



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 08 September 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 08 <sup>th</sup> September 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-482	11,712
Estimated Excess Reserves before OMO	17,233	17,233
Estimated Excess Reserves after OMO	0	0
Required Reserves	70,003	70,003

#### ii. Known Projected Transactions

	Week ending 08 September 2017	Week ending 15 September 2017	Week ending 22 September 2017	September 2017	October 2017
Maturity of normal TBs/TNs/PNs	20,460	4,116	9,626	54,984	30,631
Maturity of OMO Repos	32,640	19,528	6,560	103,750	34,452

#### Commentary:

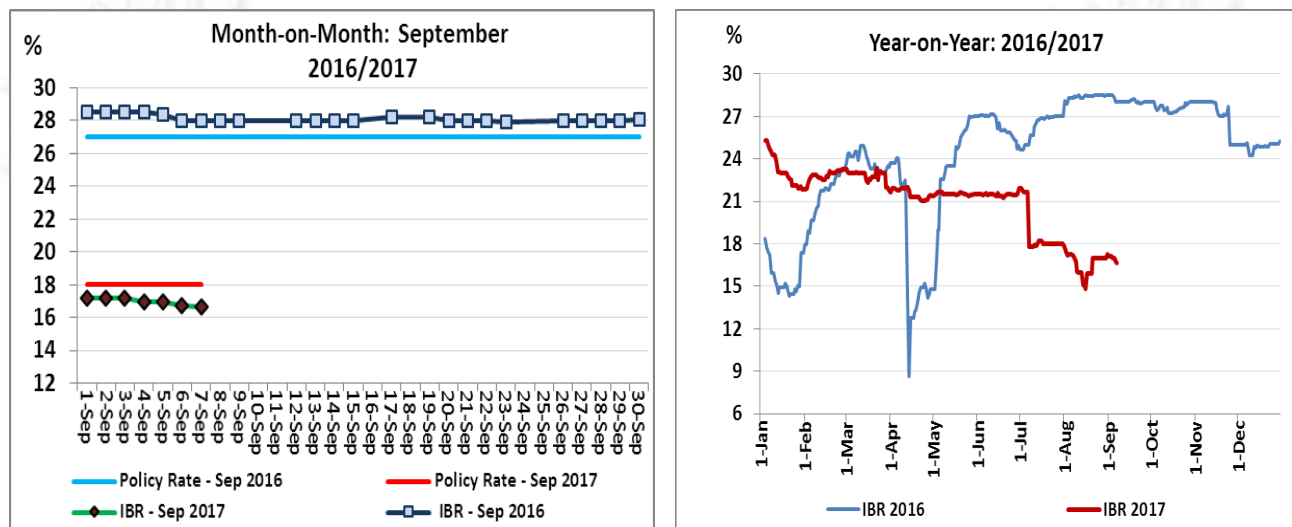
- On Thursday, 07<sup>th</sup> September 2018, excess reserves closed at K17.96 billion from K5.70 billion recorded on Wednesday, 06<sup>th</sup> September 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	4,430	16.61
07 days	-	-
14 days	-	-
21 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	-	-
180 days	-	-
273 days	169	17.00
364 days	4,835	18.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	250	20.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market yesterday decreased to K4.43 billion from K6.04 billion recorded on Wednesday, 06<sup>th</sup> September 2017.
- The overnight interbank market rate (IBR) declined to 16.61 percent on Thursday, 07<sup>th</sup> September 2017, 08 basis points below the Wednesday, 06<sup>th</sup> September 2017, closing position.
- K5.00 billion was withdrawn from the banking system through OMO repos on Thursday, 07<sup>th</sup> September 2017.
- K250 million was accessed the Lombard Facility yesterday on 07<sup>th</sup> September 2017.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

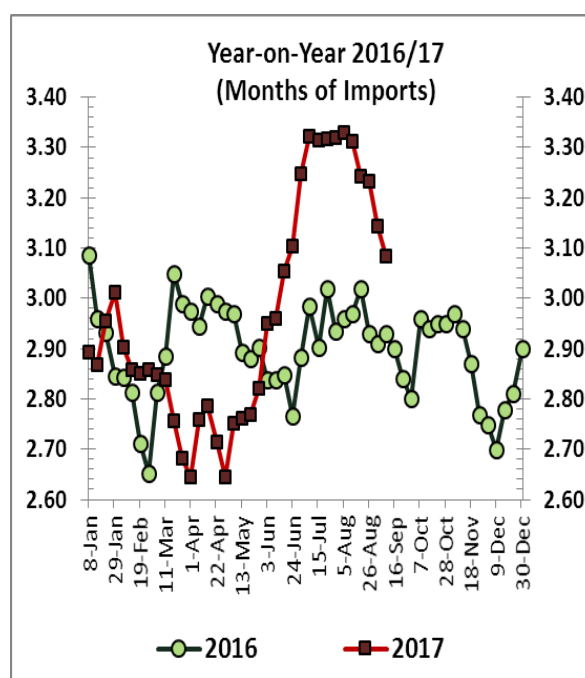
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
4 <sup>th</sup> August 2017	695.79	3.33
11 <sup>th</sup> August 2017	692.46	3.31
18 <sup>th</sup> August 2017	677.72	3.24
25 <sup>th</sup> August 2017	675.44	3.23
01 <sup>st</sup> September 2017	656.85	3.14
06 <sup>th</sup> September 2017	644.34	3.08

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

### Commentary:

- Gross official reserves dropped during the week ending 1<sup>st</sup> September 2017 compared to the previous week. On 06<sup>th</sup> September 2017, the gross official reserves stood at US\$644.34 million (3.08 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)
18 <sup>th</sup> August 2017	-3.24	371.04	367.80	1.76
25 <sup>th</sup> August 2017	1.01	384.84	385.85	1.85
1 <sup>st</sup> September 2017	0.51	370.99	371.51	1.78
6 <sup>th</sup> September 2017	-0.49	364.66	364.17	1.74

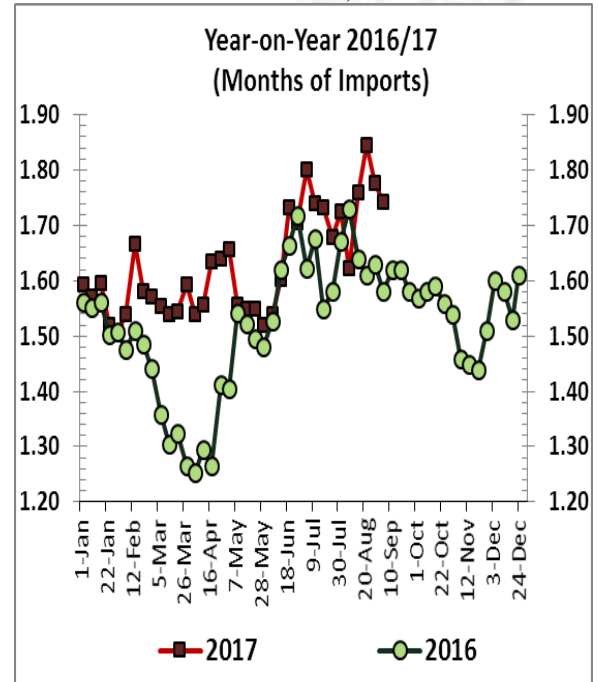
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**ADB's FOREIGN EXCHANGE TRADING ACTIVITY**

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
25 <sup>th</sup> August 2017	42.99	39.87
01 <sup>st</sup> September 2017	47.16	48.87
On 07 <sup>th</sup> September 2017	11.84	9.35

**Commentary:**

- Trading picked up during the week ending 01<sup>st</sup> September 2017. In effect, ADBs purchased US\$47.16 million from the market and monetary authorities and sold US\$48.87 million. On 7<sup>th</sup> September 2017 alone, ADBs purchased US\$11.84 million and sold US\$9.35 million.

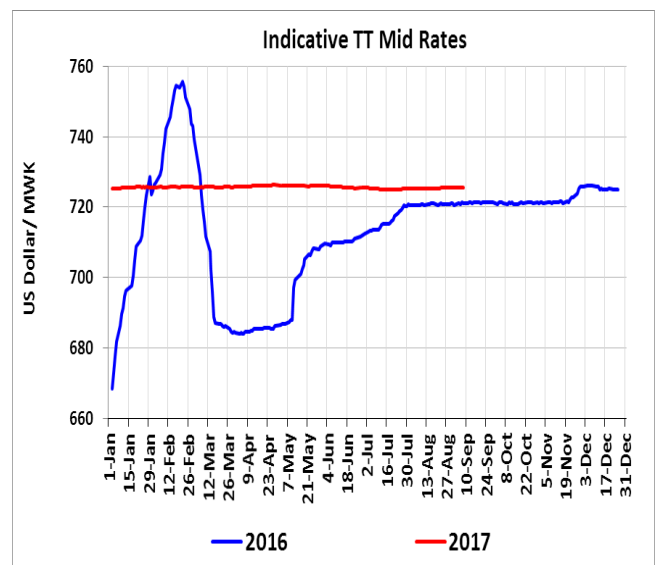
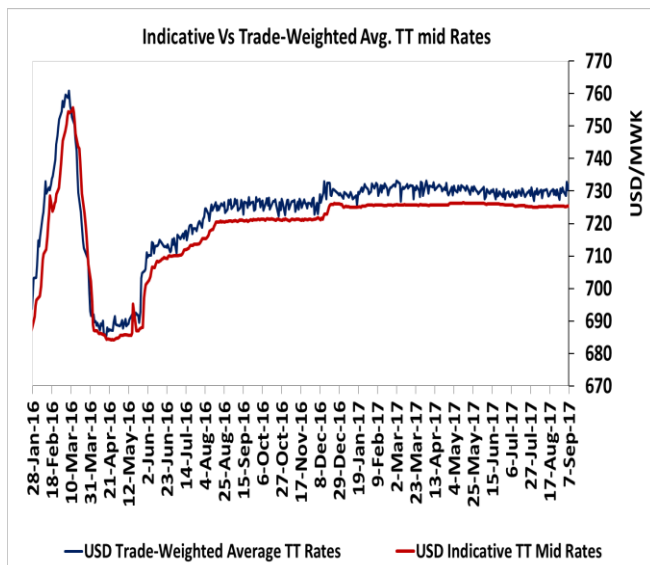


## iii. Exchange Rate Developments

	01 <sup>st</sup> Sept 2017	04 <sup>th</sup> Sept 2017	05 <sup>th</sup> Sept 2017	06 <sup>th</sup> Sept 2017	07 <sup>th</sup> Sept 2017	Today's Indicative Rates
MWK/USD	732.0499	730.4989	732.4100	731.2440	730.6961	725.4805
MWK/GBP	939.0160	942.5651	943.6948	953.4621	950.7113	953.4265
MWK/EUR	865.5052	866.6191	865.3910	869.2224	867.8845	876.5255
MWK/ZAR	55.8210	56.2816	56.2862	56.4108	56.7388	56.7717

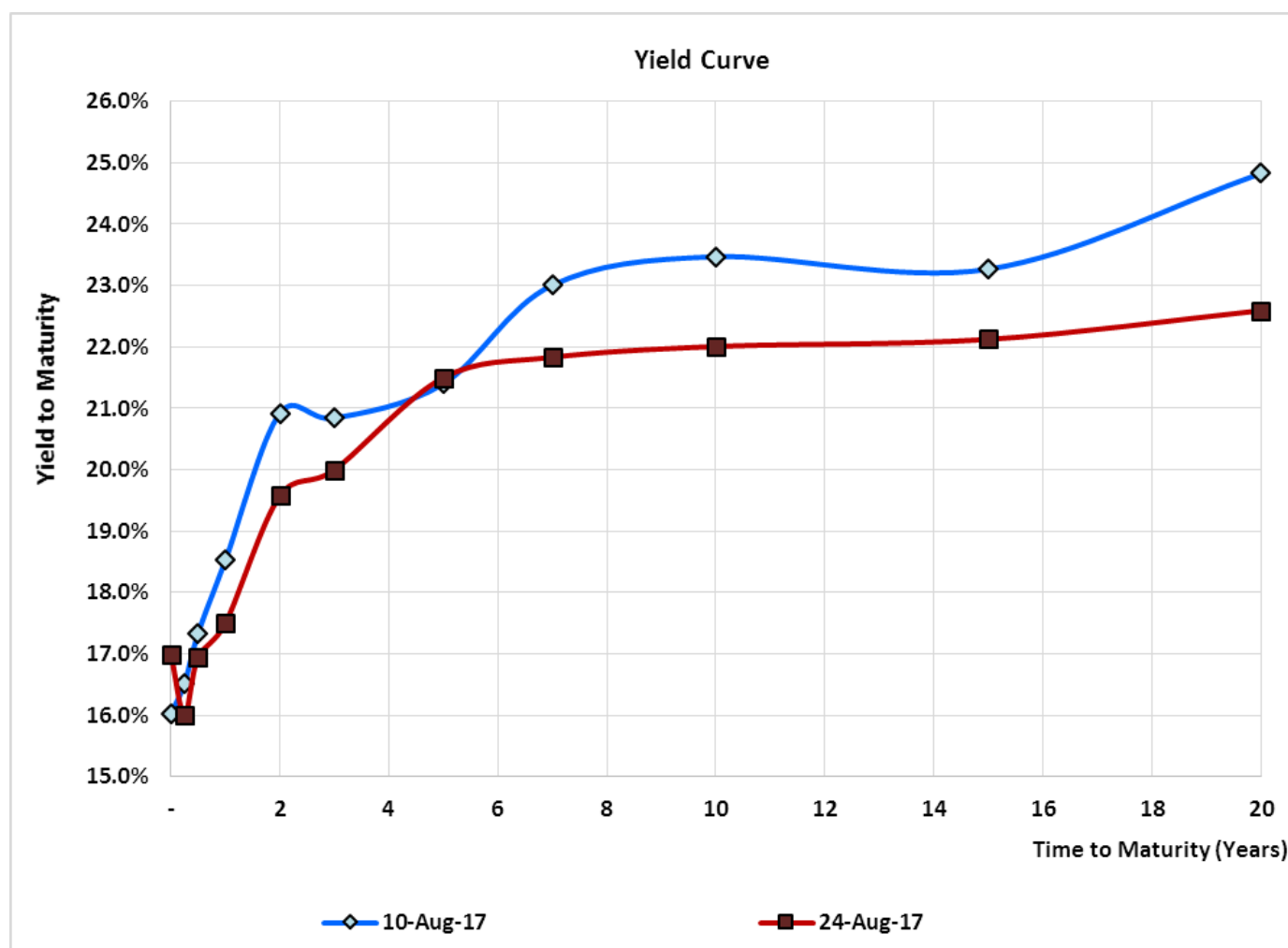
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Thursday, 07<sup>th</sup> September 2017, the Kwacha appreciated against the USD, the GBP, and the EUR, and appreciated against the ZAR. Indicatively, the Kwacha is expected to trade around K725.4805 against the USD today on 08<sup>th</sup> September 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
30 <sup>th</sup> March 2017	21.64%	21.00%	22.00%	23.00%	23.87%	24.35%	24.76%	26.41%	27.21%	27.78%	34.91%
27 April 2017	21.46%	21.50%	22.47%	23.47%	24.81%	23.67%	23.24%	25.08%	23.91%	23.64%	28.08%
11 <sup>th</sup> May 2017	21.51%	21.48%	22.08%	23.30%	25.28%	25.32%	25.69%	27.14%	27.36%	28.46%	25.14%
1 <sup>st</sup> June 2017	21.50%	21.49%	21.97%	23.00%	24.81%	24.75%	24.83%	26.70%	26.43%	26.98%	29.47%
22 <sup>nd</sup> June 2017	21.50%	21.41%	21.96%	23.00%	23.11%	23.11%	23.16%	23.49%	23.90%	24.85%	25.89%
13 <sup>th</sup> July 2017	17.93%	16.89%	-	19.00%	23.74%	23.85%	23.69%	24.52%	24.25%	23.57%	24.92%
27 <sup>th</sup> July 2017	17.98%	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10 <sup>th</sup> August 2017	16.03%	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 <sup>th</sup> August 2017	17.00%	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
24 Aug – 10 Aug 2017 Change in Yield (Bp)	97	-51	-38	-103	-135	-84	10	-117	-146	-114	-224



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