



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 25th January 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 26 th January 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	4,350	9,797
Estimated Excess Reserves before OMO	5,167	11,472
Estimated Excess Reserves after OMO	0	0
Required Reserves	75,013	75,013

ii. Known Projected Transactions

	Week ending 26 th January 2018	January 2018	Week ending 2 nd February 2018	February 2018
Maturity of normal TBs/TNs/PNs	10,824	40,285	10,725	62,062
Maturity of OMO Repos	17,850	102,076	5,318	83,148

Commentary:

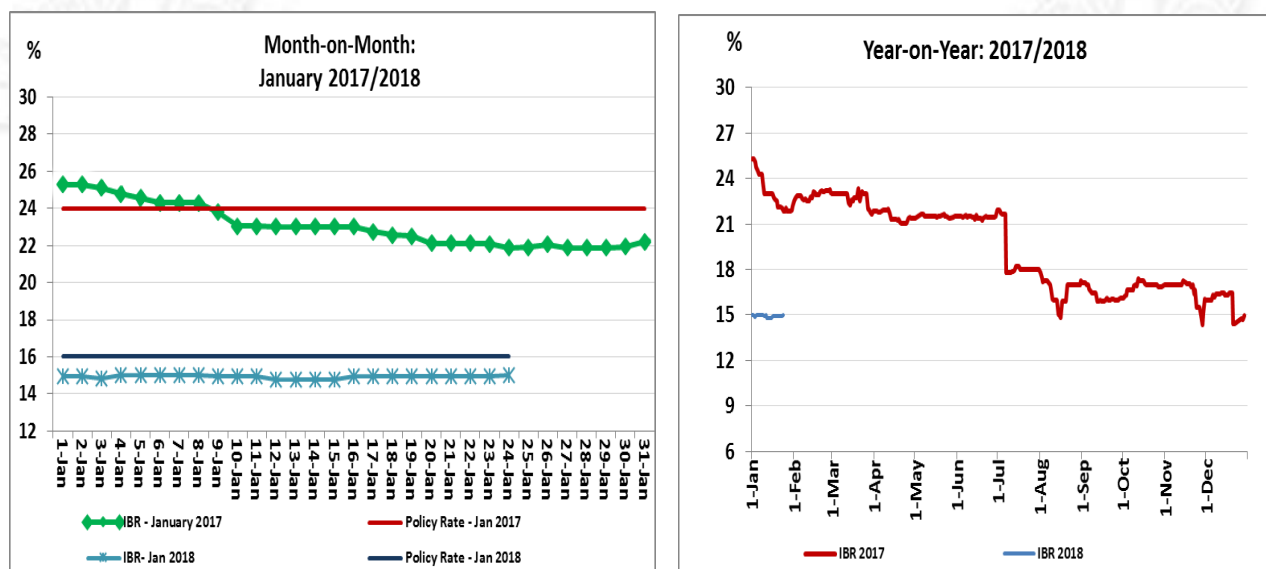
Excess reserves dropped and closed at K0.81 billion on Wednesday, 24th January 2018 from K1.39 billion recorded on Tuesday, 23rd January 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	7,740	14.99
07 days	-	-
14 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	60	15.00
14 days	-	-
28 days	256	15.00
63 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	870	18.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market dropped to K7.74 billion on Wednesday, 24th January 2018 from K8.20 billion recorded on Tuesday, 23rd January 2018.
- The interbank market rate (IBR) increased by 4 basis points (bps) yesterday and closed at 14.99 percent.
- K0.32 billion was withdrawn from the banking system through OMO repos, yesterday.
- K0.87 billion was accessed on the Lombard Facility on Wednesday, 24th January 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

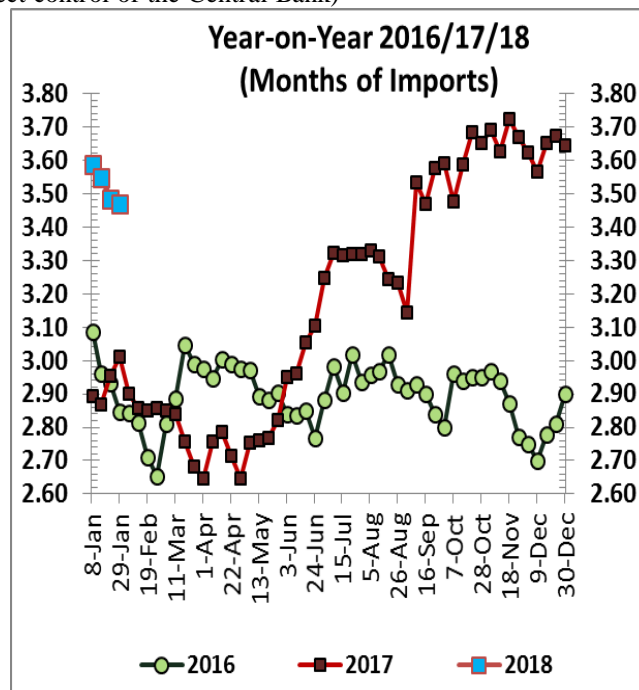
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
22 nd December 2017	767.64	3.67
29 th December 2017	761.97	3.65
5 th January 2018	749.46	3.59
12 th January 2018	741.14	3.55
19 th January 2018	728.36	3.48
On 23 rd January 2018	724.80	3.47

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

Commentary:

- Gross official reserves went down during the week ending 19th January 2018 compared to the preceding week. The official reserves closed at US\$728.36 million (3.48 months of imports) on 19th January 2018 compared to US\$741.14 million (3.55 months of imports) recorded on 12th January 2018. On 23rd January 2018, official reserves closed at \$724.80 (3.47 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)
5 th January 2018	4.77	404.86	409.63	1.96
12 th January 2018	-3.94	395.68	391.74	1.87
19 th January 2018	1.80	406.79	408.60	1.96
On 23 rd January 2018	3.24	425.53	428.77	2.05

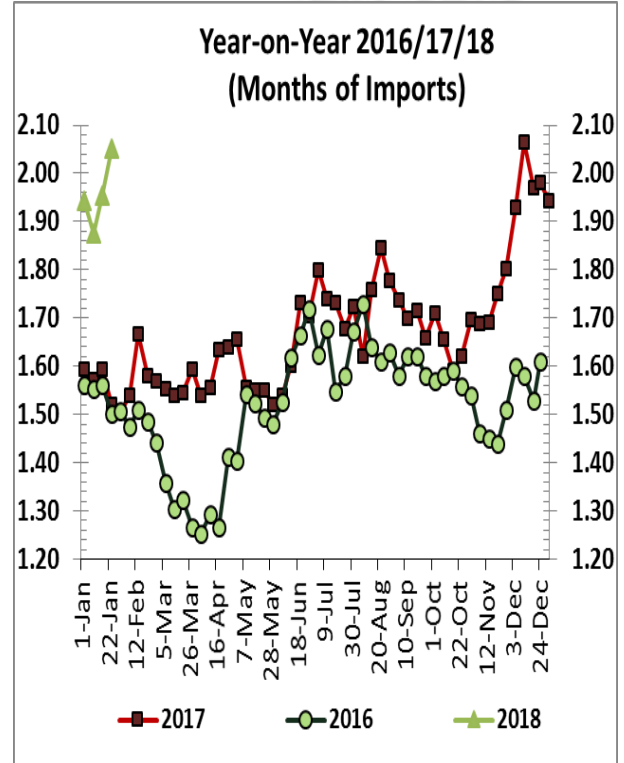
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
5 th January 2018	26.18	34.49
12 th January 2018	36.94	44.53
19 th January 2018	48.76	46.05
On 24 th January 2018	5.22	7.15

Commentary:

- ADB's FX trading increased during the week ending 19th January 2018 compared to the previous week. ADBs purchased a total of US\$48.76 million from the market and sold a total of US\$46.05 million during the week. On Wednesday, 24th January 2018, ADBs purchased US\$5.22 million and sold US\$7.15 million.

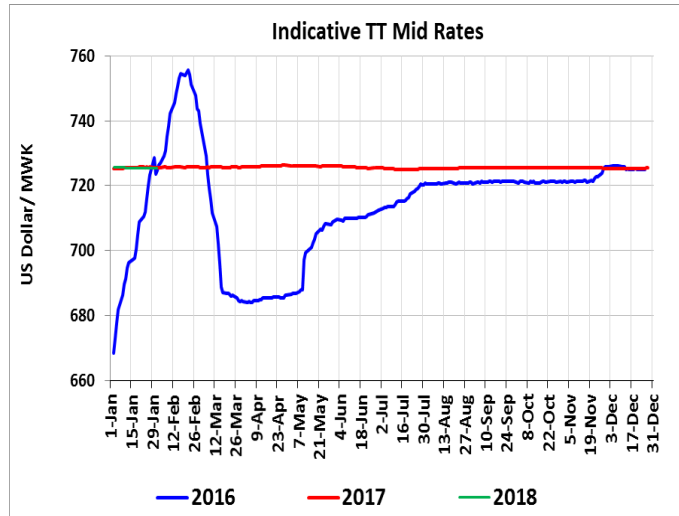
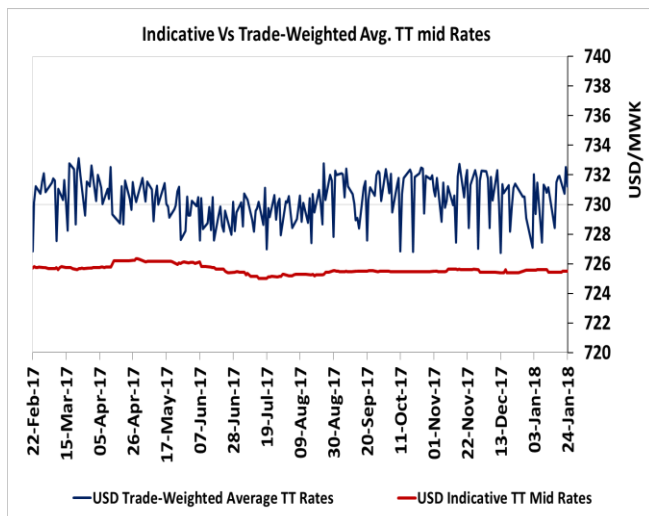


iii. Exchange Rate Developments

	18 th January 2018	19 th January 2018	22 nd January 2018	23 rd January 2018	24 th January 2018	Today's Indicative Rates
MWK/USD	730.7209	732.5190	731.2238	727.3346	731.9983	725.4958
MWK/GBP	1007.2319	1017.5537	1007.0874	1020.5300	1022.9684	1037.0237
MWK/EUR	887.6782	892.9395	890.1023	892.5256	898.4619	902.2266
MWK/ZAR	59.4695	60.1496	60.3116	60.0961	61.3874	61.0918

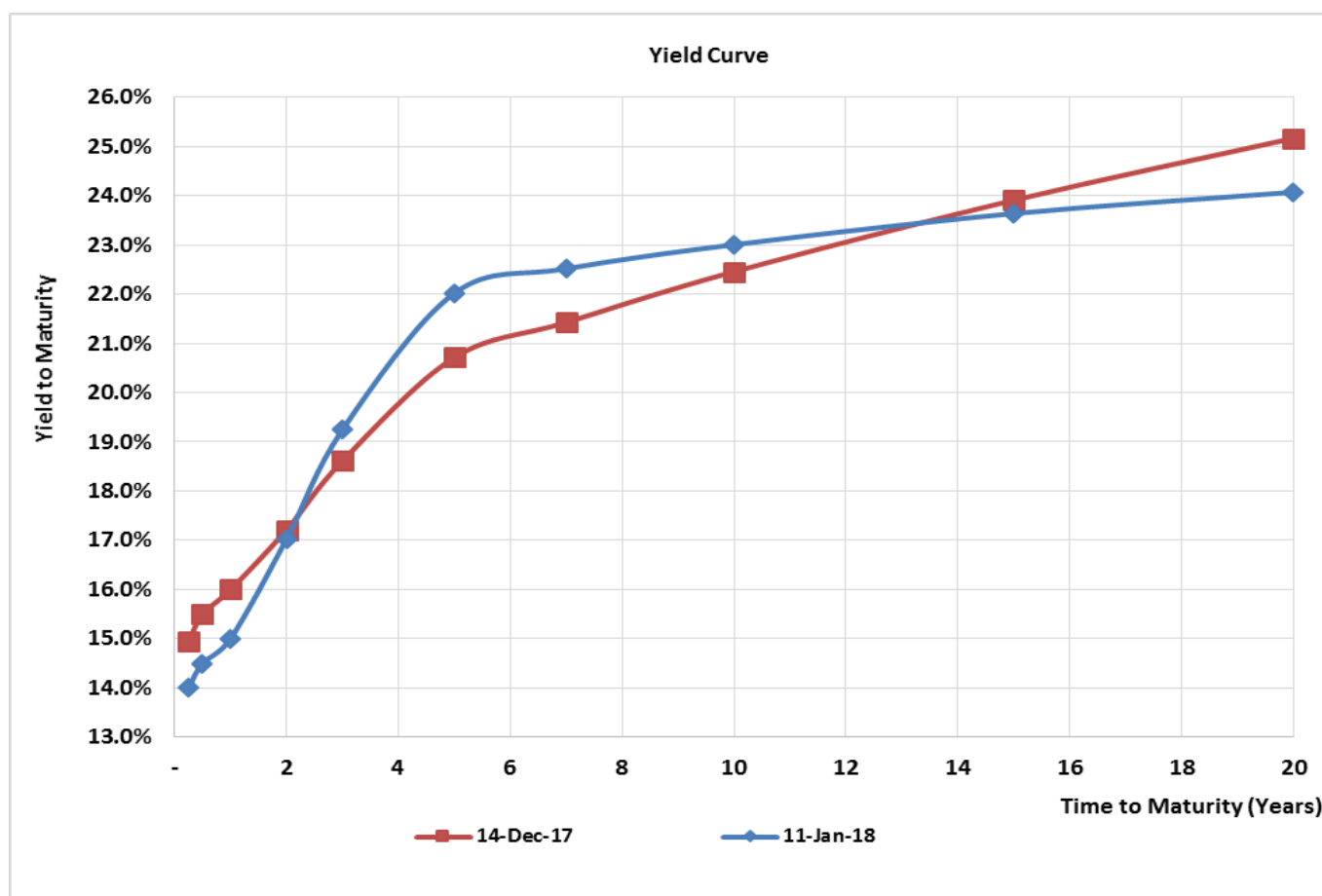
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday, 24th January 2018, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the Kwacha is expected to trade around K725.4958 against the USD today, 25th January 2018.



D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
27 th July 2017	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10 th August 2017	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 th August 2017	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28 th September 2017	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 th October 2017	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 th November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 rd November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
14 th December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%	22.45%	23.91%	25.17%
11 th January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%	23.00%	23.64%	24.07%
11 Jan 2018 - 14 Dec 2017 Change in Yield (Bp)	-93	-100	-100	-19	63	131	109	55	-27	-110



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