RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 09 May 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 12th May 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-9,795	56
Estimated Excess Reserves before OMO	-5,102	1,773
Estimated Excess Reserves after OMO	0	0
Required Reserves	57,166	57,166

ii. Known Projected Transactions

	Week ending 12th May 2017	Week ending 19th May 2017	Week ending 26th May 2017	May 2017	June 2017
Maturity of normal TBs/TNs/PNs	8,916	8,556	2,047	23,045	14,455
Maturity of OMO Repos	16,261	6,046	4,674	51,375	34,593

Commentary:

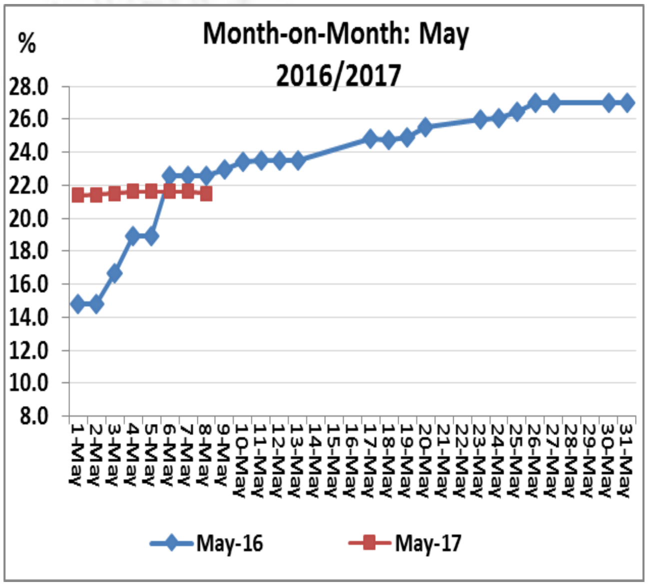
- Excess reserves increased to K4.69 billion yesterday, 8th May 2017 from K1.65 billion recorded on Friday, 5th May 2017.

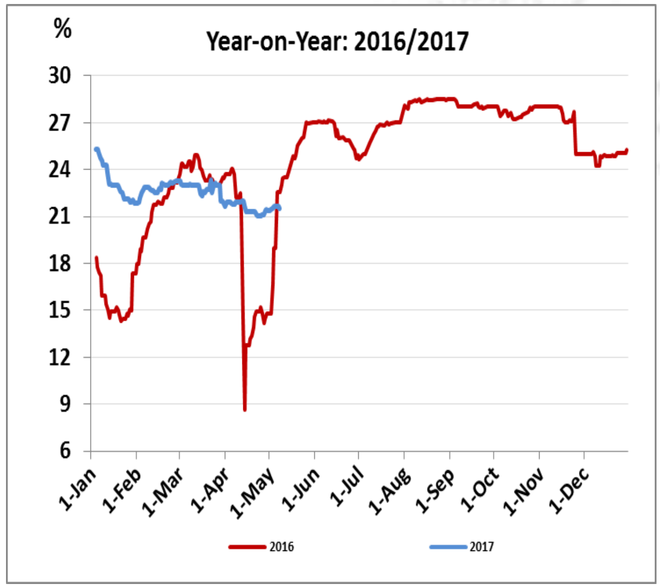
B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	**Volume**	**Average rate (%)**
O/N	9,030	21.52
07 days	-	-
14 days	-	-
28 days	-	-
(b) RBM Open market operations		
(i) Repos		
08 days	1,000	20.00
14 days	-	-
31 days	-	-
62 days	-	-
90 days	-	-
364 days	545	23.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	14,320	24.00

ii. Weighted Average Interbank Rates





Commentary:

- Traded volume on the interbank market dropped to K9.03 billion yesterday, 8th May 2017 from K10.25 billion recorded on Friday, 5th May 2017.
- The overnight interbank market rate (IBR) went down to 21.52 percent from 21.63 percent recorded on Friday, 5th May 2017.
- About K1.55 billion was withdrawn from the banking system through OMO repos yesterday, 8th May 2017.
- A total of K14.32 billion was accessed on the Lombard Facility yesterday, 8th May 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

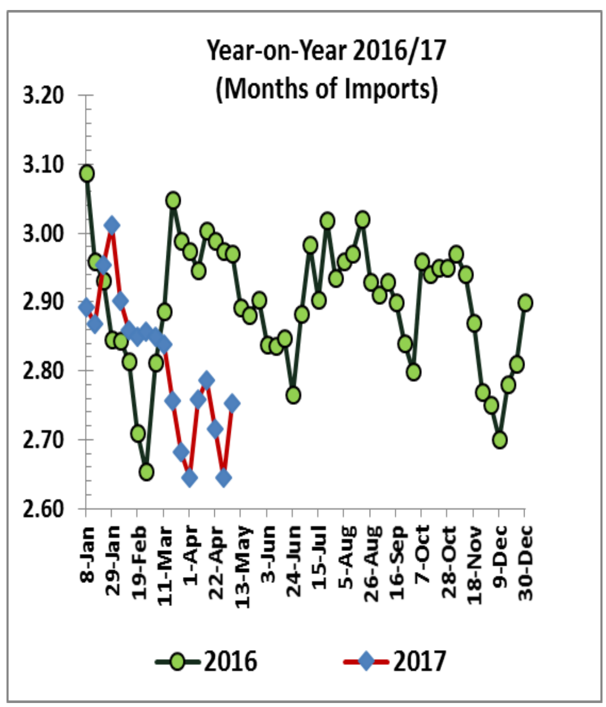
(Foreign reserves under the direct control of the Central Bank)

Date (US$ mn)	Reserves (US$ million)	Import Cover * (Months)
13th April 2017	582.28	2.79
21st April 2017	567.48	2.72
28th April 2017	552.91	2.65
5th May 2017	575.18	2.75

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

Commentary:

- Gross official reserves increased during the week ending 5th May 2017 compared to the previous week. As at 5th May 2017, the gross official reserves stood at US$575.18 million (2.75 months of imports).



ii. **Private Sector Foreign Exchange Reserves**

(Foreign reserves under the direct control of authorized dealer banks (ADBs) 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)
13th April 2017	-10.79	336.11	325.32	1.56
21st April 2017	-2.33	344.17	341.84	1.64
28th April 2017	-2.95	345.89	342.95	1.64
4th May 2017	-4.15	344.63	340.48	1.63

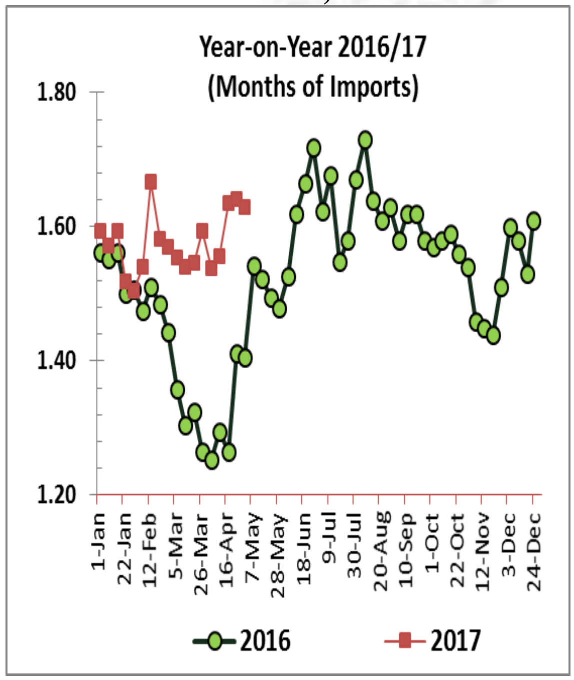
*** US$209.0 million per month is used in this calculation**

ADBs FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US$ mn)	**ADBs Purchases**	**ADBs Sales**
28th April 2017	51.83	55.53
5th May 2017	43.79	44.66
On 8th May 2017	9.95	10.61

Commentary:

- ADBs purchased US$43.79 million from the market and monetary authorities during the week ending 5th May 2017 against sales to the market at US$44.66 million. Yesterday, 8th May 2017, ADBs purchased US$9.95 million from the market and sold US$10.61 million.

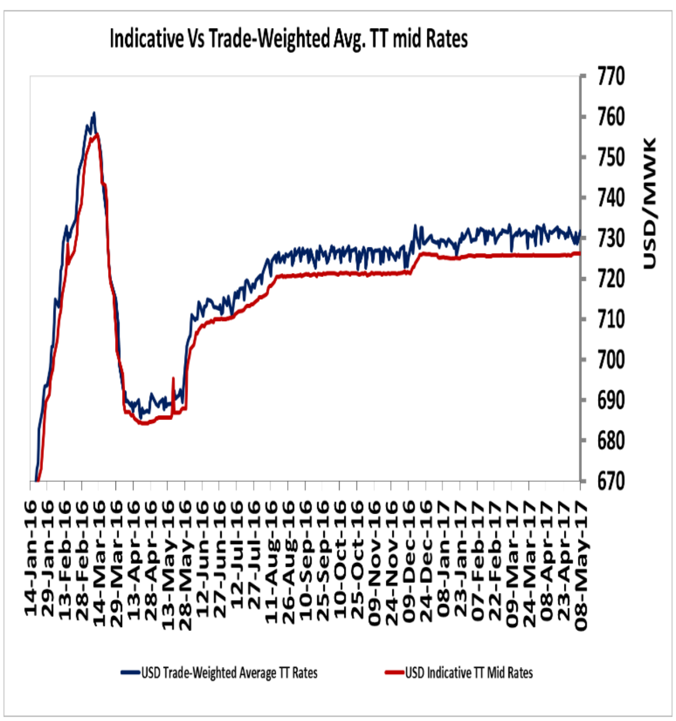


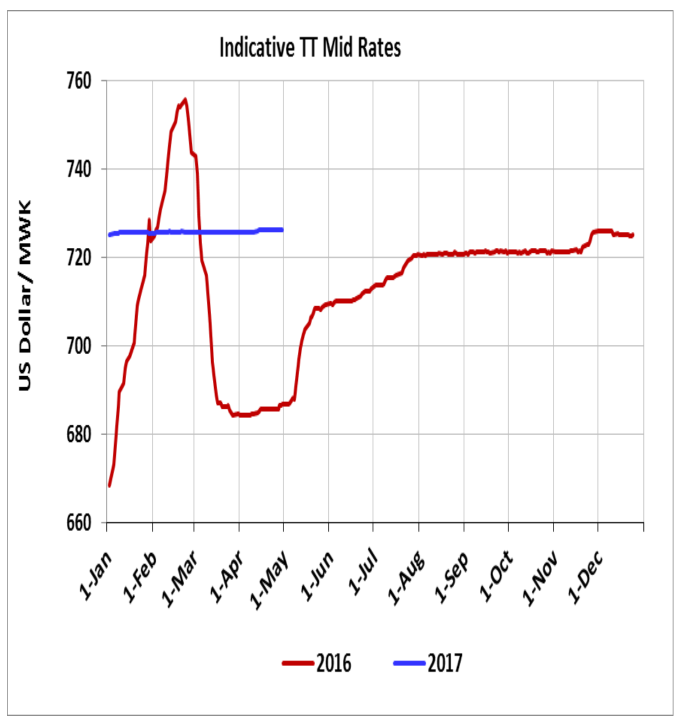
iii. **Exchange Rate Developments**

	2nd May 2017	**3rd May 2017**	**4th May 2017**	**5th May 2017**	**8th May 2017**	**Today's Indicative Rates**
MWK/USD	730.2085	731.5573	731.0068	728.8859	730.5109	726.1625
MWK/GBP	942.8201	935.1967	941.1554	947.9093	948.0940	940.3078
MWK/EUR	797.7250	795.7701	790.8928	798.4916	797.8998	793.4051
MWK/ZAR	55.5204	54.8539	53.5175	53.5599	54.1923	53.1715

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

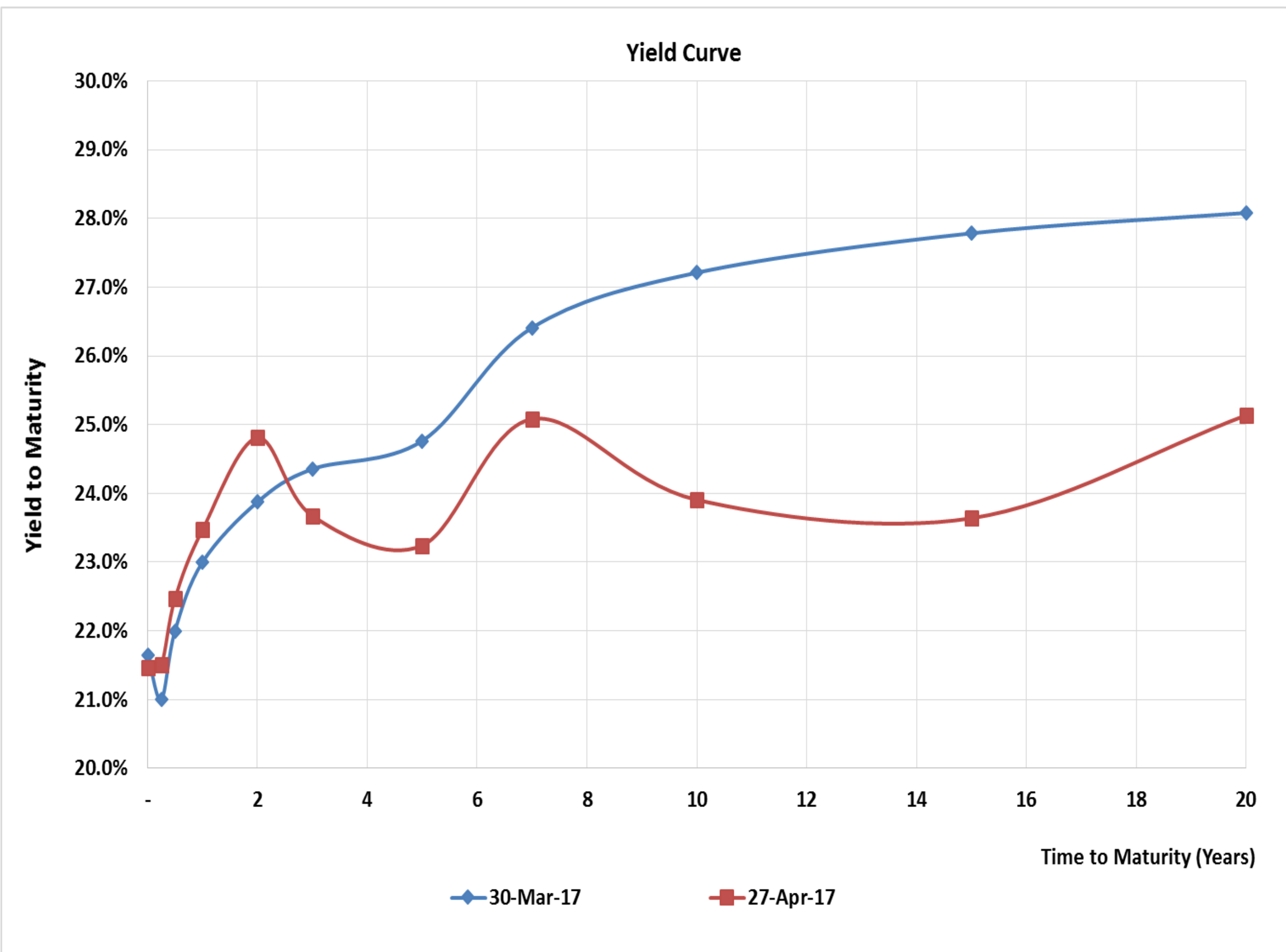
Commentary: Yesterday, 8th May 2017, the Kwacha appreciated against the EUR but lost value against the USD, the GBP and the ZAR. Indicatively, the local currency is expected to trade around K726.1625 against the USD today, 9th May 2017.





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
12th January 2017	23.00%	23.98%	25.47%	26.00%	26.82%	27.19%	28.41%	28.31%	29.57%	30.43%	29.88%
19th January 2017	22.51%	23.80%	25.19%	25.84%	30.00%	30.50%	32.00%	32.50%	33.00%	34.00%	35.00%
26th January 2017	22.04%	23.85%	25.27%	25.99%	23.80%	22.89%	22.33%	22.09%	22.31%	22.41%	21.91%
2nd February 2017	22.73%	23.84%	25.30%	25.99%	25.62%	25.69%	26.15%	28.19%	28.21%	29.56%	29.57%
16th February 2017	23.06%	23.98%	25.34%	25.58%	25.83%	25.73%	26.03%	25.83%	25.73%	25.21%	25.73%
2nd March 2017	23.00%	23.99%	25.40%	25.44%	27.48%	29.74%	30.59%	31.44%	32.04%	33.58%	34.91%
30th March 2017	21.64%	21.00%	22.00%	23.00%	23.87%	24.35%	24.76%	26.41%	27.21%	27.78%	28.08%
27 April 2017	21.46%	21.50%	22.47%	23.47%	24.81%	23.67%	23.24%	25.08%	23.91%	23.64%	25.14%
27 April 2017-30 March 2017 Change in Yield (Bp)	-18	50	47	47	94	-68	-152	-133	-330	-415	-294



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