



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 15<sup>th</sup> March 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 16 <sup>th</sup> March 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	3,595	13,630
Estimated Excess Reserves before OMO	15,160	16,633
Estimated Excess Reserves after OMO	0	0
Required Reserves	73,952	73,952

#### ii. Known Projected Transactions

	Week ending 16 <sup>th</sup> March 2018	Week ending 23 <sup>rd</sup> March 2018	March 2018	April 2018
Maturity of normal TBs/TNs/PNs	8,543	8,204	55,757	26,025
Maturity of OMO Repos	25,977	15,213	90,665	61,507

#### Commentary:

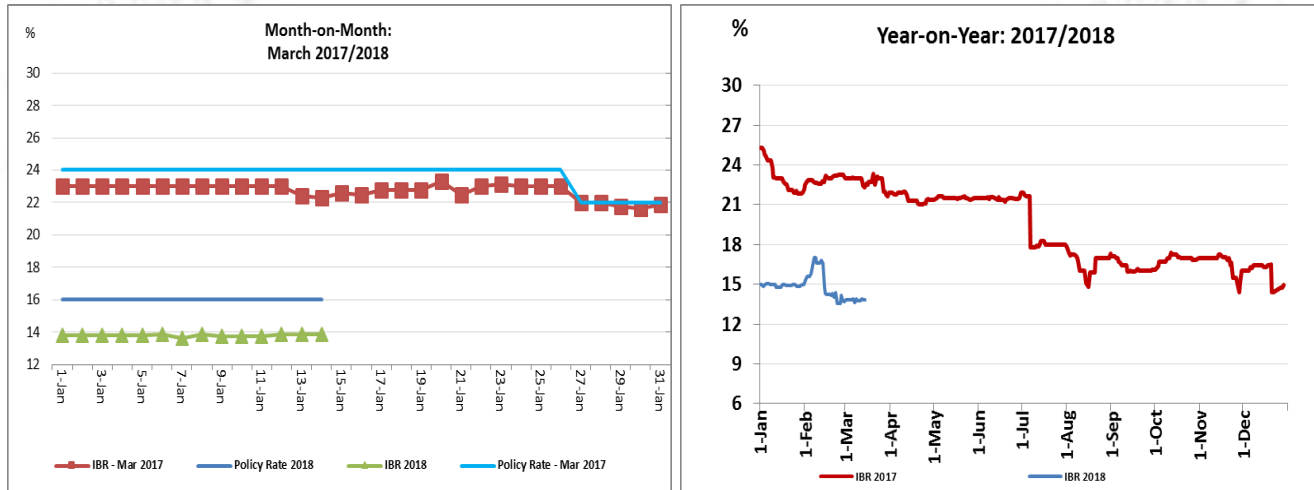
Excess reserves increased to K11.56 billion on Wednesday, 14<sup>th</sup> March 2018 from K10.42 billion recorded on Tuesday, 13<sup>th</sup> March 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	9,720	13.85
7 days	-	-
14 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
O/N	6,000	15.00
7 days	-	-
14 days	-	-
28 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	920	18.00

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market dropped to K9.72 billion on Wednesday, 14<sup>th</sup> March 2018 from K10.62 billion recorded on Tuesday, 13<sup>th</sup> March 2018.
- The overnight interbank market rate (IBR) remained unchanged yesterday and stood at 13.85 percent in comparison to the previous day Tuesday, 13<sup>th</sup> March 2018.
- A total of K6.0 billion was withdrawn from the banking system through OMO repos yesterday.
- A total of K920 million was accessed on the Lombard Facility on Wednesday, 14<sup>th</sup> March 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

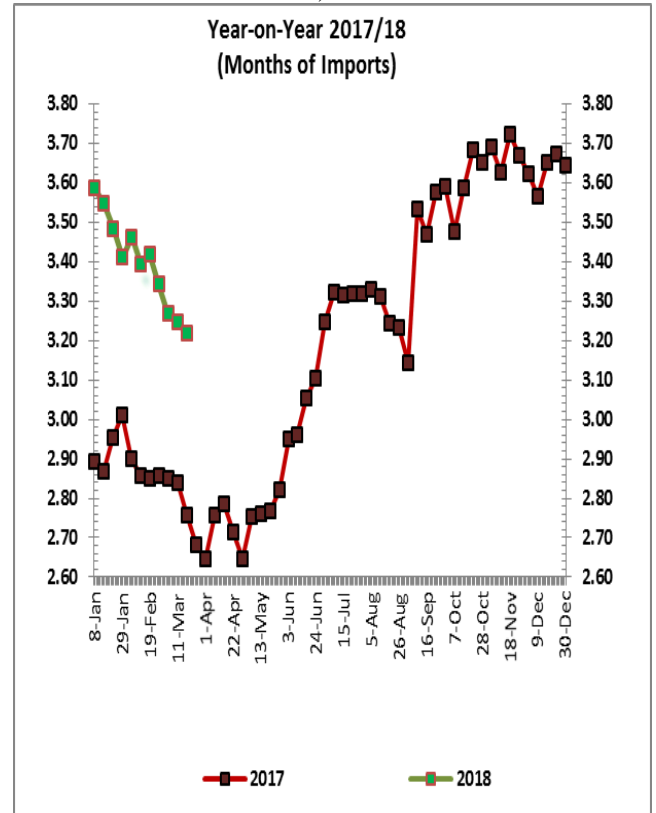
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
9 <sup>th</sup> February 2018	709.17	3.39
16 <sup>th</sup> February 2018	714.68	3.42
23 <sup>rd</sup> February 2018	698.51	3.34
2 <sup>nd</sup> March 2018	683.06	3.27
9 <sup>th</sup> March 2018	678.47	3.25
13 <sup>th</sup> March 2018	672.83	3.22

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

### Commentary:

- Gross official reserves dropped during the week ending 9<sup>th</sup> March 2018 compared to the preceding week. As at 9<sup>th</sup> March 2018, gross official reserves stood at \$678.47 million (3.25 months of imports) compared to \$683.06 (3.27 months of imports) recorded on 2<sup>nd</sup> March 2018. On 13<sup>th</sup> March 2018, official reserves stood at \$672.83 million (3.22 imports cover).



## 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)
16 <sup>th</sup> February 2018	-5.63	363.14	357.72	1.71
23 <sup>rd</sup> February 2018	-3.69	354.35	350.66	1.68
2 <sup>nd</sup> March 2018	1.09	343.60	344.68	1.65
12 <sup>th</sup> March 2018	6.34	351.74	358.09	1.71

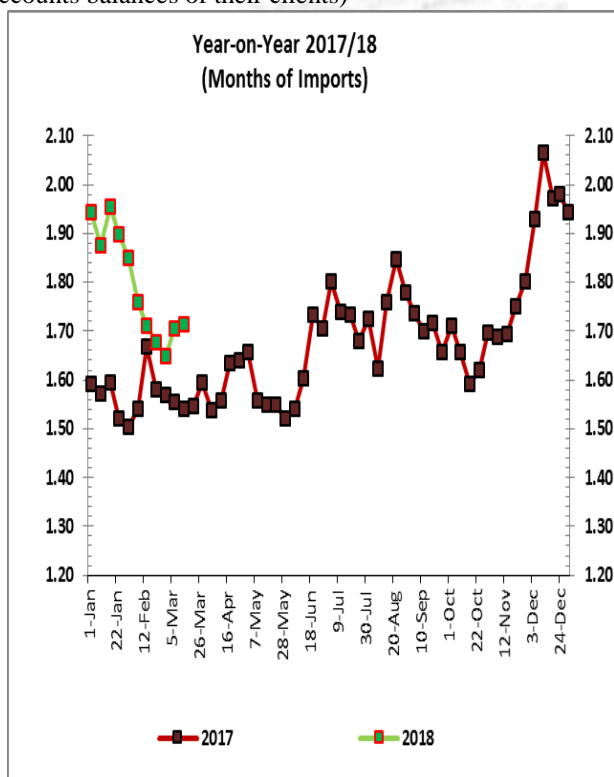
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
23 <sup>rd</sup> February 2018	35.60	31.92
2 <sup>nd</sup> March 2018	64.19	56.96
9 <sup>th</sup> March 2018	35.66	32.92
On 14 <sup>th</sup> March 2018	6.01	11.25

### Commentary:

- ADB's FX trading declined during the week ending 9<sup>th</sup> March 2018 compared to the previous week. ADBs purchased a total of US\$35.66 million from the market and sold a total of US\$32.92 million during the week. On Wednesday, 14<sup>th</sup> March 2018, ADBs purchased US\$6.01 million from the market and sold US\$11.25 million.

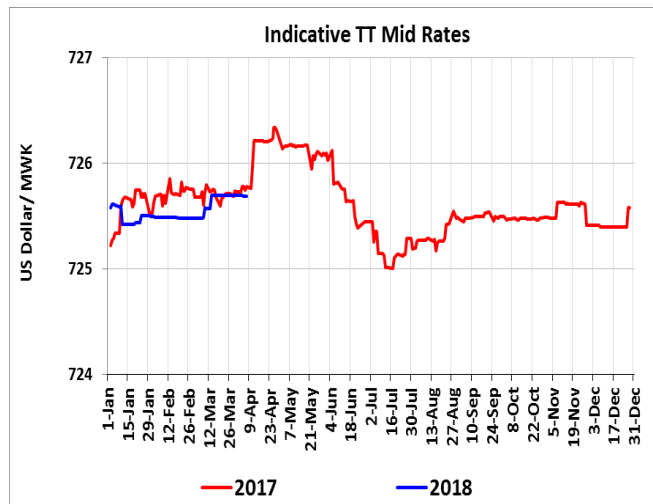
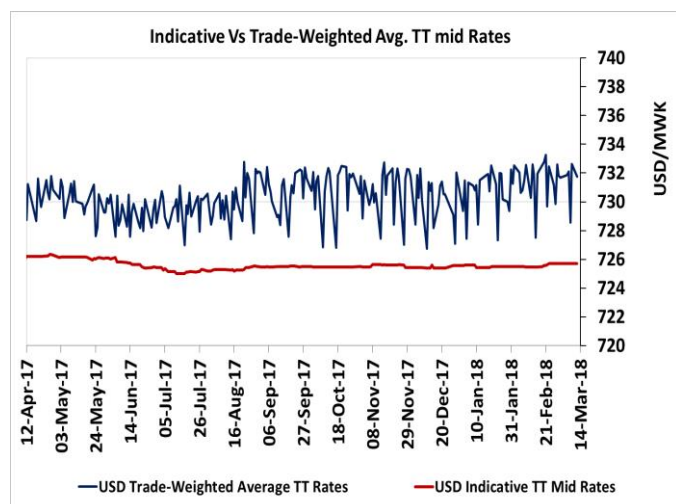


## iii. Exchange Rate Developments

	8 <sup>th</sup> March 2018	9 <sup>th</sup> March 2018	12 <sup>th</sup> March 2018	13 <sup>th</sup> March 2018	14 <sup>th</sup> March 2018	Today's indicative Rates
MWK/USD	728.5733	732.6224	731.7620	731.7706	731.7475	725.6909
MWK/GBP	1,016.7348	1,008.6911	1,017.0019	1,016.9470	1,018.2094	1014.8062
MWK/EUR	904.2596	895.5882	897.2997	903.2115	898.5336	898.5505
MWK/ZAR	61.6597	61.0305	61.5266	61.5352	61.8996	61.5979

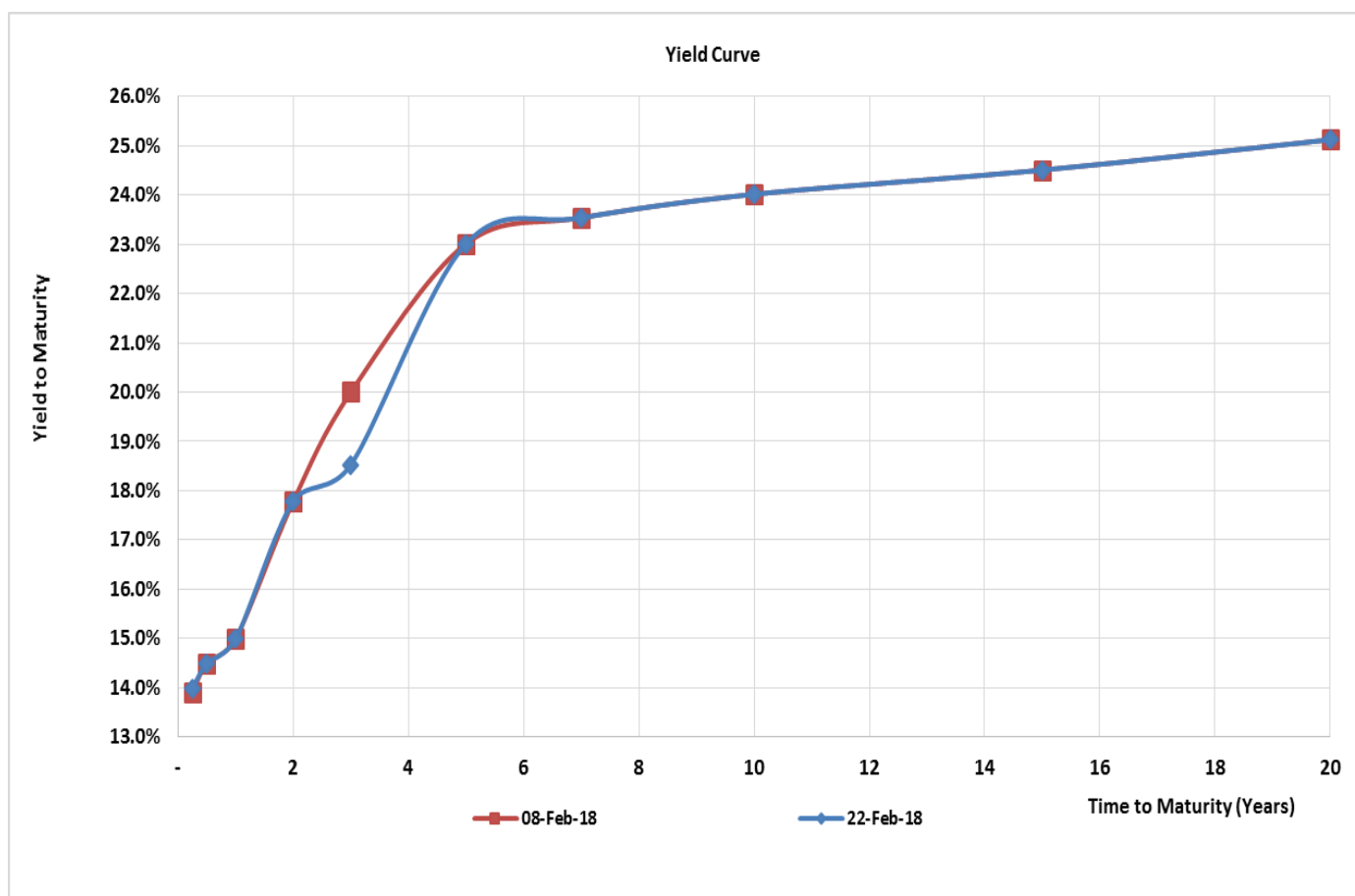
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Wednesday, 14<sup>th</sup> March 2018, the Kwacha appreciated against the USD and the EUR but depreciated against the GBP and the ZAR. Indicatively, the local currency is expected to trade at K725.6909 per dollar today, 15<sup>th</sup> March 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
24 <sup>th</sup> August 2017	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28 <sup>th</sup> September 2017	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 <sup>th</sup> October 2017	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 <sup>th</sup> November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%	22.45%	23.91%	25.17%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%	23.00%	23.64%	24.07%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%	24.01%	24.51%	25.12%
22 <sup>nd</sup> February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%	24.01%	24.51%	25.12%
22 Feb - 8 Feb 2018 Change in Yield (Bp)	9	0	0	0	-147	0	0	0	0	0



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