



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 06 February 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 10 <sup>th</sup> February 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-582	10,715
Estimated Excess Reserves before OMO	1,336	12,723
Estimated Excess Reserves after OMO	0	0
Required Reserves	57,737	57,737

#### ii. Known Projected Transactions

	Week ending 10 <sup>th</sup> February 2017	Week ending 17 <sup>th</sup> February 2017	Week ending 24 <sup>th</sup> February 2017	February 2017	March 2017
Maturity of normal TBs/TNs/PNs	3,278	16,168	5,869	30,581	60,720
Maturity of OMO Repos	14,363	18,085	5,821	65,779	20,330

#### Commentary:

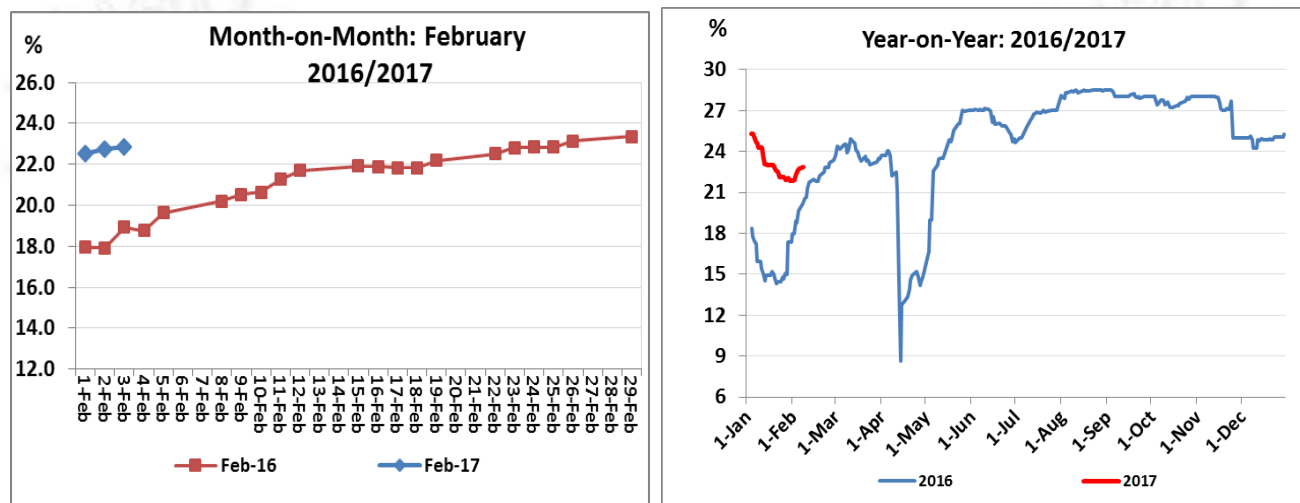
- Excess reserves decreased to K1.92 billion on Friday, 3<sup>rd</sup> February 2017 from K2.45 billion recorded on Thursday, 2<sup>nd</sup> February 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,400	22.84
07 days	-	-
14 days	-	-
28 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	2,000	24.00
33 days	310	24.00
60 days	189	24.00
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	<b>2,920</b>	<b>26.00</b>

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K6.40 billion on Friday, 3<sup>rd</sup> February 2017 from K3.00 billion recorded on Thursday, 2<sup>nd</sup> February 2017.
- The overnight interbank market rate (IBR) increased by 11 basis points and closed at 22.84 percent from 22.73 percent recorded on Thursday, 2<sup>nd</sup> February 2017.
- About K2.50 billion was withdrawn from the banking system through OMO repos on Friday, 3<sup>rd</sup> February 2017.
- A total of K2.92 billion was accessed on the Lombard Facility on Friday, 3<sup>rd</sup> February 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

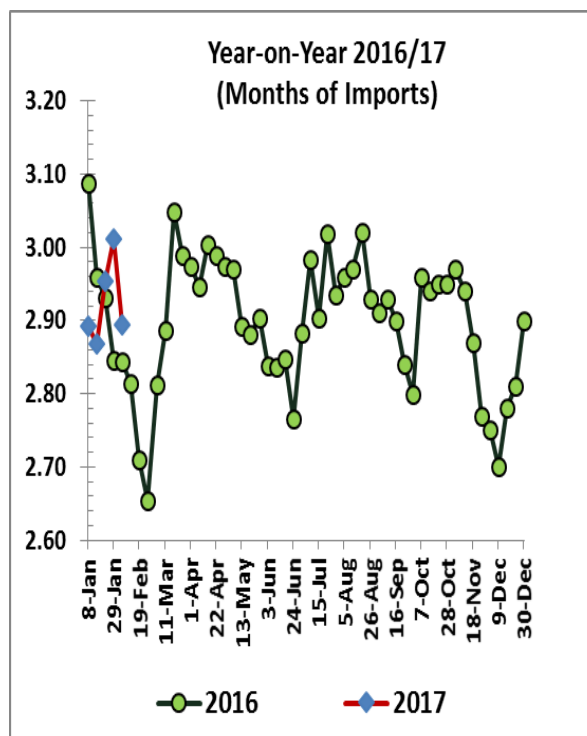
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
13 <sup>th</sup> January 2017	599.54	2.87
20 <sup>th</sup> January 2017	617.41	2.95
27 <sup>th</sup> January 2017	629.37	3.01
On 2 <sup>nd</sup> February 2017	604.86	2.89

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

### Commentary:

- Gross official reserves increased during the week ending 27<sup>th</sup> January 2017 compared to the previous week. As at 2<sup>nd</sup> February 2017, the gross official reserves dropped and stood at US\$604.86 million (2.89 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)
13 <sup>th</sup> January 2017	-0.82	329.29	328.47	1.57
20 <sup>th</sup> January 2017	2.93	330.40	333.33	1.59
27 <sup>th</sup> January 2017	2.56	315.03	317.59	1.52
On 1 <sup>st</sup> February 2017	1.05	314.74	315.79	1.51

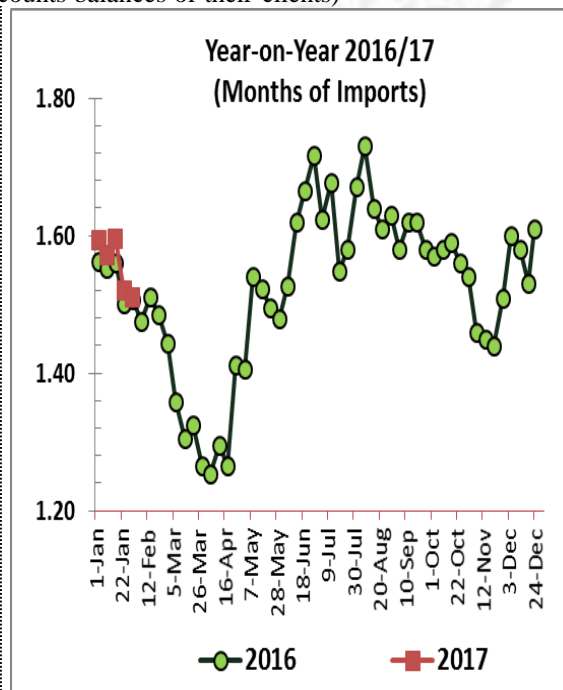
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
20 <sup>th</sup> January 2017	48.93	46.56
27 <sup>th</sup> January 2017	48.61	55.11
3 <sup>rd</sup> February 2017	48.32	48.03
On 3 <sup>rd</sup> February 2017	9.06	9.55

### Commentary:

- ADB's purchased US\$48.32 million from the market and monetary authorities during the week ending 3<sup>rd</sup> February 2017 against sales to the market at US\$48.03 million. On Friday, 3<sup>rd</sup> February 2017 alone, ADB's purchased US\$9.06 million from the market and sold US\$9.55 million.

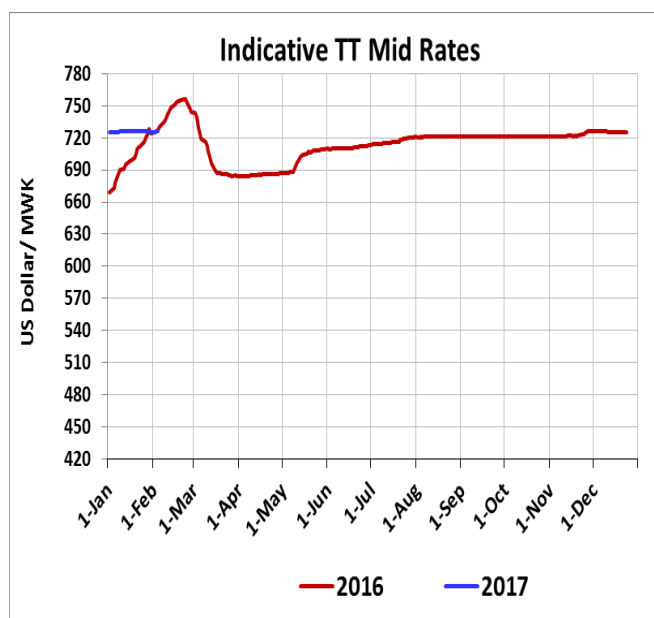
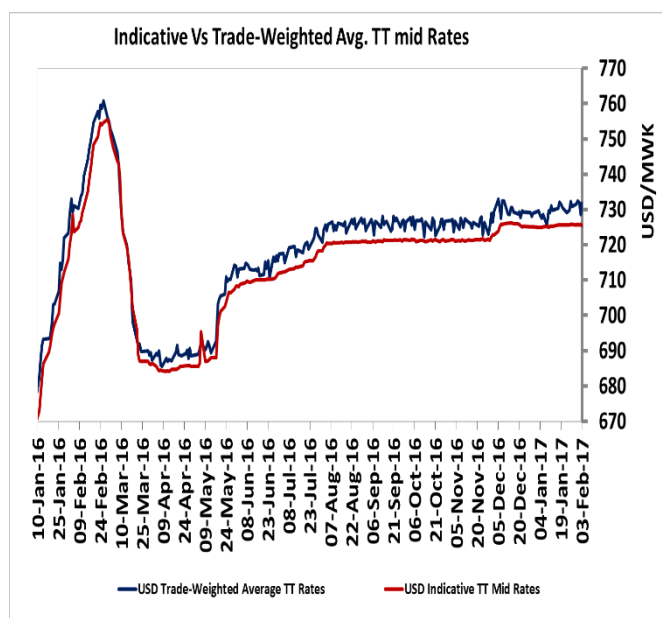


## iii. Exchange Rate Developments

	27 <sup>th</sup> Jan 2017	30 <sup>th</sup> Jan 2017	31 <sup>st</sup> Jan 2017	1 <sup>st</sup> Feb 2017	2 <sup>nd</sup> Feb 2017	3 <sup>rd</sup> Feb 2017	Today's Indicative Rates
MWK/USD	728.5801	731.6801	729.5970	731.5660	730.9364	732.2186	725.6935
MWK/GBP	918.7748	916.3071	914.6643	913.7488	922.6392	914.7792	905.8832
MWK/EUR	779.2991	778.3160	779.6135	790.8997	788.2722	781.7333	781.8622
MWK/ZAR	54.4267	54.0298	53.9351	53.8973	54.1369	54.4664	54.6608

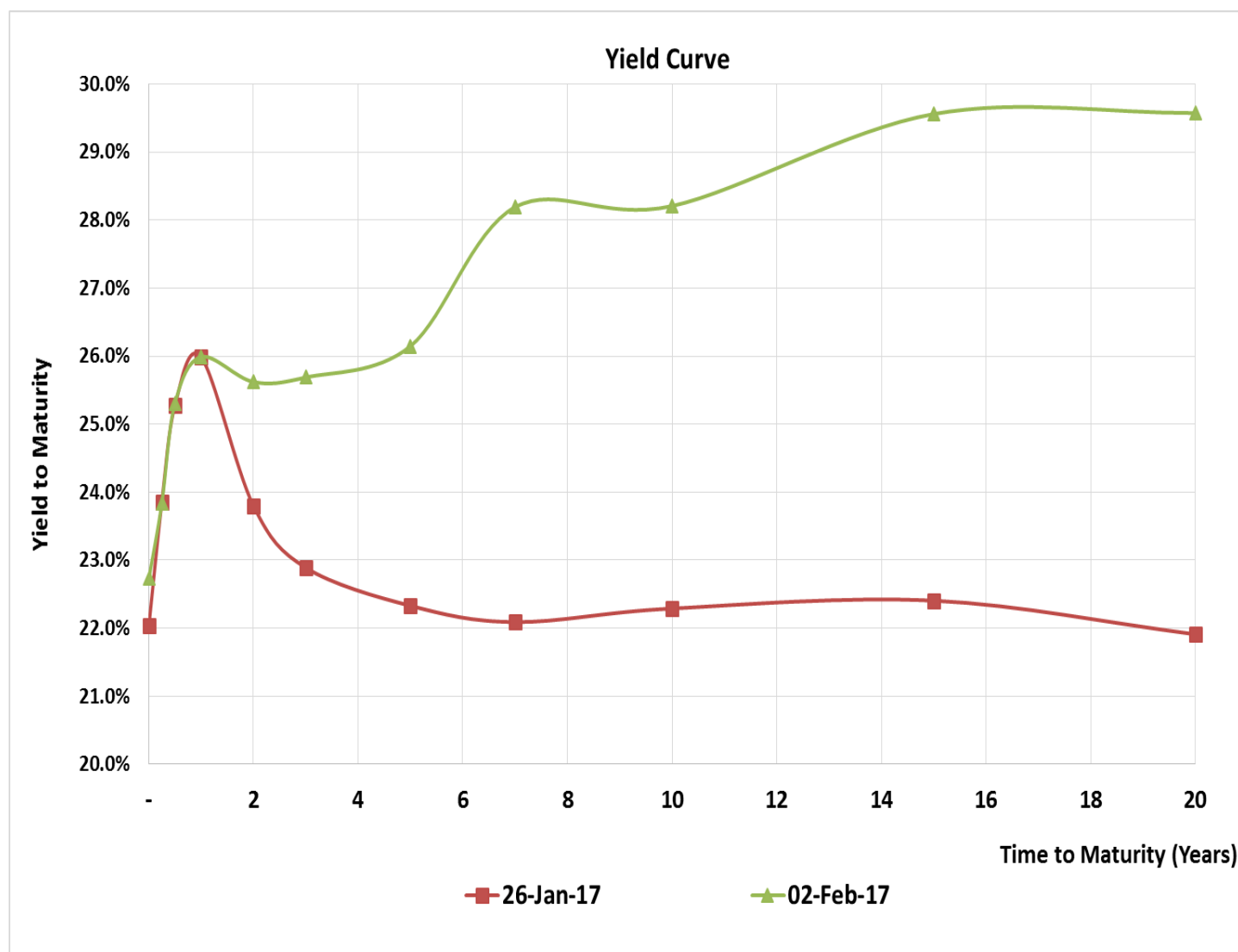
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 3<sup>rd</sup> February 2017, the Kwacha appreciated against the GBP and the EUR. The local currency, however, lost value versus the USD and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K725.6935 against the USD today, 6<sup>th</sup> February 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
29 <sup>th</sup> 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 <sup>th</sup> 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 <sup>rd</sup> 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 <sup>th</sup> November 2016	27.72%	27.74%	27.88%	28.18%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
12 <sup>th</sup> January 2017	23.00%	23.98%	25.47%	26.00%	26.82%	27.19%	28.41%	28.31%	29.57%	30.43%	29.88%
19 <sup>th</sup> January 2017	22.51%	23.80%	25.19%	25.84%	30.00%	30.50%	32.00%	32.50%	33.00%	34.00%	35.00%
26 <sup>th</sup> January 2017	22.04%	23.85%	25.27%	25.99%	23.80%	22.89%	22.33%	22.09%	22.31%	22.41%	21.91%
2 <sup>nd</sup> February 2017	22.73%	23.84%	25.30%	25.99%	25.62%	25.69%	26.15%	28.19%	28.21%	29.56%	29.57%
02 February-26 January 2017 Change in Yield (Bp)	69	-1	3	0	187	292	471	502	590	753	771



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