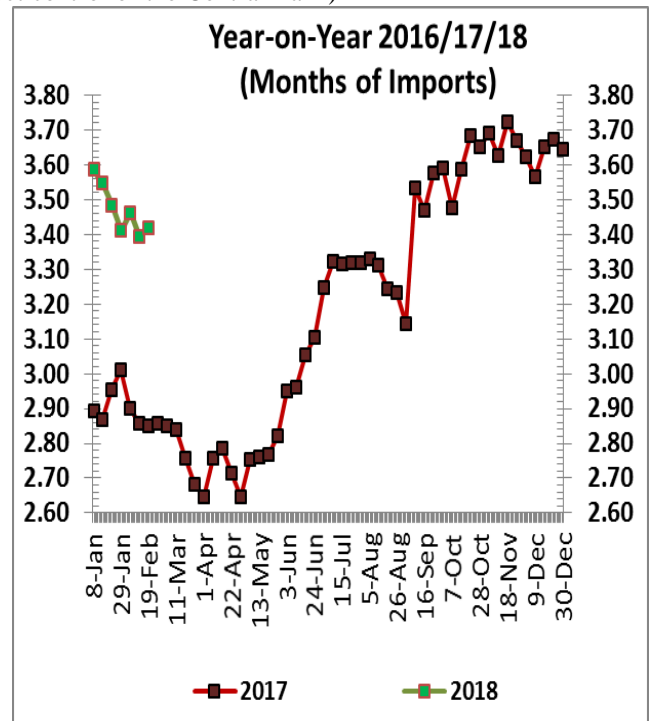
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
12 <sup>th</sup> January 2018	741.14	3.55
19 <sup>th</sup> January 2018	728.36	3.48
26 <sup>th</sup> January 2018	713.04	3.41
2 <sup>nd</sup> February 2018	723.89	3.46
9 <sup>th</sup> February 2018	709.17	3.39
16 <sup>th</sup> February 2018	714.68	3.42

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

### Commentary:

- Gross official reserves decreased during the week ending 9<sup>th</sup> February 2018 compared to the preceding week. The official reserves closed at US\$709.17 million (3.39 months of imports) on 9<sup>th</sup> February 2018 compared to US\$723.89 million (3.46 months of imports) recorded on 2<sup>nd</sup> February 2018. As at 16<sup>th</sup> February 2018, total official reserves increased to \$714.68 million (3.42 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)
26 <sup>th</sup> January 2018	2.48	394.20	396.69	1.90
2 <sup>nd</sup> February 2018	3.76	383.02	386.78	1.85
9 <sup>th</sup> February 2018	-0.16	367.80	367.78	1.76
16 <sup>th</sup> February 2018	-5.62	363.14	357.52	1.71

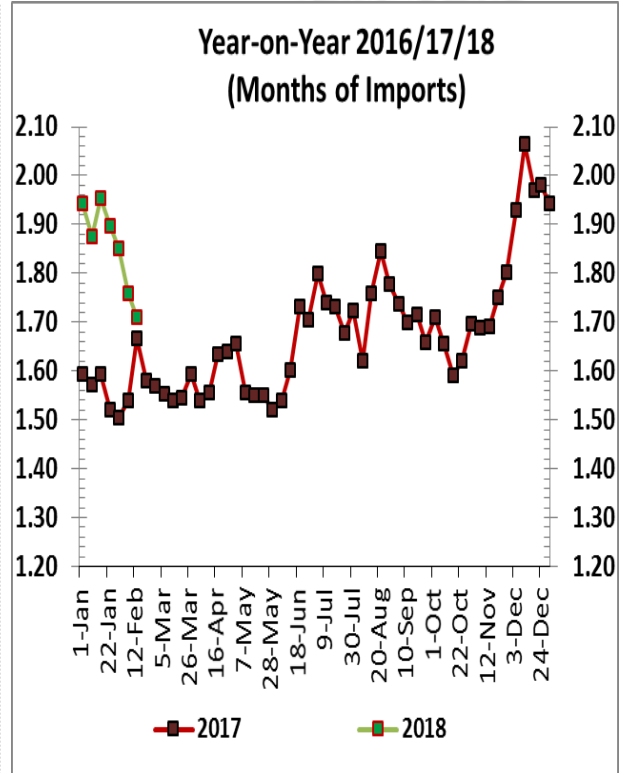
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
2 <sup>nd</sup> February 2018	58.89	58.41
9 <sup>th</sup> February 2018	33.72	34.17
16 <sup>th</sup> February 2018	33.60	43.00
On 19 <sup>th</sup> February 2018	9.00	7.46

#### Commentary:

- ADB's FX trading increased during the week ending 16<sup>th</sup> February 2018 compared to the previous week. ADBs purchased a total of US\$33.60 million from the market and sold a total of US\$43.00 million during the week. On Monday, 19<sup>th</sup> February 2018, ADBs purchased US\$9.00 million from the market and sold US\$7.46 million.

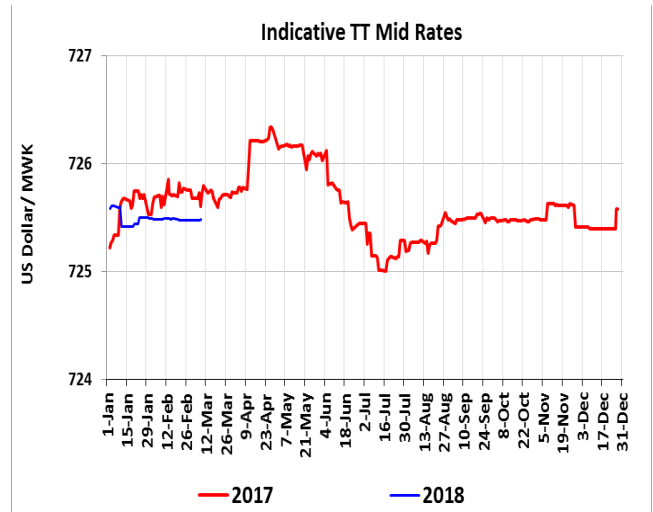
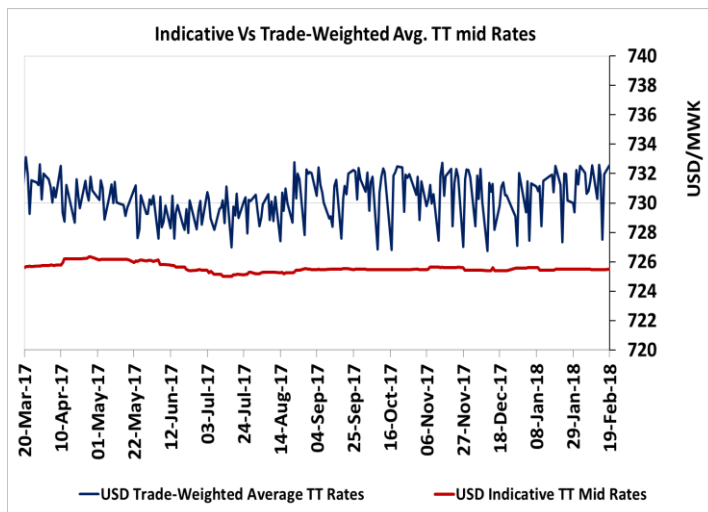


## iii. Exchange Rate Developments

	13 <sup>th</sup> February 2018	14 <sup>th</sup> February 2018	15 <sup>th</sup> February 2018	16 <sup>th</sup> February 2018	19 <sup>th</sup> February 2018	Today's indicative Rates
MWK/USD	732.6011	731.8921	727.4958	731.9715	732.5678	725.5843
MWK/GBP	1,006.1840	1,014.6641	1,022.2209	1,025.7905	1,027.6926	1,014.2943
MWK/EUR	900.0985	899.6424	907.2671	914.6009	908.3164	898.9264
MWK/ZAR	60.9013	61.3335	61.7695	63.0926	62.6034	62.0736

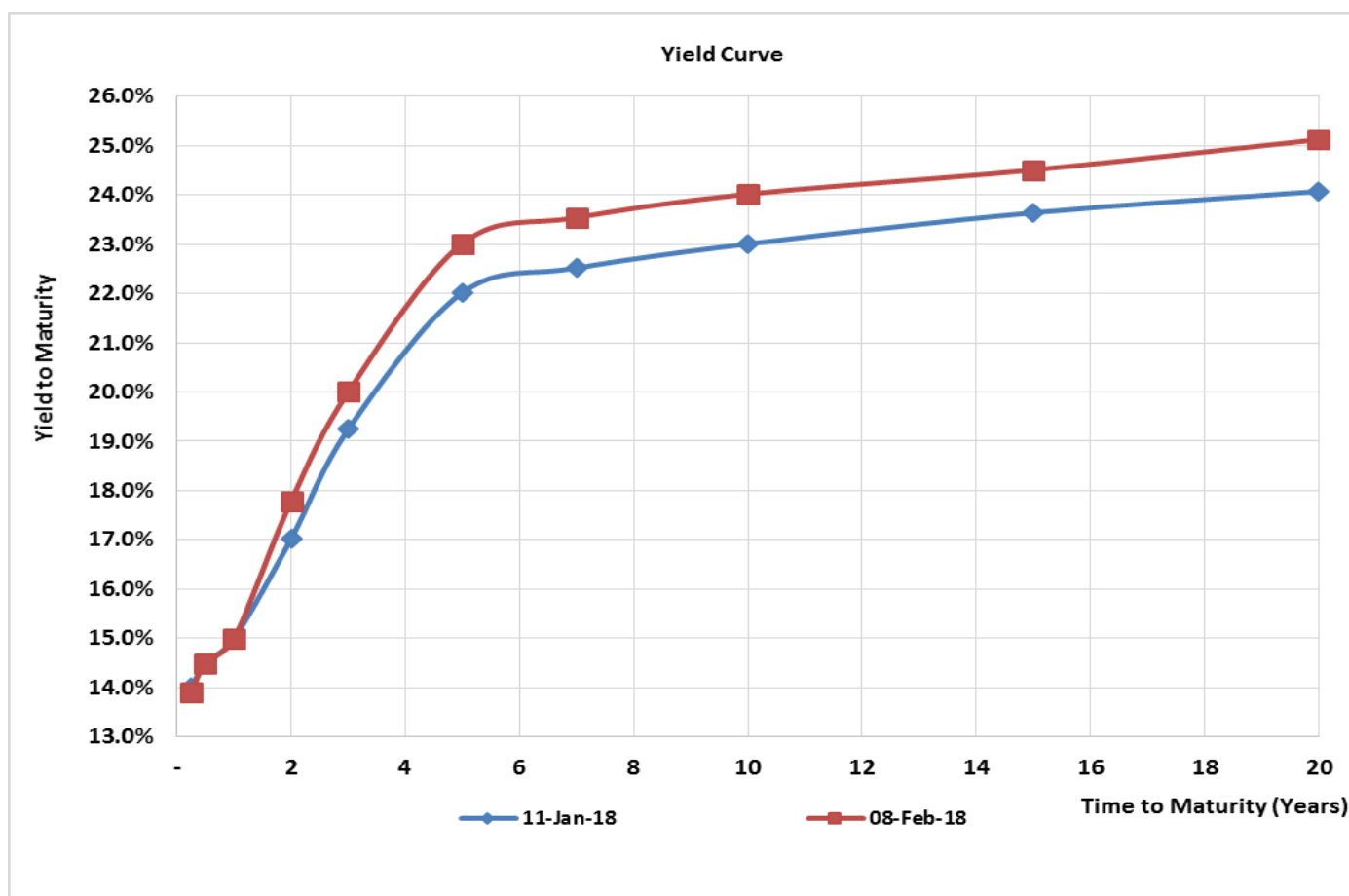
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Monday, 19<sup>th</sup> February 2018, the Kwacha depreciated against the USD and the GBP, but appreciated against the EUR and the ZAR. Indicatively, the local currency is expected to trade at K725.5843 per dollar today, 20<sup>th</sup> February 2018.



#### D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
10 <sup>th</sup> August 2017	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 <sup>th</sup> August 2017	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28 <sup>th</sup> September 2017	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 <sup>th</sup> October 2017	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 <sup>th</sup> November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%	22.45%	23.91%	25.17%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%	23.00%	23.64%	24.07%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%	24.01%	24.51%	25.12%
8 Feb-11 Jan 2018 Change in Yield (Bp)	-9	0	0	77	76	99	102	101	87	105



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