



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 12 September 2017

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 15 <sup>th</sup> September 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	20,885	23,279
Estimated Excess Reserves before OMO	25,334	31,868
Estimated Excess Reserves after OMO	0	0
Required Reserves	70,003	70,003

#### ii. Known Projected Transactions

	Week ending 15 September 2017	Week ending 22 September 2017	Week ending 29 September 2017	September 2017	October 2017
Maturity of normal TBs/TNs/PNs	4,116	9,626	20,781	54,984	30,631
Maturity of OMO Repos	23,540	17,338	23,303	118,541	35,330

#### Commentary:

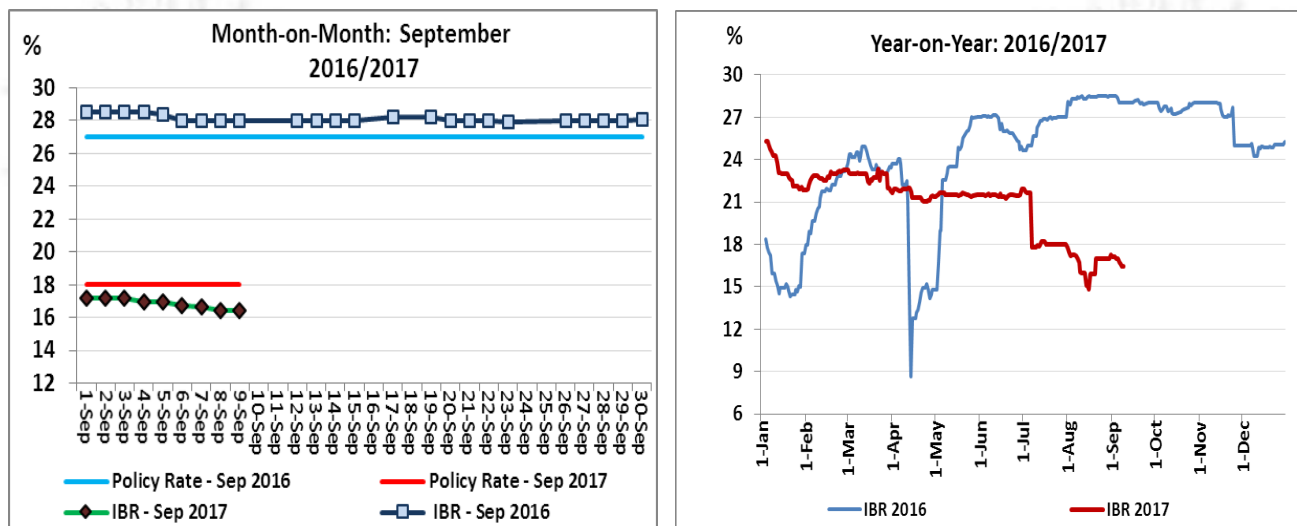
- On Monday, 11<sup>th</sup> September 2018, excess reserves dropped to K4.53 billion from K6.47 billion recorded last Friday, 8<sup>th</sup> September 2017.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	5,280	16.42
07 days	-	-
14 days	-	-
21 days	-	-
<b>(b) RBM Open market operations</b>		
<b>(i) Repos</b>		
07 days	9,000	16.00
14 days	-	-
28 days	-	-
63 days	213	16.00
273 days	-	-
364 days	-	-
<b>(ii) Reverse Repos</b>		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	80	20.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K5.28 billion on Monday, 11<sup>th</sup> September 2017, from K3.65 billion observed on Friday, 08<sup>th</sup> September 2017.
- The overnight interbank market rate (IBR) lost 1 basis point and closed yesterday at 16.42 percent from last week's closing position of 16.43 percent.
- K9.23 billion was withdrawn from the banking system through OMO repos on Monday, 11<sup>th</sup> September 2017.
- K80 million was accessed the Lombard Facility yesterday.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

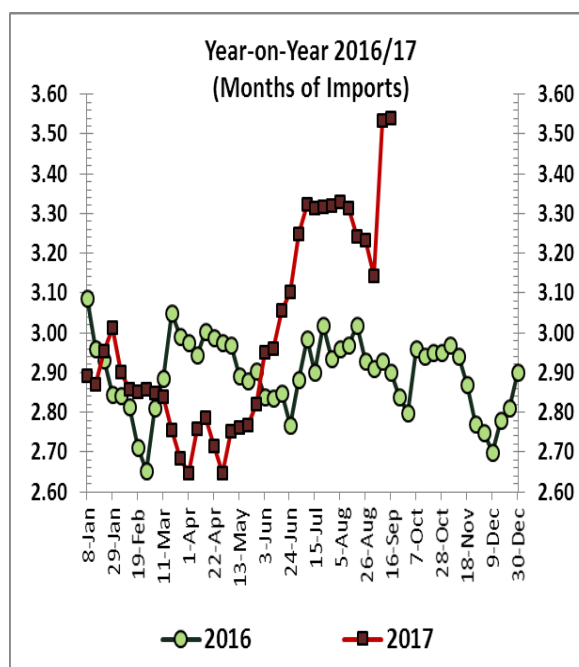
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
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
08 <sup>th</sup> September 2017	738.59	3.53
11 <sup>th</sup> September 2017	740.04	3.54

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

### Commentary:

- Gross official reserves significantly increased during the week ending 08<sup>th</sup> September 2017 compared to the preceding week. The official reserves closed at US\$738.59 million (3.53 months of imports) on 08<sup>th</sup> September 2017. On 11<sup>th</sup> September 2017, the gross official reserves marginally increased to US\$740.04 million (3.54 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
8 <sup>th</sup> September 2017	2.37	360.58	362.95	1.74

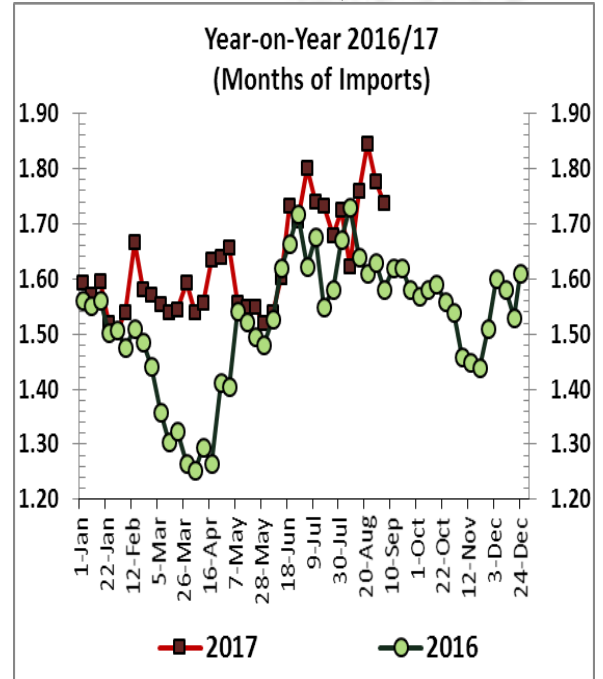
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
01 <sup>st</sup> September 2017	47.16	48.87
08 <sup>th</sup> September 2017	57.34	57.97
On 11 <sup>th</sup> September 2017	13.65	15.12

#### Commentary:

- Trading picked up during the week ending 08<sup>th</sup> September 2017 with ADBs purchasing US\$57.34 million and selling US\$57.97 million. On 11<sup>th</sup> September 2017, ADBs purchased US\$13.65 million and sold US\$15.12 million to the market and monetary authorities.

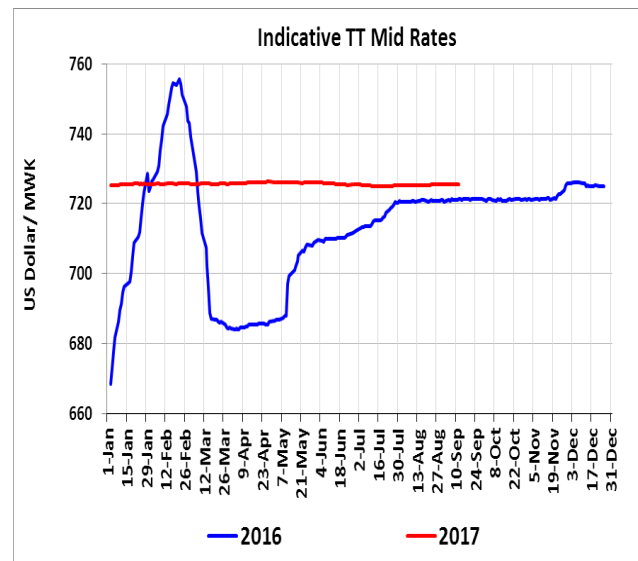
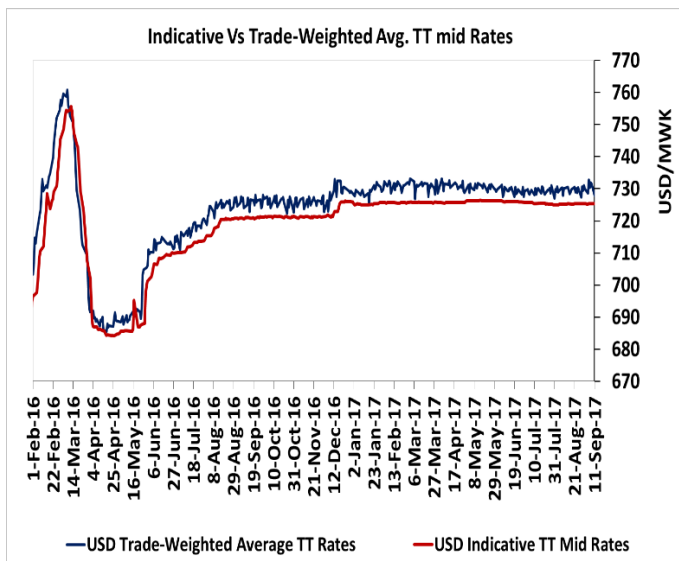


## iii. Exchange Rate Developments

	05 <sup>th</sup> Sept 2017	06 <sup>th</sup> Sept 2017	07 <sup>th</sup> Sept 2017	08 <sup>th</sup> Sept 2017	11 <sup>th</sup> Sept 2017	Today's Indicative Rates
MWK/USD	732.4100	731.2440	730.6961	730.0266	728.9630	725.4941
MWK/GBP	943.6948	953.4621	950.7113	959.1149	958.4650	955.8385
MWK/EUR	865.3910	869.2224	867.8845	879.5013	879.6689	867.3282
MWK/ZAR	56.2862	56.4108	56.7388	57.0274	56.3866	55.9014

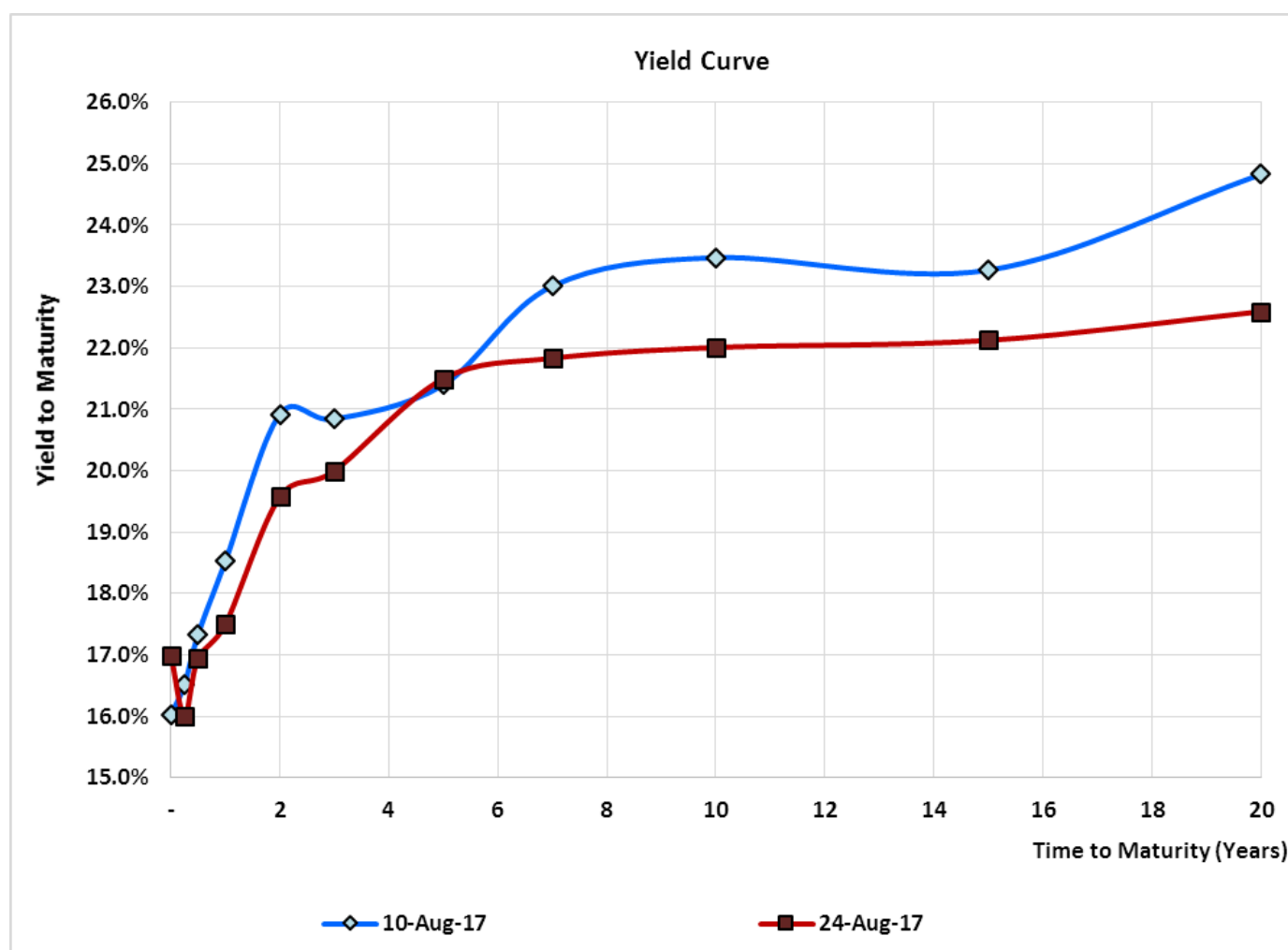
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Monday, 11<sup>th</sup> September 2017, the Kwacha appreciated against the USD, the GBP, and the ZAR and marginally depreciated against the EUR. Indicatively, the Kwacha is expected to trade around K725.4941 against the USD today on 12<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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