



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 5 January 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 6 th January 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	7,717	24,267
Estimated Excess Reserves before OMO	16,080	22,554
Estimated Excess Reserves after OMO	0	0
Required Reserves	58,487	58,487

ii. Known Projected Transactions

	Week ending 30 th December 2016	Week ending 6 th January 2017	Week ending 13 th January 2017	Week ending 20 th January 2017	Week ending 27 th January 2017	January 2017
Maturity of normal TBs/TNs/PNs	3,006	5,000	8,921	16,754	11,648	42,324
Maturity of OMO Repos	3,768	37,670	12,075	11,689	3,105	64,677

Commentary:

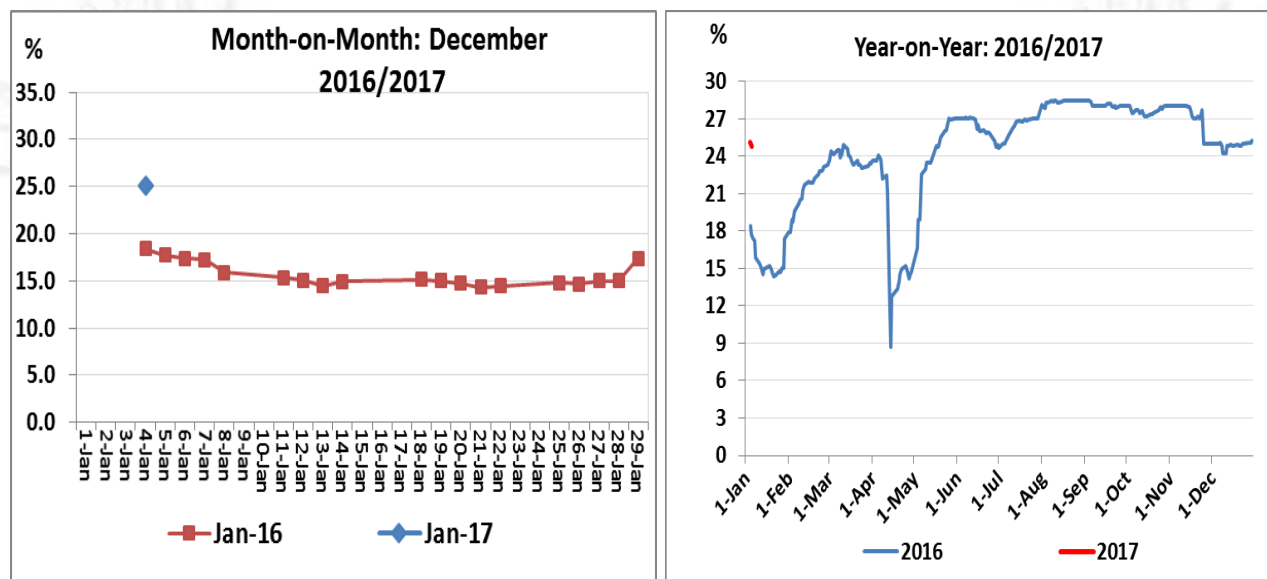
- Excess reserves increased to K9.5 billion on Wednesday, 4th January 2017 from K449.0 million recorded on Tuesday, 3rd January 2016.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	2,480	24.78
07 days	-	-
14 days	-	-
28 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	1,200	24.00
14 days	-	-
32 days	-	-
63 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	4,650	26.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market decreased to K2.5 billion on Wednesday, 4th January 2017 from K8.5 billion recorded on Tuesday, 3rd December 2016.
- The overnight interbank market rate (IBR) dropped by 32 basis point to 24.78 percent from 25.10 percent.
- A total of K4.7 billion was accessed on the Lombard Facility yesterday, 4th January 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

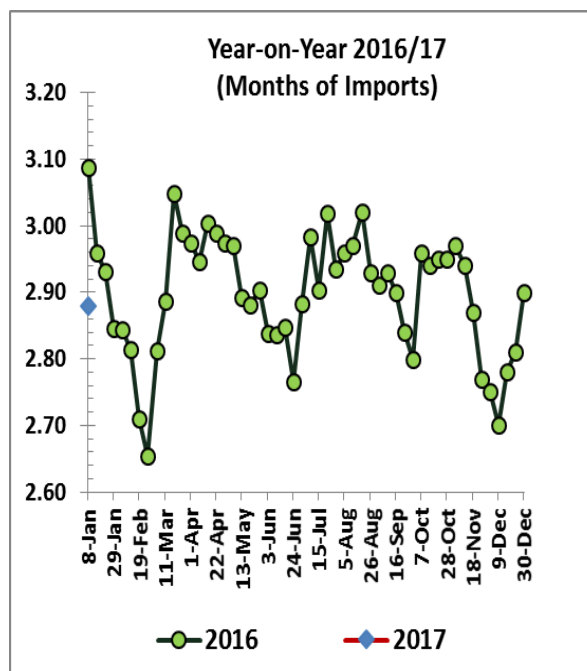
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
16 th December 2016	580.18	2.78
23 rd December 2016	586.60	2.81
30 th December 2016	606.93	2.90
On 4 th January 2017	601.36	2.88

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

Commentary:

- Gross official reserves increased during the week ending 30th December 2016 compared to the previous week. As at 4th January 2017, the gross official reserves stood at US\$601.36 million (2.88 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)
16 th December 2016	1.36	328.97	330.33	1.58
23 rd December 2016	1.29	318.15	319.44	1.53
30 th December 2016	-0.78	336.79	336.61	1.61
On 4 th January 2017	2.03	338.42	340.45	1.63

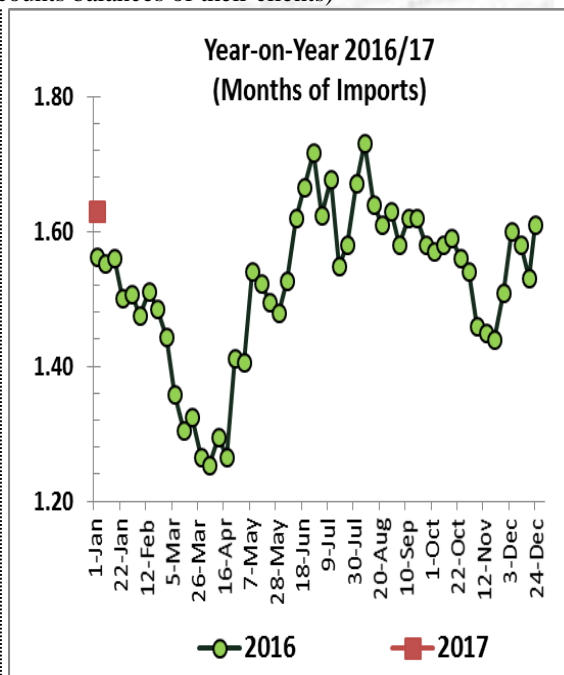
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
16 th December 2016	50.16	63.27
23 rd December 2016	49.14	49.65
30 th December 2016	26.07	34.11
On 4 th January 2017	9.47	9.06

Commentary:

- ADB's purchased US\$26.07 million from the market and monetary authorities during the week ending 30th December 2016 against sales to the market at US\$34.11 million. On Wednesday, 4th January 2017, ADB's purchased US\$9.47 million from the market and sold US\$9.06 million.

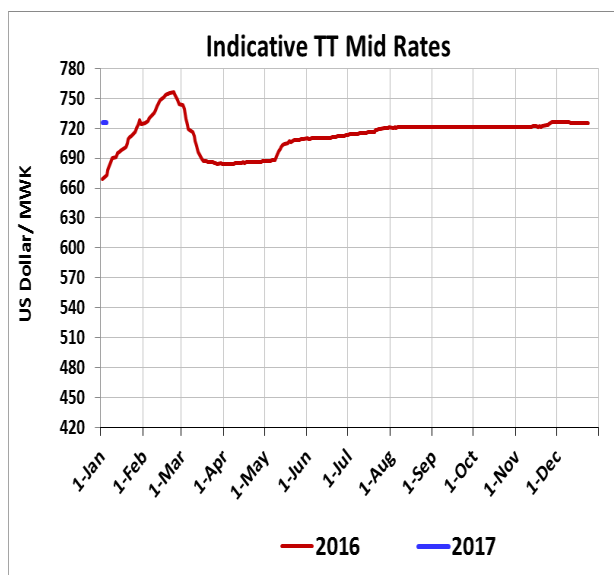
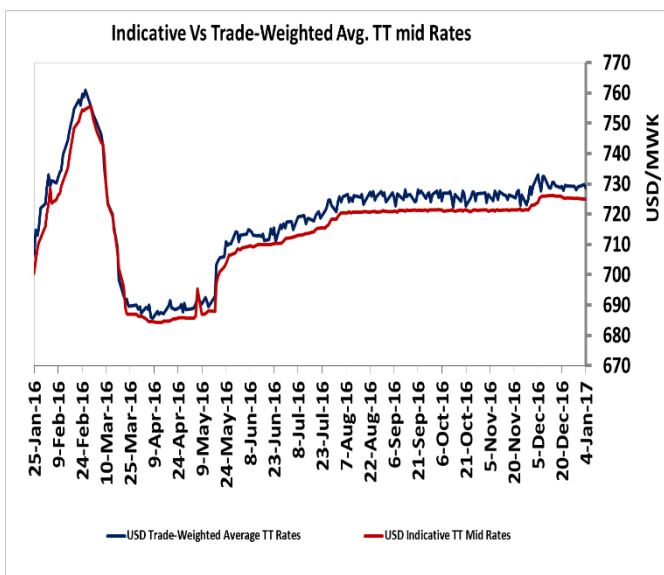


iii. Exchange Rate Developments

	23 rd Dec 2016	28 th Dec 2016	29 th Dec 2016	30 th Dec 2016	3 rd Jan 2017	4 th Jan 2017	Today's Indicative Rates
MWK/USD	729.7054	728.5034	727.6006	728.6197	725.6144	729.6579	725.2763
MWK/GBP	895.3260	899.2465	890.3614	893.8250	894.9077	896.2218	894.9184
MWK/EUR	755.8623	757.3114	760.2774	766.0255	762.1886	759.1622	764.0061
MWK/ZAR	26.2691	52.4644	52.3840	52.8148	53.1663	53.4403	53.3975

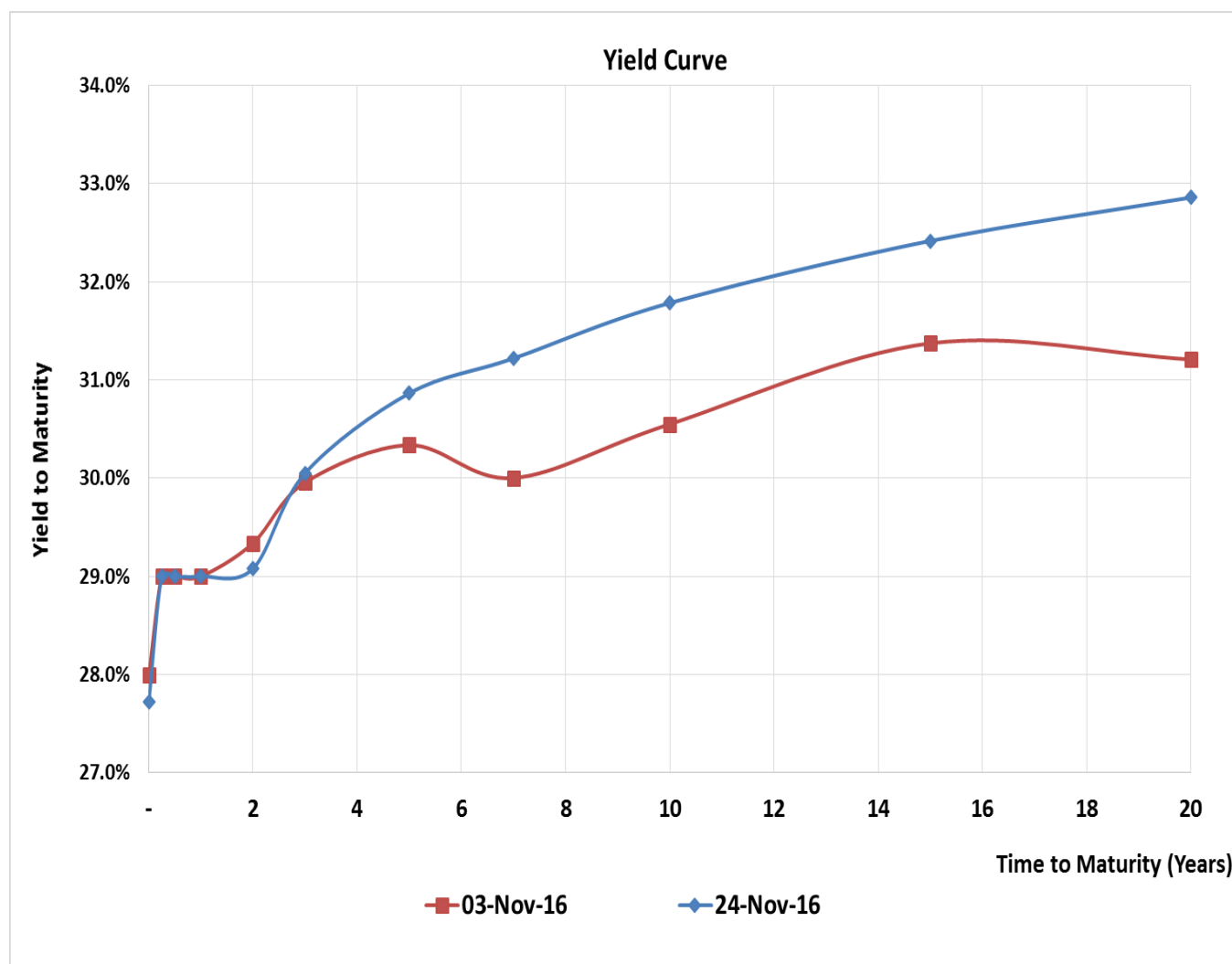
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday, 4th January 2017, the Kwacha depreciated against the USD, the GBP and the ZAR but appreciated against the EUR. Indicatively, the Malawi Kwacha is expected to trade around K725.2763 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
19 th August 2016	28.45%	27.84%	27.57%	27.66%	27.10%	27.24%	27.05%	27.12%	27.28%	28.69%	29.78%
01 st September 2016	28.50%	29.00%	29.00%	29.00%	35.04%	35.56%	36.84%	36.41%	37.80%	38.15%	41.26%
08 th September 2016	28.00%	29.00%	29.00%	29.00%	28.84%	29.87%	32.91%	32.43%	32.93%	40.28%	41.63%
15 th September 2016	28.00%	29.00%	29.00%	29.00%	28.16%	28.35%	27.70%	27.57%	29.21%	29.67%	29.84%
29 th September 2016	28.00%	29.00%	29.00%	29.00%	29.51%	29.77%	30.05%	30.48%	30.51%	31.23%	31.57%
20 th October 2016	27.49%	29.00%	29.00%	29.00%	29.50%	30.27%	31.78%	31.57%	32.21%	32.67%	33.34%
3 rd November 2016	28.00%	29.00%	29.00%	29.00%	29.34%	29.96%	30.34%	30.00%	30.55%	31.37%	31.21%
24 th November 2016	27.72%	29.00%	29.00%	29.00%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
24 November- 03 November Change in Yield (Bp)	-28	0	0	0	-26	9	53	122	123	104	165



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