



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 11 October 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

| | Today | Week ending 13 th October 2017 |
|--|---------|--|
| Projected Autonomous Transactions (+= Net injection / - = Net withdrawal) | -23,714 | -11,068 |
| Estimated Excess Reserves before OMO | -20,449 | -14,566 |
| Estimated Excess Reserves after OMO | 0 | 0 |
| Required Reserves | 71,038 | 71,038 |

ii. Known Projected Transactions

| | Week ending 13 October 2017 | Week ending 20 October 2017 | Week ending 27 October 2017 | October 2017 | November 2017 |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------|---------------|
| Maturity of normal TBs/TNs/PNs | 2,232 | 7,316 | 6,106 | 17,971 | 6,636 |
| Maturity of OMO Repos | 5,902 | 13,652 | 7,559 | 48,108 | 44,430 |

Commentary:

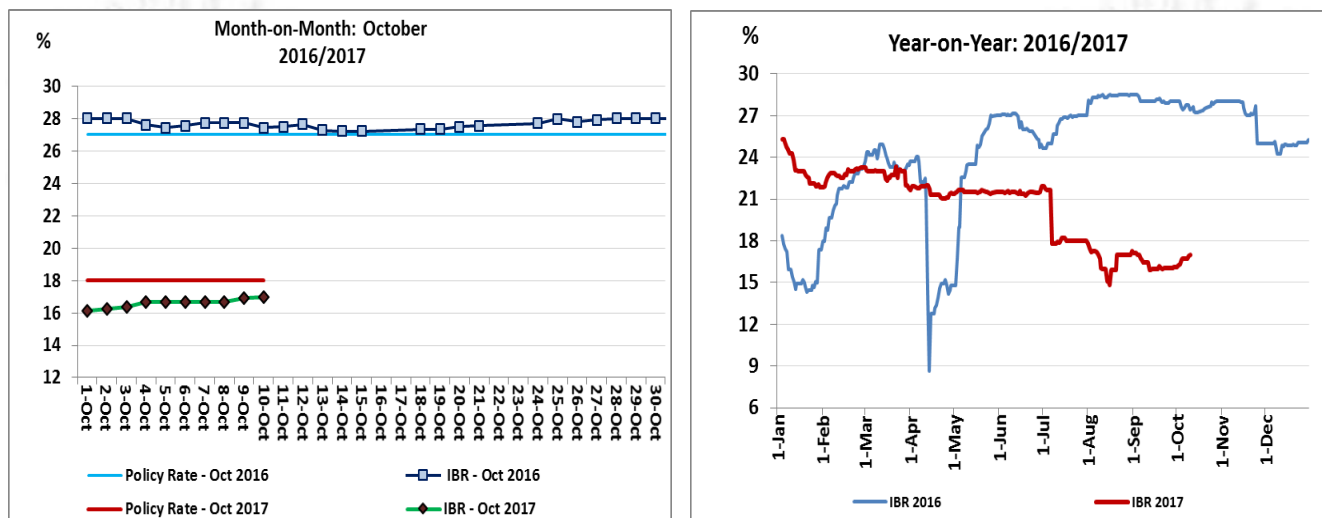
- Excess reserves decreased on Tuesday, 10th October 2017 and closed at K3.27 billion from K4.74 billion recorded on Monday, 9th October 2017.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

| (a) Inter-bank borrowing | Volume | Average rate (%) |
|---|--------|------------------|
| O/N | 2,320 | 16.97 |
| 07 days | - | - |
| 14 days | - | - |
| 21 days | - | - |
| (b) RBM Open market operations | | |
| (i) Repos | | |
| O/N | - | - |
| 7 days | - | - |
| 14 days | - | - |
| 28 days | - | - |
| 63 days | - | - |
| 273 days | - | - |
| 364 days | - | - |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 30 days | - | - |
| (c) Access on the Lombard Facility | 24,290 | 20.00 |

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market decreased to K2.32 billion yesterday, 10th October 2017 from K8.44 billion recorded on Monday, 9th October 2017.
- The weighted average overnight interbank market rate (IBR) increased to 16.97 percent from 16.90 percent recorded on Monday, 9th October 2017.
- A total of K24.29 billion was accessed on the Lombard Facility yesterday, 10th October 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

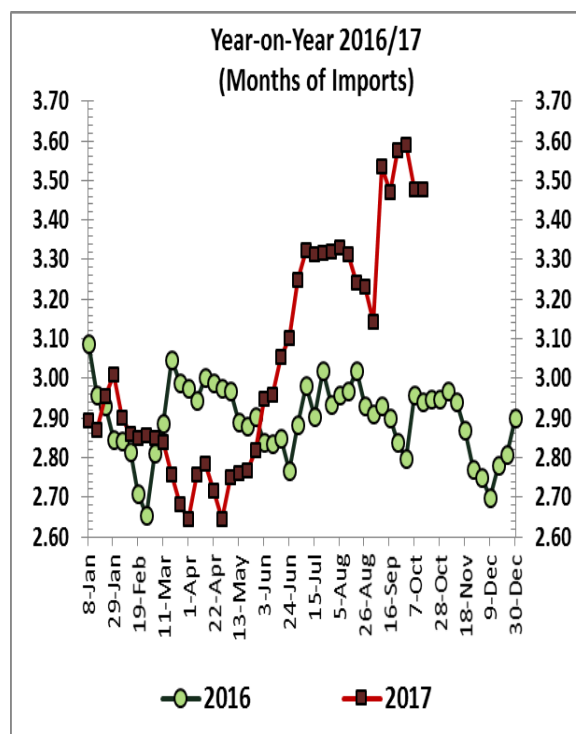
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn) | Reserves (US\$ million) | Import Cover * (Months) |
|---------------------------------|-------------------------|-------------------------|
| 08 th September 2017 | 738.59 | 3.53 |
| 15 th September 2017 | 726.21 | 3.47 |
| 22 nd September 2017 | 747.71 | 3.58 |
| 29 th September 2017 | 750.23 | 3.59 |
| 06 th October 2017 | 726.79 | 3.48 |
| 09 th October 2017 | 726.80 | 3.48 |

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

Commentary:

- Gross official reserves decreased during the week ending 6th October 2017 compared to the preceding week. The official reserves closed at US\$726.79 million (3.48 months of imports) on 6th October 2017 compared to US\$750.23 million (3.59 months of imports) recorded on 29th September 2017. On 9th October 2017, gross official reserves stood at US\$726.80 (3.48 months of imports).



ii. Private Sector Foreign Exchange Reserves

(Foreign reserves under the direct control of authorized dealer banks (ADB's) which consists of ADB's own forex positions and foreign currency denominated accounts balances of their clients)

| Date (US\$ mn) | ADB's Own Position | FCDA | Total | Import Cover * (Months) |
|---------------------------------|--------------------|--------|--------|-------------------------|
| 15 th September 2017 | -5.20 | 360.66 | 355.46 | 1.70 |
| 22 nd September 2017 | -3.94 | 362.43 | 358.48 | 1.72 |
| 29 th September 2017 | 1.34 | 345.13 | 346.46 | 1.66 |
| 04 th October 2017 | 5.00 | 353.72 | 358.72 | 1.72 |

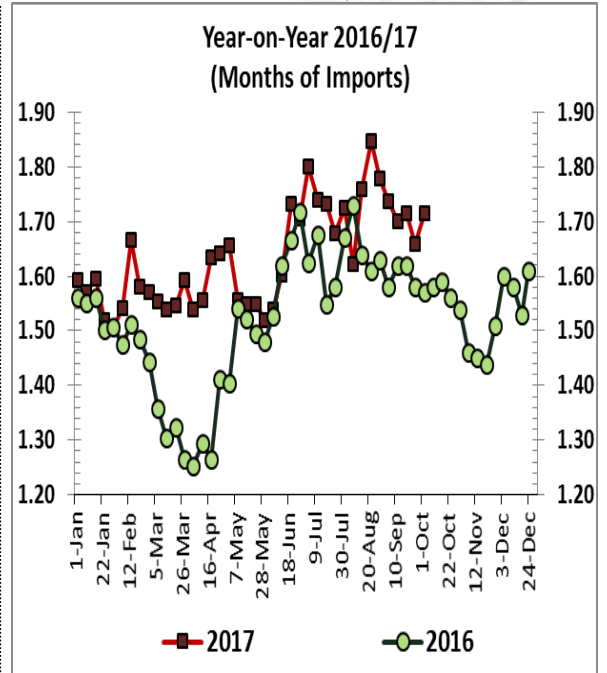
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn) | ADB's Purchases | ADB's Sales |
|----------------------------------|-----------------|-------------|
| 29 th September 2017 | 57.63 | 50.13 |
| 6 th October 2017 | 51.78 | 50.36 |
| On 10 th October 2017 | 8.53 | 8.61 |

Commentary:

- FX trading decreased during the week ending 6th October 2017 compared to the previous week. ADB's purchased US\$51.78 million from the market and sold US\$50.36 million during the week. On Tuesday, 10th October 2017, ADB's purchased US\$8.53 million and sold US\$8.61 million

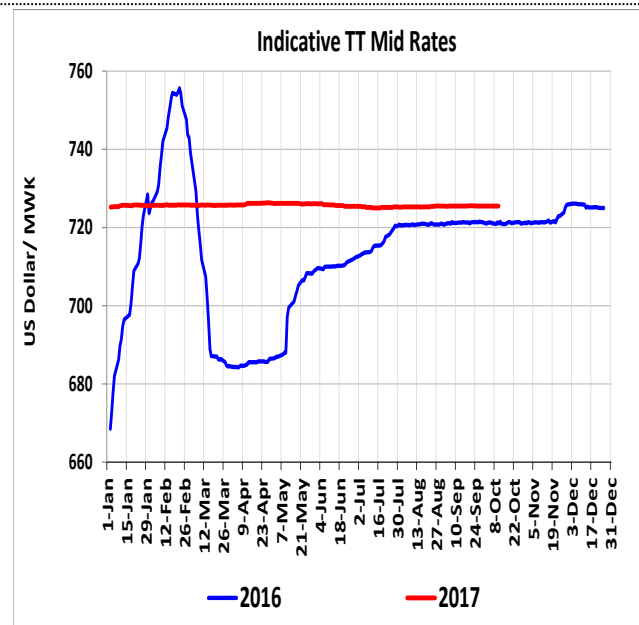
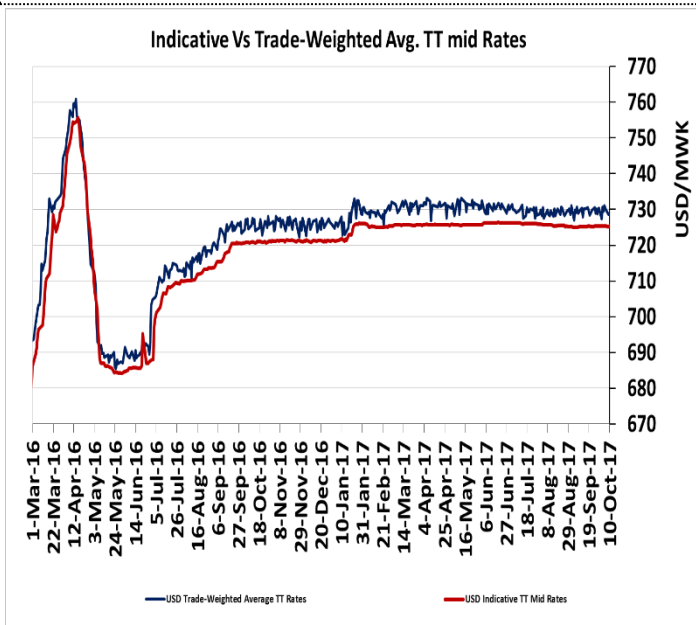


iii. Exchange Rate Developments

| | 4 th Oct 2017 | 5 th Oct 2017 | 6 th Oct 2017 | 9 th Oct 2017 | 10 th Oct 2017 | Today's Indicative Rates |
|---------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| MWK/USD | 729.4799 | 731.4134 | 731.7975 | 726.8528 | 730.6987 | 725.4652 |
| MWK/GBP | 964.8816 | 963.1236 | 952.2040 | 954.2370 | 959.0666 | 957.1062 |
| MWK/EUR | 856.8784 | 855.6984 | 851.8194 | 855.7473 | 861.5130 | 857.2097 |
| MWK/ZAR | 53.3483 | 53.5696 | 53.2579 | 53.1505 | 53.3158 | 53.0788 |

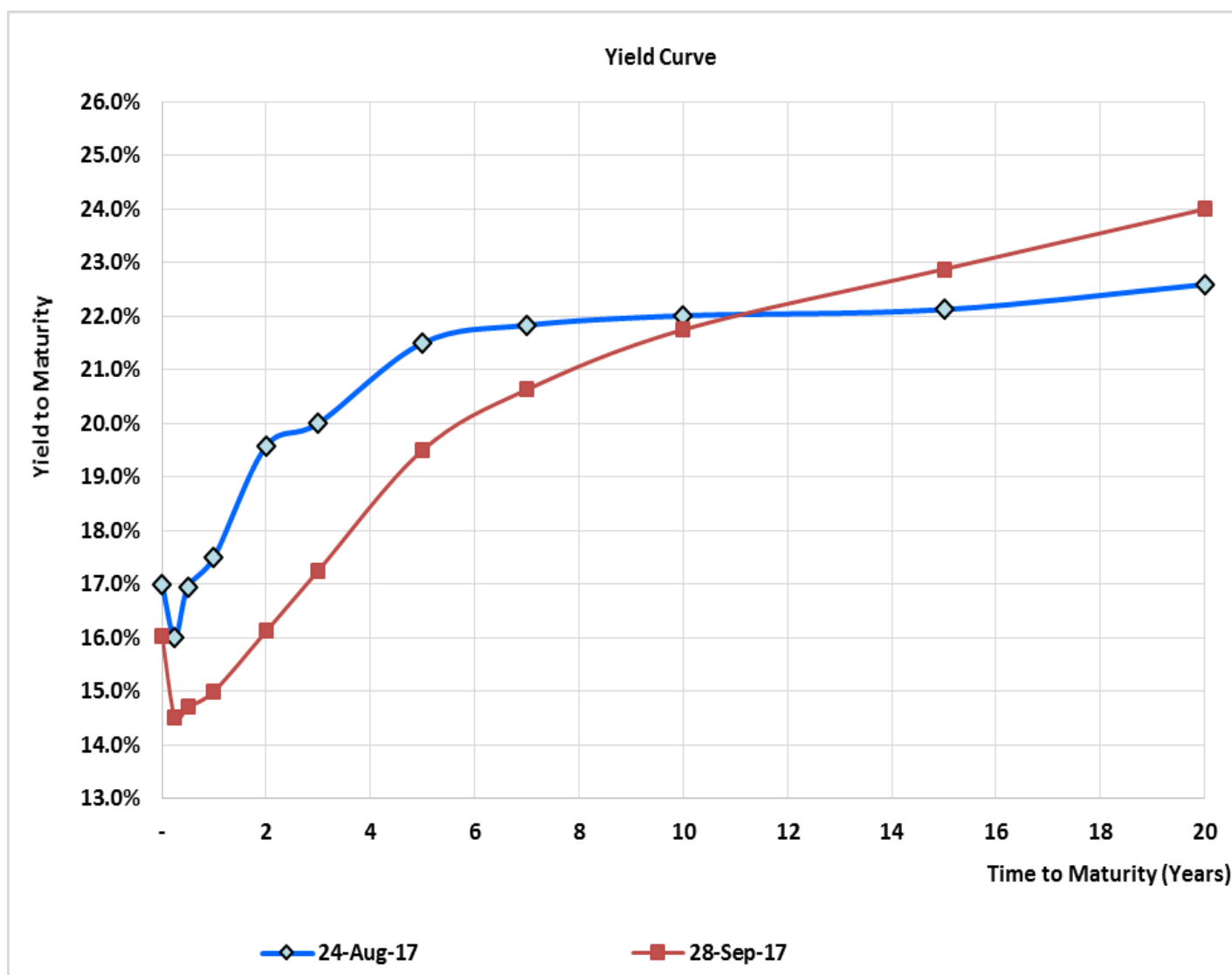
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Tuesday, 10th October 2017, the Kwacha depreciated against all the major trading currencies. Indicatively, the Kwacha is expected to trade around K725.4652 against the USD today, 11th October 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 |
|--|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 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 th 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 st 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 nd 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 th July 2017 | 17.93% | 16.89% | - | 19.00% | 23.74% | 23.85% | 23.69% | 24.52% | 24.25% | 23.57% | 24.92% |
| 27 th 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 th 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 th August 2017 | 17.00% | 16.01% | 16.95% | 17.50% | 19.58% | 20.00% | 21.50% | 21.83% | 22.01% | 22.13% | 22.59% |
| 28 th September 2017 | 16.04% | 14.50% | 14.70% | 15.00% | 16.12% | 17.25% | 19.50% | 20.63% | 21.75% | 22.88% | 24.00% |
| 28 Sept - 24 Aug Change in Yield (Bp) | -96 | -151 | -225 | -250 | -346 | -275 | -200 | -120 | -26 | 75 | 141 |



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