



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 10 August 2015

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

| | Today | Week ending 14 August 2015 |
|---|--------|-------------------------------|
| Projected Transactions (+= Net injection / - = Net withdrawal) | 55 | 1,156 |
| Estimated Excess Reserves | 23,428 | 24,529 |
| Required Reserves | 40,821 | 40,821 |

Known Projected Transactions

| | Week ending 14 th Aug 2015 | Week ending 21 st Aug 2015 | Week ending 28 th Aug 2015 | August 2015 | Sept 2015 |
|--------------------------------|--|--|--|----------------|--------------|
| Maturity of normal TBs/TNs/PNs | 7,427 | 9,888 | 10,547 | 35,737 | 32,399 |
| Maturity of OMO | - | - | - | - | - |

Commentary:

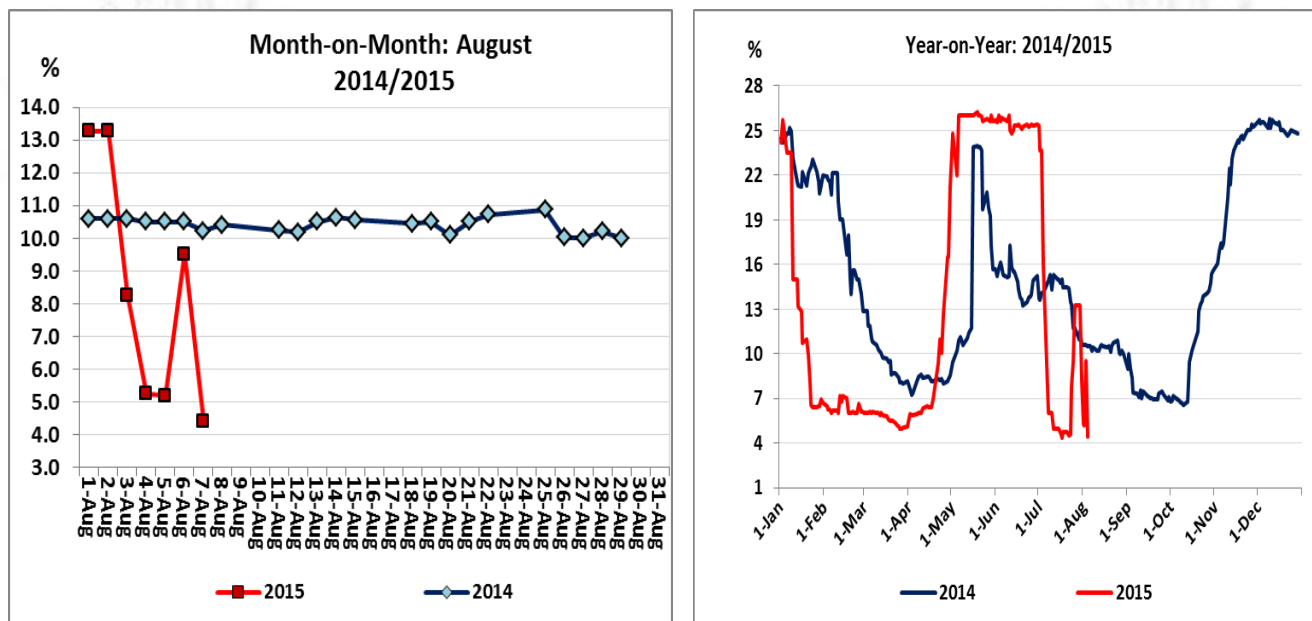
- Excess reserves are estimated to close at K23.43 billion today from K23.17 billion recorded on Friday, 07th August 2015.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Day's Domestic Money Market Activity

| (a) Inter-bank borrowing | Volume | Average rate (%) |
|---|--------|------------------|
| O/N | 3,050 | 4.43 |
| 07 days | - | - |
| 14 days | 1,000 | 15.00 |
| 30 days | - | - |
| (b) RBM Open market operations | | |
| (i) Repos | | |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| (iii) Outright Purchase of Securities | - | - |
| (c) Access on the Lombard Facility | - | - |

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market dropped to K4.05 billion on Friday, 07th August 2015 from K5.30 billion recorded during the preceding day.
- The (overnight) interbank market rate also went down and closed at 4.43 percent from 9.53 percent recorded on Thursday, 06th August 2015.
- No access on the Lombard Facility was recorded on Friday, 7th August 2015.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

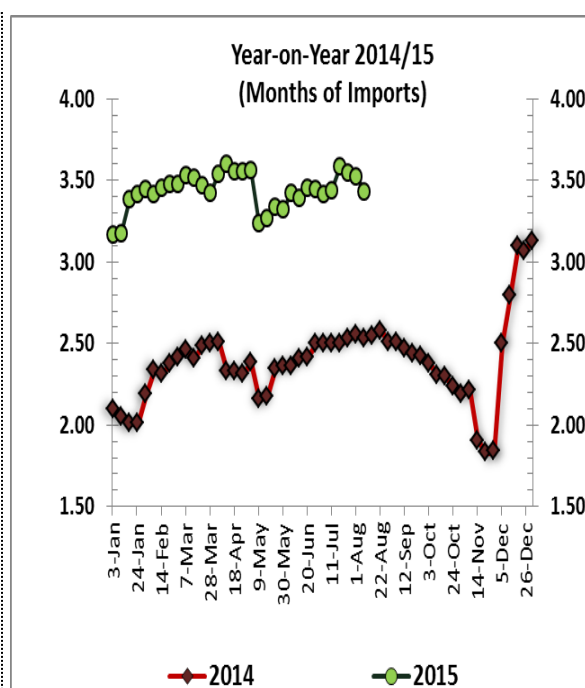
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn) | Reserves (US\$ million) | Import Cover * (Months) |
|------------------------------|-------------------------|-------------------------|
| 24 th July 2015 | 742.53 | 3.55 |
| 31 st July 2015 | 737.51 | 3.53 |
| 06 th August 2015 | 717.83 | 3.43 |

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

Commentary:

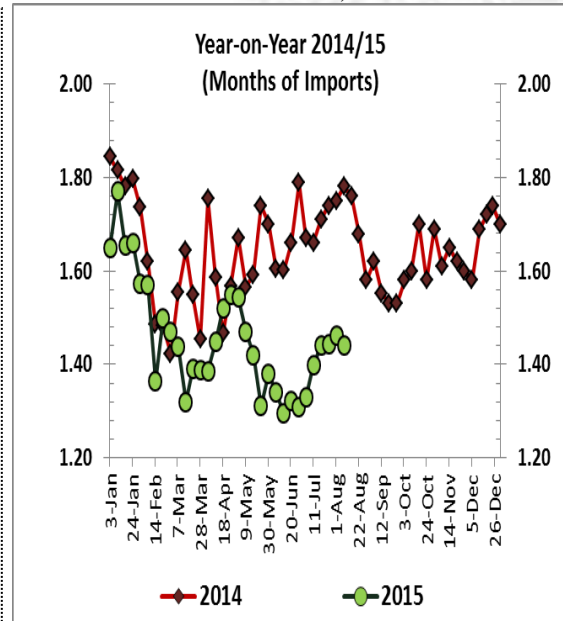
- Gross official reserves dropped during the week ending 31st July 2015 to US\$737.51 (3.53 months of imports) from US\$742.53 (3.55 months of imports) recorded by the end of the previous week. Gross official reserves went down further and closed at US\$717.83 million (3.43 months of imports) as at 06th August 2015.



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) | ADBs Own Position | FCDA | Total | Import Cover * (Months) |
|--|-------------------------|--------|------------|-------------------------------|
| 24 th July 2015 | 6.72 | 294.76 | 301.48 | 1.44 |
| 31 st July 2015 | 8.25 | 297.42 | 305.67 | 1.46 |
| 05 th August 2015 | 7.84 | 293.31 | 301.15 | 1.44 |
| * US\$209.0 million per month is used in this calculation | | | | |
| ADBs FOREIGN EXCHANGE TRADING ACTIVITY | | | | |
| Week Ending (US\$ mn) | ADBs Purchases | | ADBs Sales | |
| 31 st July 2015 | 43.69 | | 44.83 | |
| 7 th August 2015 | 53.06 | | 51.25 | |
| On 07 th August 2015 | 4.92 | | 5.75 | |
| Commentary: | | | | |
| <ul style="list-style-type: none">ADBs purchased US\$53.06 million from the market and sold US\$51.25 million during the week ending 07th August 2015. On 07th August 2015 alone, ADBs purchased US\$4.92 million against sales at US\$5.75 million. | | | | |

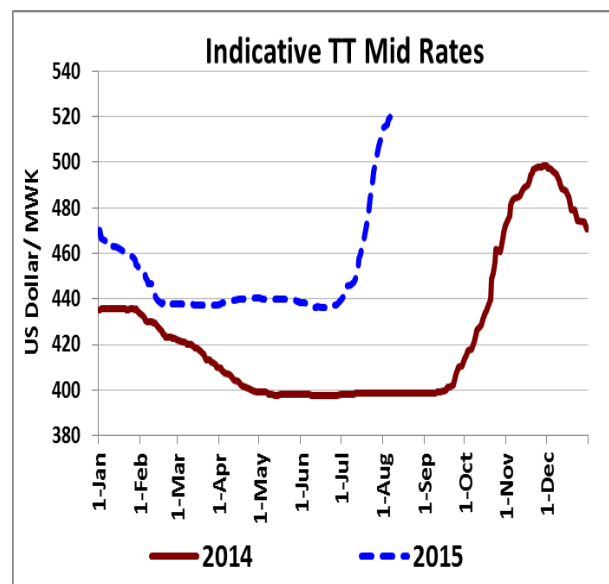
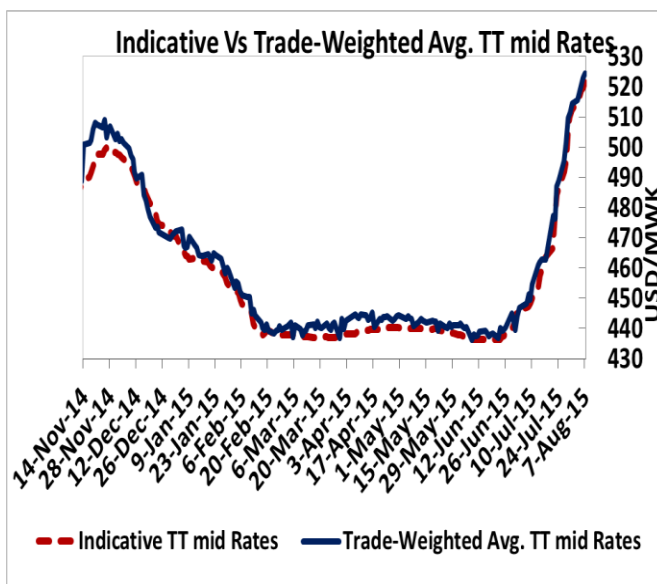


iii. Exchange Rate Developments

| | 31 July 2015 | 03 Aug 2015 | 04 Aug 2015 | 05 Aug 2015 | 06 Aug 2015 | 07 Aug 2015 | Today Indicative |
|----------------|--------------|-------------|-------------|-------------|-------------|-------------|---------------------|
| MWK/USD | 514.2720 | 515.5449 | 518.2052 | 520.1455 | 522.7324 | 524.3404 | 524.4897 |
| MWK/GBP | 804.6629 | 805.8016 | 808.8096 | 809.3464 | 809.7803 | 811.7383 | 811.6478 |
| MWK/EUR | 568.8618 | 567.9152 | 570.5668 | 567.2382 | 569.9331 | 570.1282 | 575.4701 |
| MWK/ZAR | 42.3598 | 42.4375 | 43.0385 | 42.9382 | 42.9122 | 42.8220 | 41.5684 |

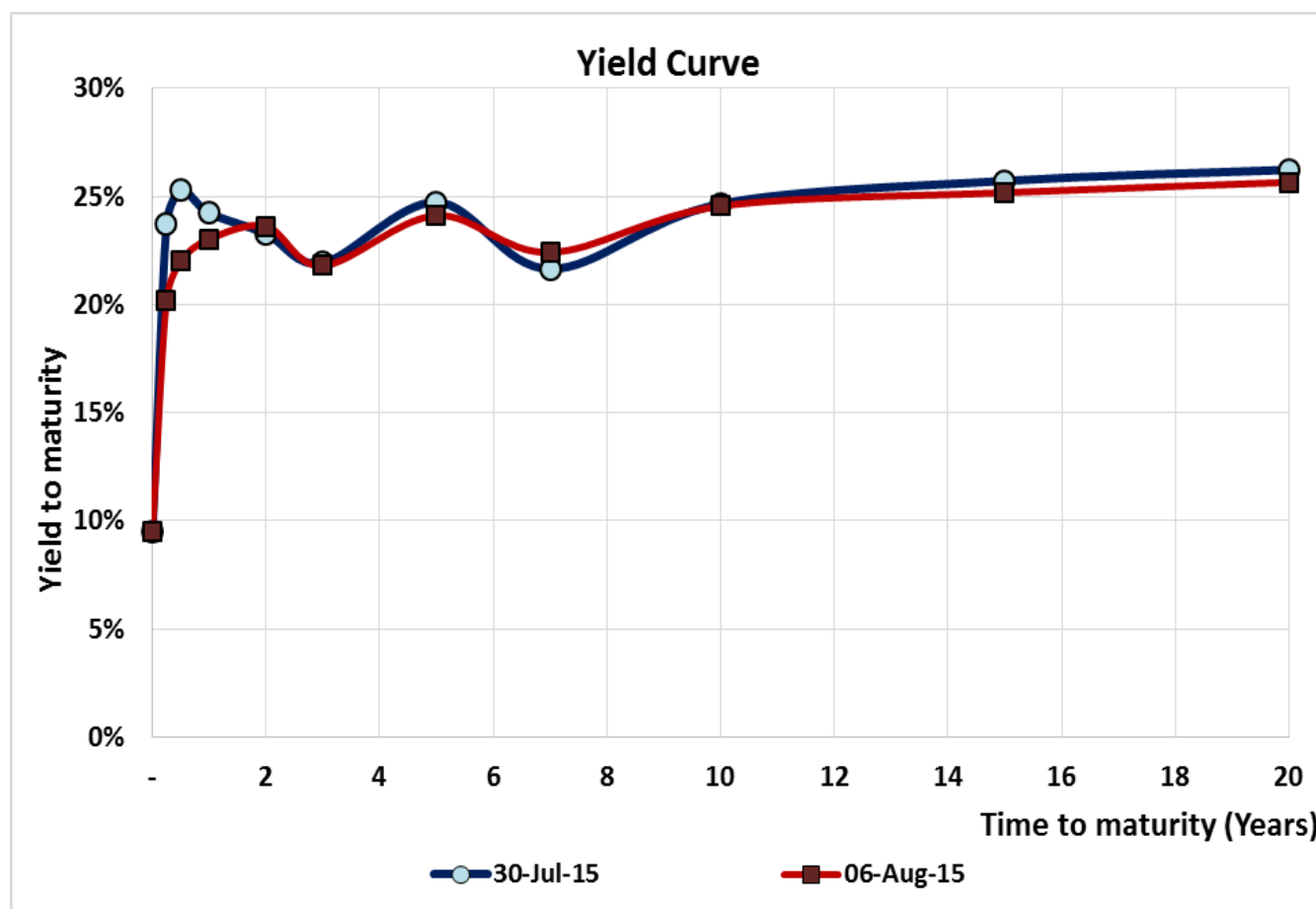
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus.

Commentary: On Friday, 07th August 2015, the Kwacha depreciated against the USD, the GBP and the EUR. The local currency, however, appreciated marginally against the ZAR. Indicatively, the Malawi Kwacha is expected to trade around MK524.4897 against the USD today.



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

| | Overnight | 91 days | 182 days | 364 days | 2 Year | 3 Year | 5 Year | 7 Year | 10 Year | 15 Year | 20 Year |
|---|-----------|---------|----------|----------|--------|--------|--------|--------|---------|---------|---------|
| 11 th June 2015 | 24.76% | 25.34% | 25.37% | 25.40% | 23.73% | 24.16% | 24.62% | 24.48% | 25.98% | 27.21% | 28.00% |
| 18 th June 2015 | 25.06% | 24.89% | 25.13% | 25.14% | 23.49% | 24.55% | 25.72% | 26.00% | 26.71% | 27.91% | 28.26% |
| 25 th June 2015 | 25.23% | 24.77% | 24.91% | 25.14% | 26.44% | 27.26% | 28.97% | 30.02% | 30.99% | 32.15% | 33.19% |
| 02 nd July 2015 | 25.35% | 25.37% | 25.01% | 25.02% | 24.22% | 24.04% | 26.50% | 25.59% | 27.08% | 27.82% | 28.52% |
| 09 th July 2015 | 16.00% | 24.00% | 25.01% | 25.02% | 23.17% | 22.76% | 25.62% | 24.16% | 26.27% | 27.04% | 27.56% |
| 23 rd July 2015 | 4.36% | 23.10% | 23.21% | 24.53% | 23.42% | 22.94% | 24.91% | 23.94% | 25.43% | 25.96% | 26.35% |
| 30 th July 2015 | 9.49% | 23.75% | 25.32% | 24.23% | 23.28% | 21.93% | 24.73% | 21.65% | 24.65% | 25.72% | 26.23% |
| 06 th August 2015 | 9.53% | 20.22% | 22.00% | 23.02% | 23.62% | 21.80% | 24.12% | 22.41% | 24.55% | 25.17% | 25.65% |
| 06 August-30 July 2015 Change in Yield (Bp) | 04 | (255) | (332) | (121) | 34 | (13) | (61) | 76 | (10) | (55) | (58) |



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