



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 22 July 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 22 <sup>nd</sup> July 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-7,053	729
Estimated Excess Reserves before OMO	4,788	4,788
Estimated Excess Reserves after OMO	0.00	0.00
Required Reserves	53,828	53,828

#### i. Known Projected Transactions

	Week ending 22 July 2016	Week ending 29 July 2016	Week ending 05 Aug 2016	July 2016	August 2016
Maturity of normal TBs/TNs/PNs	3,821	3,505	2,745	54,990	42,739
Maturity of OMO	6,973	17,060	5,742	58,420	10,971

#### Commentary:

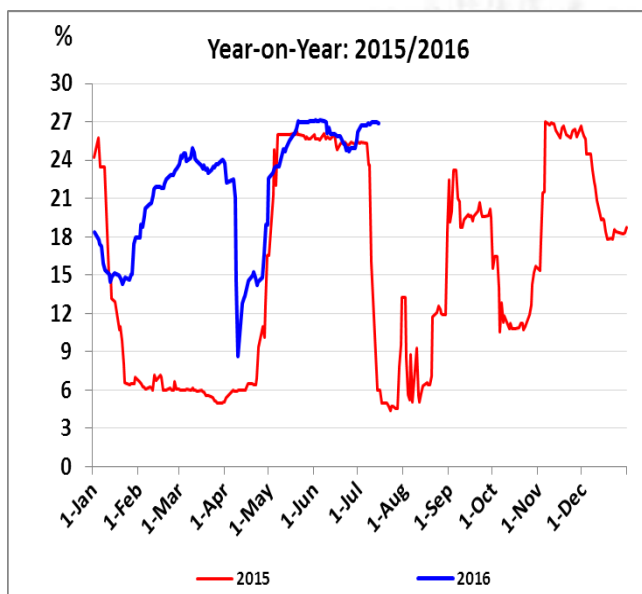
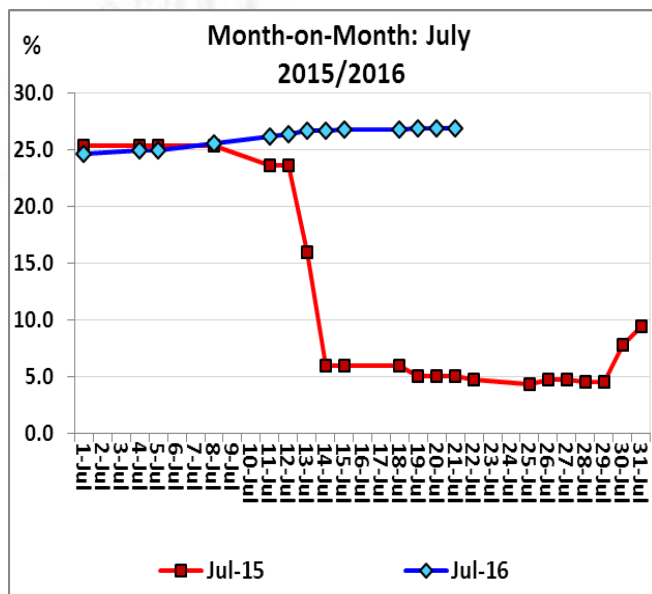
- Excess reserves increased yesterday to K11.84 billion from K7.46 billion recorded on Wednesday, 20<sup>th</sup> July 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	5,680	26.88
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
273 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
<b>(c) Access on the Lombard Facility</b>	<b>6,370</b>	<b>29.00</b>

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K5.68 billion on Thursday, 21<sup>st</sup> July 2016, from K6.43 billion that was recorded during the preceding day
- The overnight interbank market rate (IBR) dropped to 26.88 percent yesterday from 26.98 percent recorded on Wednesday, 20<sup>th</sup> July 2016
- A total of K6.37 billion was accessed on the Lombard Facility yesterday on 21<sup>st</sup> July 2016

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

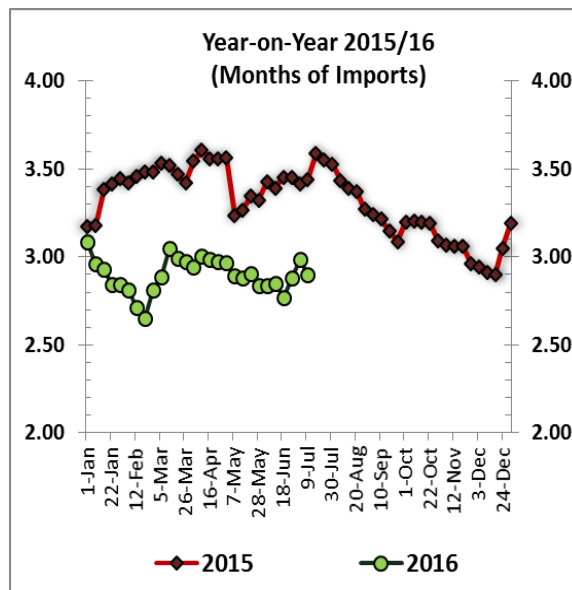
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
24 <sup>th</sup> June 2016	578.22	2.77
01 <sup>st</sup> July 2016	602.44	2.88
08 <sup>th</sup> July 2016	623.58	2.98
15 <sup>th</sup> July 2016	606.63	2.90
19 <sup>th</sup> July 2016	605.52	2.90

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

### Commentary:

- Gross official reserves decreased marginally during the week ending 15<sup>th</sup> July 2016 compared to the previous week. As at 19<sup>th</sup> July 2016, the gross official reserves stood at US\$605.52 million (2.90 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 <sup>th</sup> July 2016	-4.18	343.50	339.32	1.62
15 <sup>th</sup> July 2016	-1.33	351.84	350.51	1.68
20 <sup>th</sup> July 2016	-1.24	346.19	344.95	1.65

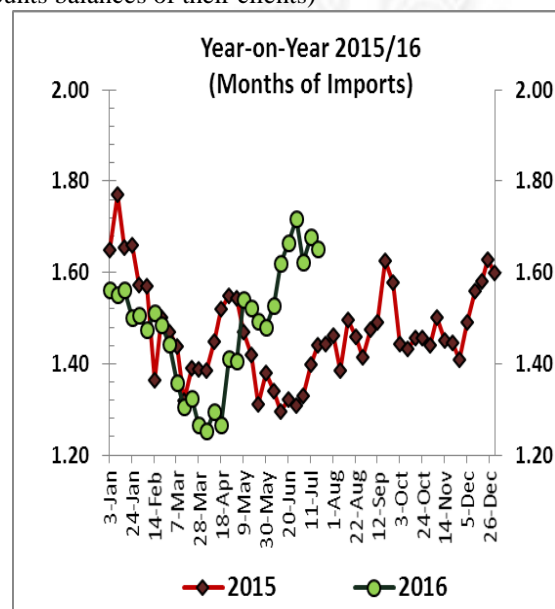
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
08 <sup>th</sup> July 2016	26.74	34.32
15 <sup>th</sup> July 2016	53.28	52.79
On 21 <sup>st</sup> July 2016	15.03	9.72

### Commentary:

- ADB's purchased US\$53.28 million from the market and monetary authorities during the week ending 15<sup>th</sup> July 2016 against sales to the market at US\$52.79 million. Yesterday, ADB's purchased US\$15.03 million from the market and sold US\$9.72 million.

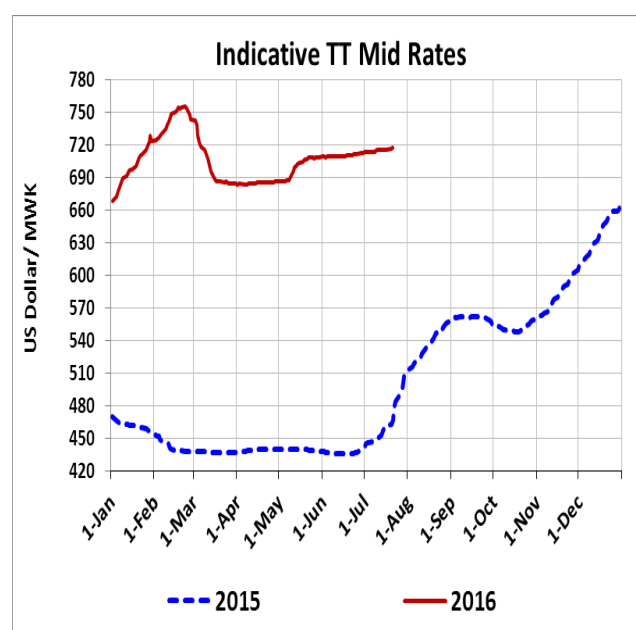
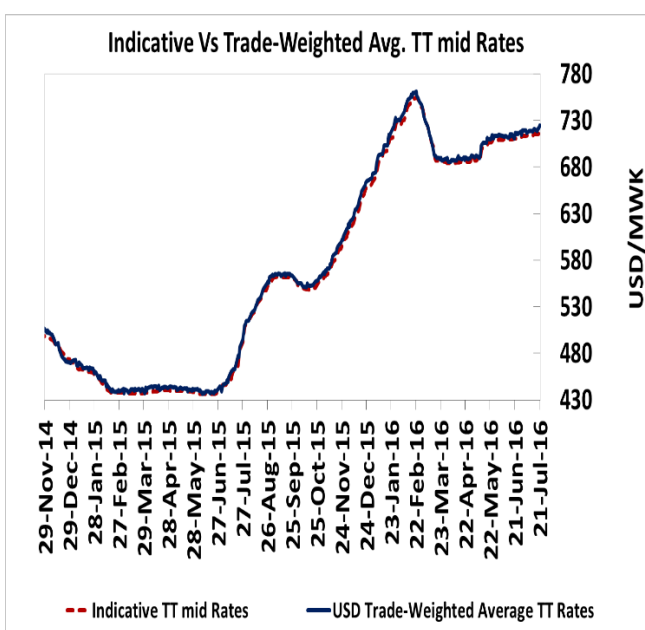


## iii. Exchange Rate Developments

	14 July 2016	15 July 2016	18 July 2016	19 July 2016	20 July 2016	21 July 2016	Today's indicative
MWK/USD	720.4105	720.7845	718.7806	721.1906	722.1924	724.6065	717.5950
MWK/GBP	950.9927	964.1075	947.3937	954.7433	952.2286	953.2294	950.5263
MWK/EUR	798.9983	797.8837	798.0142	798.7502	797.5680	797.0023	791.2202
MWK/ZAR	49.7190	50.0498	50.3127	50.6603	50.5420	50.1824	50.6036

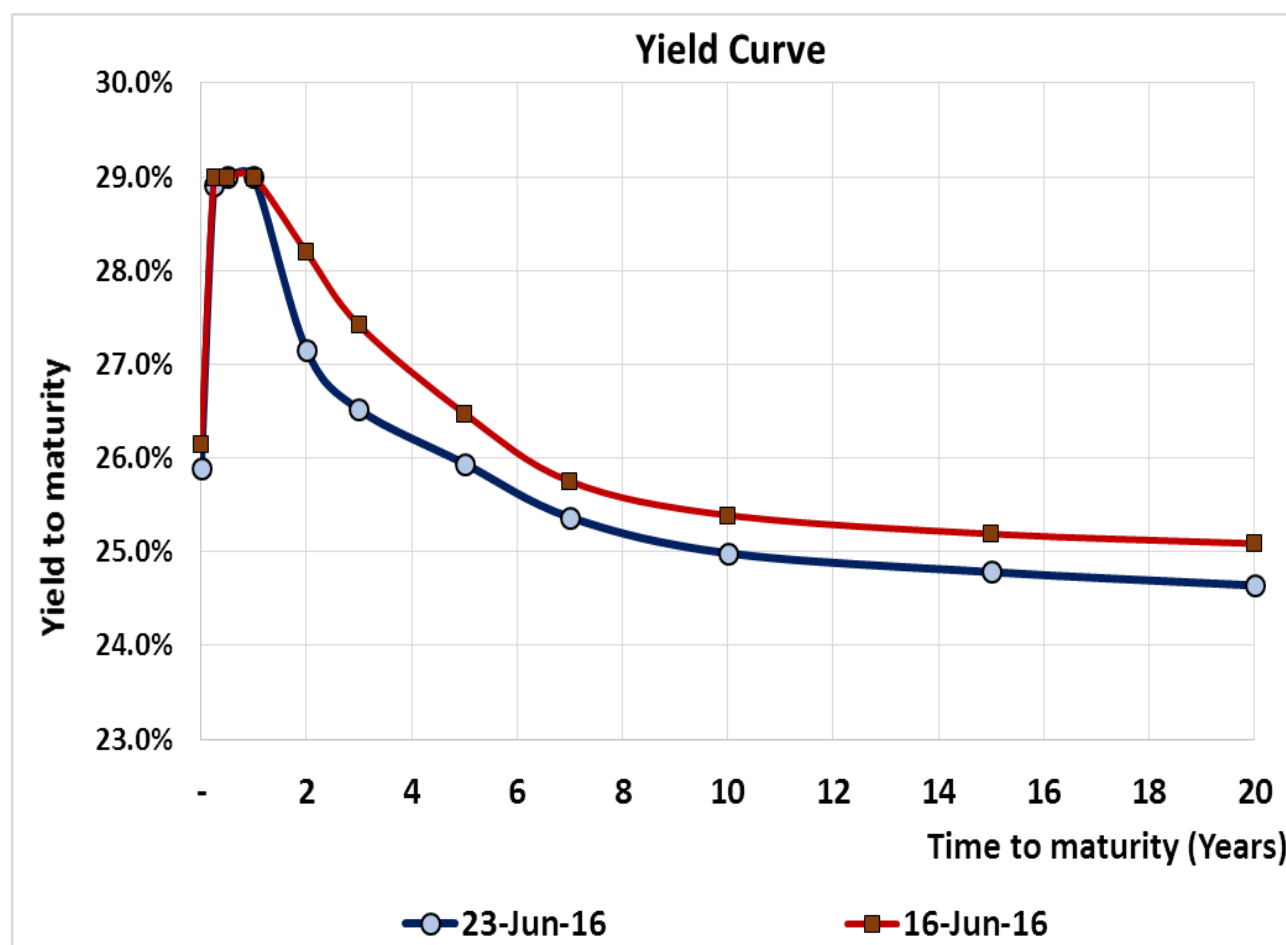
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday on 21<sup>st</sup> July 2016, the Kwacha depreciated against the USD and the GBP and appreciated against the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K717.5950 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
07 <sup>th</sup> April 2016	23.72%	27.95%	28.48%	28.50%	26.64%	26.98%	27.62%	27.33%	28.16%	28.54%	28.84%
14 <sup>th</sup> April 2016	8.67%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
19 <sup>th</sup> May 2016	25.54%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
26 <sup>th</sup> May 2016	27.01%	28.97%	29.00%	29.00%	30.82%	31.13%	34.82%	33.67%	35.23%	35.75%	37.08%
09 <sup>th</sup> June 2016	27.01%	29.00%	29.00%	29.00%	28.26%	28.04%	27.48%	26.23%	26.04%	25.84%	25.63%
16 <sup>th</sup> June 2016	26.15%	29.00%	29.00%	29.00%	28.20%	27.42%	26.48%	25.75%	25.39%	25.19%	25.09%
23 <sup>rd</sup> June 2016	25.89%	28.92%	29.00%	29.00%	27.16%	26.52%	25.94%	25.37%	24.99%	24.78%	24.64%
23 Jun–16 Jun 2016 Change in Yield (Bp)	-26	-8	0	0	-104	-90	-54	-38	-40	-41	-45



##### Commentary:

Indicative yields for long tenors have depicted an inverted curve suggesting lower medium to long term expected inflation rates.

**DISCLAIMER:** This information is provided for general reference purposes only. Whilst every effort is made to ensure that the information is up to date and accurate, the Reserve Bank of Malawi does not accept responsibility for any loss that may arise from reliance on the information contained herein.