



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 23 February 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 24 th February 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-455	3,049
Estimated Excess Reserves before OMO	3,221	6,490
Estimated Excess Reserves after OMO	0	0
Required Reserves	55,472	55,472

ii. Known Projected Transactions

	Week ending 24 th February 2017	Week ending 3 rd March 2017	Week ending 10 th March 2017	February 2017	March 2017
Maturity of normal TBs/TNs/PNs	5,869	6,745	6,745	30,581	60,720
Maturity of OMO Repos	18,605	12,346	12,066	96,084	32,449

Commentary:

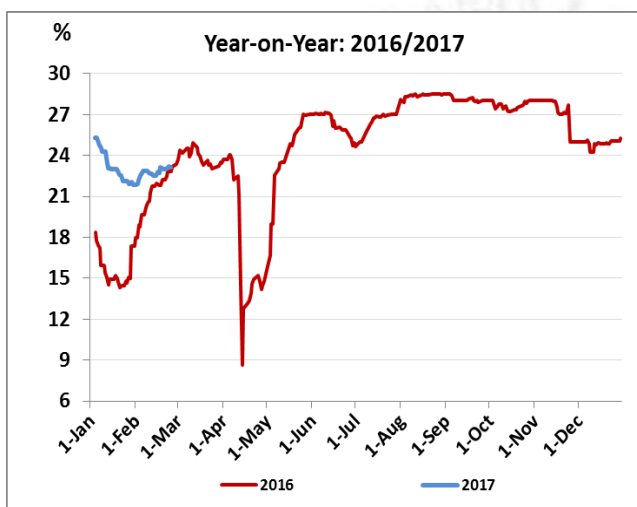
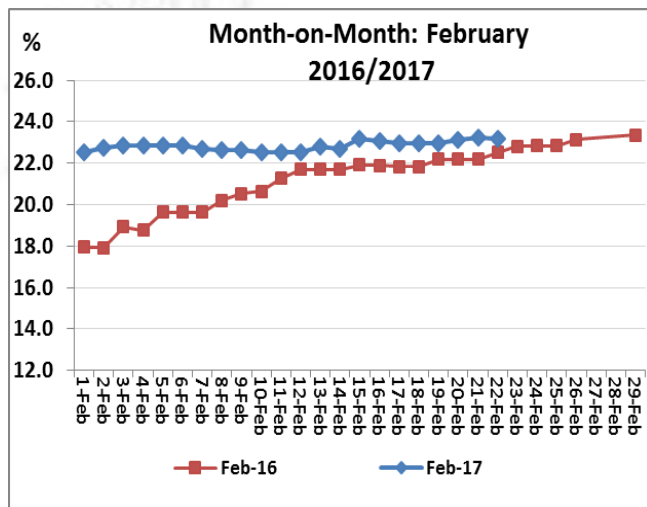
- Excess reserves increased to K3.68 billion yesterday, 22nd February 2017 from K2.24 billion recorded on Tuesday, 21st February 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,330	23.16
07 days	-	-
14 days	-	-
28 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	1,300	24.00
14 days	-	-
30 days	630	24.00
60 days	63	24.00
273 days	-	-
364 days	362	26.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	1,420	26.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market dropped to K6.33 billion yesterday, 22nd February 2017 from K6.81 billion recorded on Tuesday, 21st February 2017.
- The overnight interbank market rate (IBR) went down to 23.16 percent from 23.21 percent recorded on Tuesday, 21st February 2017.
- About K2.36 billion was withdrawn from the banking system through OMO repos yesterday, 22nd February 2017.
- A total of K1.42 billion was accessed on the Lombard Facility yesterday, 22nd February 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

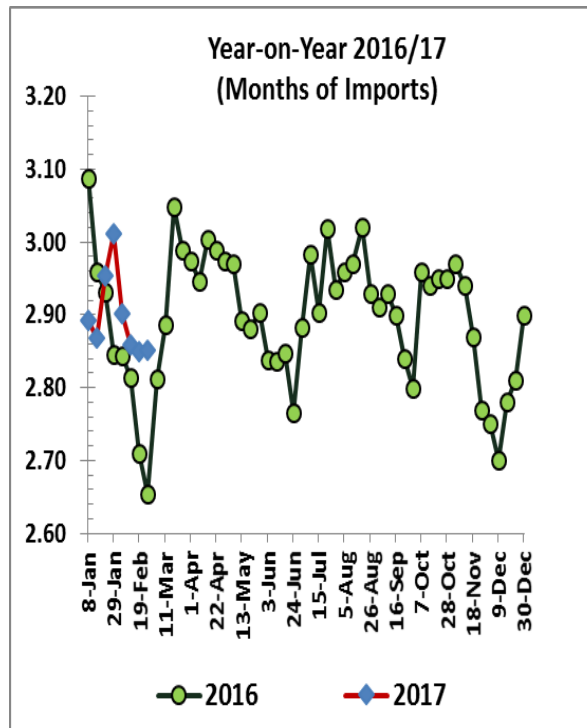
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
3 rd February 2017	606.48	2.90
10 th February 2017	597.42	2.86
17 th February 2017	595.71	2.85
21 st February 2017	595.00	2.85

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

Commentary:

- Gross official reserves dropped during the week ending 17th February 2017 compared to the previous week. As at 21st February 2017, the gross official reserves stood at US\$595.00 million (2.85 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)
3 rd February 2017	2.63	311.92	314.55	1.51
10 th February 2017	3.10	318.89	322.00	1.54
17 th February 2017	0.88	347.53	348.41	1.67
21 st February 2017	-1.04	342.22	341.18	1.63

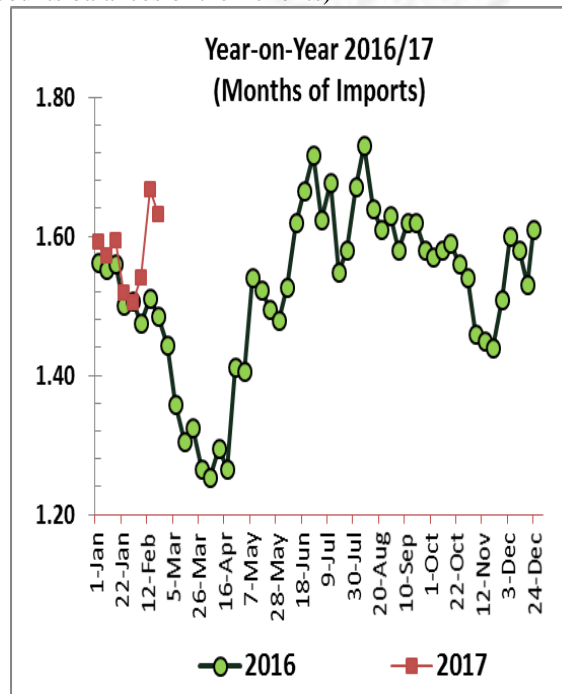
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
3 rd February 2017	48.32	48.03
10 th February 2017	49.74	56.05
17 th February 2017	44.08	51.17
On 22 nd February 2017	9.38	10.54

Commentary:

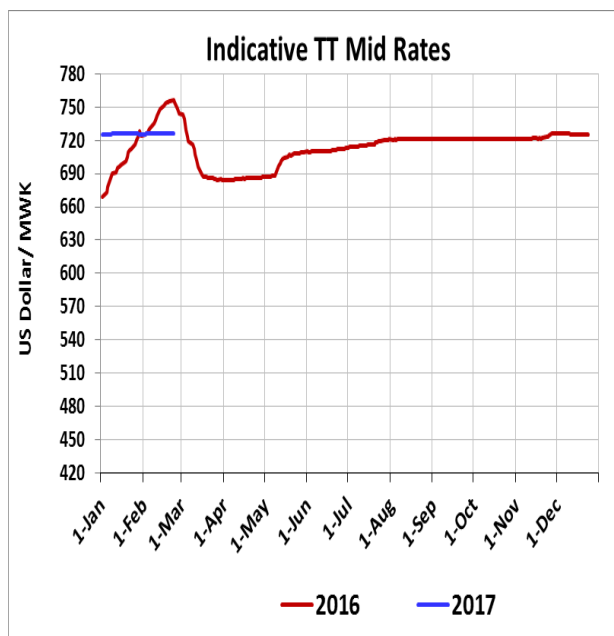
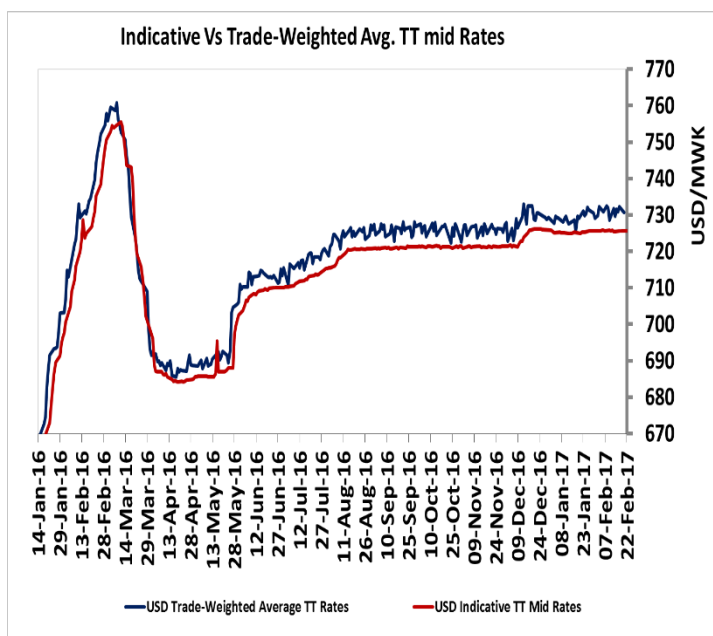
- ADB's purchased US\$44.08 million from the market and monetary authorities during the week ending 17th February 2017 against sales to the market at US\$51.17 million. Yesterday, 22nd February 2017, ADB's purchased US\$9.38 million from the market and sold US\$10.54 million.



	15 th Feb 2017	16 th Feb 2017	17 th Feb 2017	20 th Feb 2017	21 st Feb 2017	22 nd Feb 2017	Today's Indicative Rates
MWK/USD	731.3918	733.1104	732.2495	726.8368	730.1567	731.2440	725.7410
MWK/GBP	908.9308	910.3314	911.0501	909.6451	912.0197	908.6822	903.0395
MWK/EUR	772.6894	773.1888	773.7601	776.7260	772.1515	763.4292	766.0196
MWK/ZAR	55.2461	56.2213	56.1474	55.8253	55.8648	56.0260	56.0426

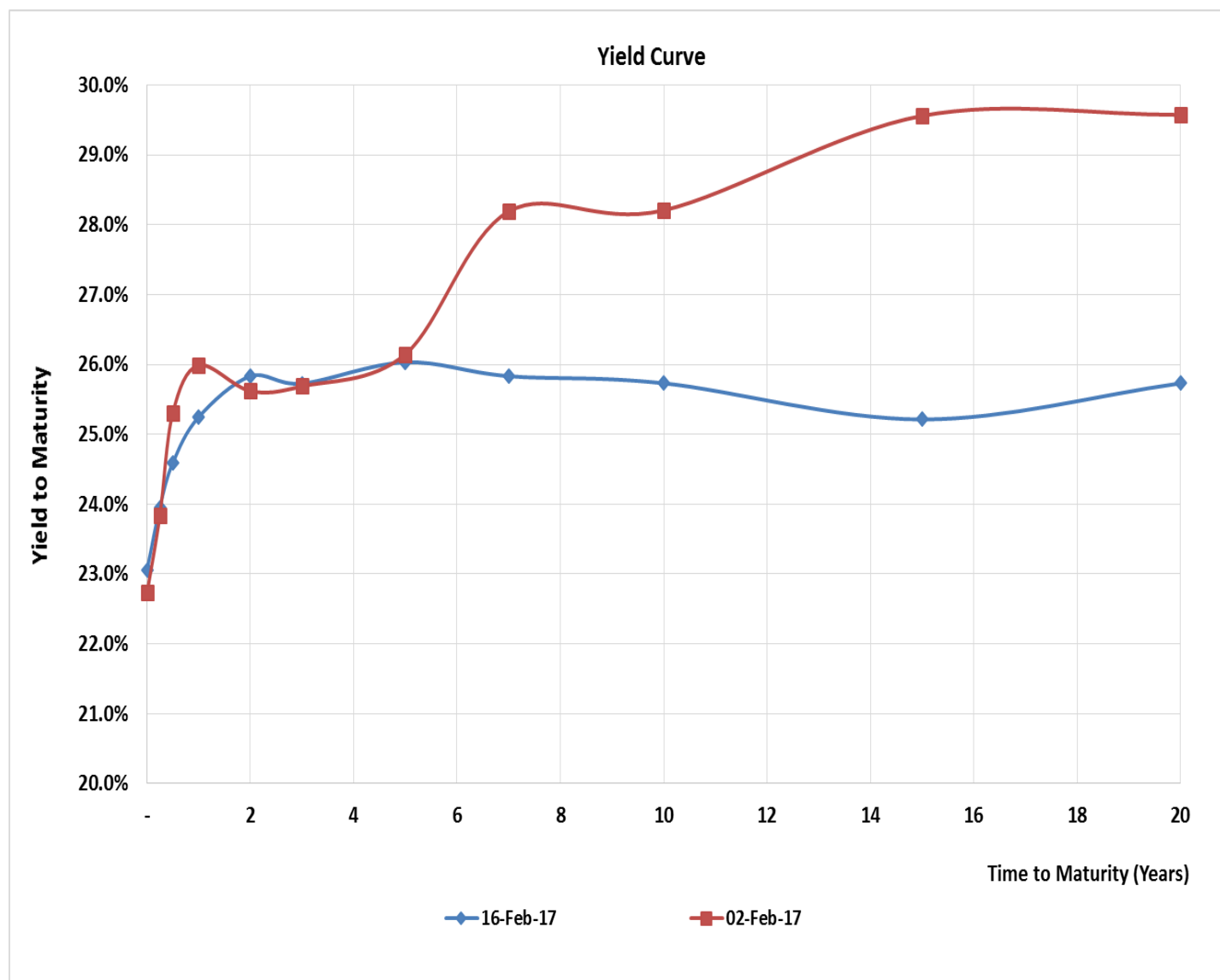
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, 22nd February 2017, the Kwacha depreciated against the USD and the ZAR but appreciated against the GBP and the EUR. Indicatively, the Malawi Kwacha is expected to trade around K725.7410 against the USD today, 23rd 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
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%	27.74%	27.88%	28.18%	29.08%	30.05%	30.86%	31.22%	31.78%	32.42%	32.86%
12 th 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 th 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 th 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 nd February 2017	22.73%	23.84%	25.30%	25.99%	25.62%	25.69%	26.15%	28.19%	28.21%	29.56%	29.57%
16 th February 2017	23.06%	23.98%	25.34%	25.58%	25.83%	25.73%	26.03%	25.83%	25.73%	25.21%	25.73%
16 February -02 February 2017 Change in Yield (Bp)	33	14	4	-41	21	4	-12	-236	-248	-435	-384



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