



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 1st June 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 1 st June 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-6,907	-4,934
Estimated Excess Reserves before OMO	-2,284	-2,284
Estimated Excess Reserves after OMO	0	0
Required Reserves	73,891	73,891

ii. Known Projected Transactions

	Week ending 25 th May 2018	May 2018	Week ending 1 st June 2018	Week ending 8 th June 2018
Maturity of normal TBs/TNs/PNs	4,474	57,115	3,238	8,666
Maturity of OMO Repos	10,948	57,534	4,974	5,343

Commentary:

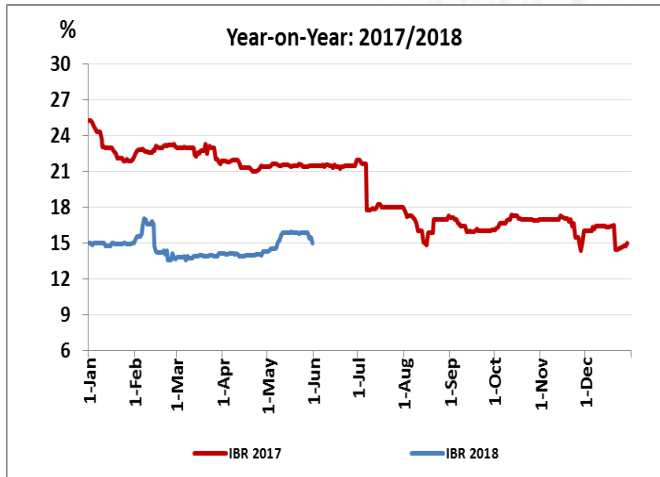
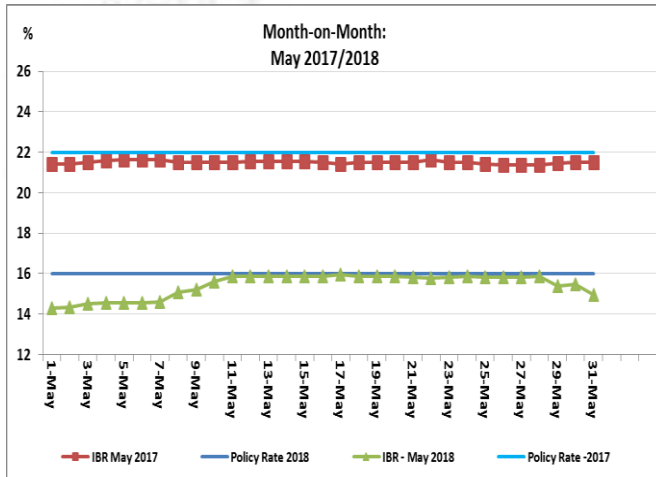
Excess reserves significantly dropped to K4.62 billion on Thursday, 31st May 2018, from K18.93 billion recorded on Wednesday, 30th May 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	13,070	14.96
7 days	-	-
14 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
28 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	3,300	18.00

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K13.07 billion on Thursday, 31st May 2018, from K8.60 billion observed on Wednesday, 30th May 2018.
- The overnight interbank market rate (IBR) dropped by 51 basis points and closed at 14.96 percent on Thursday, 31st May 2018 from 15.47 percent recorded on Wednesday, 30th May 2018.
- A total of K3.30 billion was accessed on the Lombard Facility on Thursday, 31st May 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

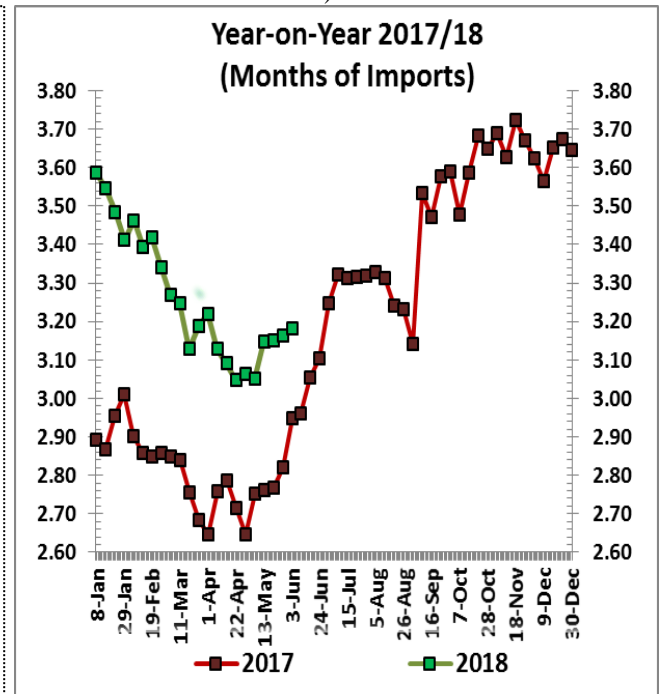
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
27 th April 2018	640.56	3.06
4 th May 2018	637.70	3.05
11 th May 2018	658.19	3.15
18 th May 2018	658.56	3.15
25 th May 2018	661.40	3.16
30 th May 2018	665.23	3.18

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

Commentary:

- Gross official reserves marginally increased during the week ending 25th May 2018 compared to the preceding week. As at 25th May 2018, gross official reserves stood at \$661.40 million (3.16 months of imports) compared to \$658.56 million (3.15 months of imports) recorded on 18th May 2018. On the 30th May 2018, Gross Official Reserves stood at \$665.23 million (3.18 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)
9 th May 2018	-7.63	362.83	355.20	1.70
18 th May 2018	-8.61	360.94	352.33	1.69
25 th May 2018	-10.59	366.32	355.73	1.70
30 th May 2018	-4.99	363.60	358.61	1.72

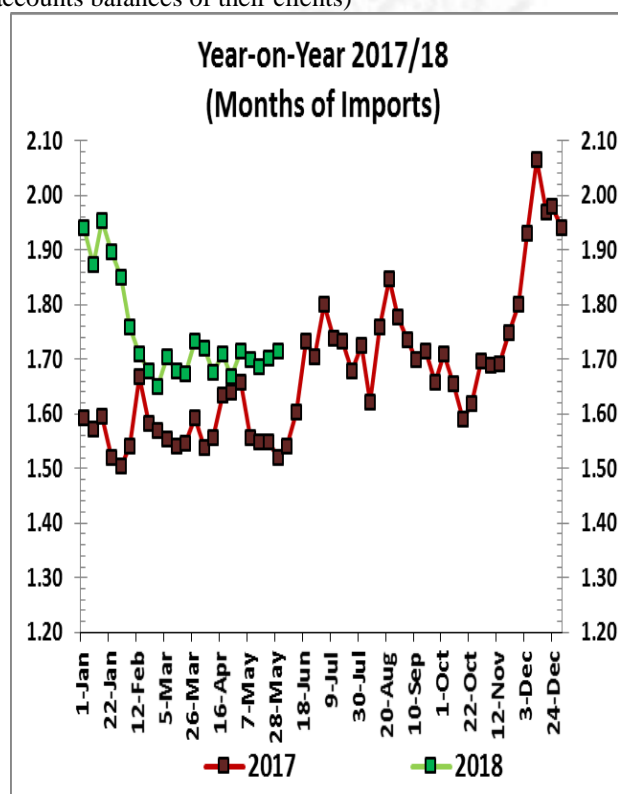
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
4 th May 2018	43.23	46.27
11 th May 2018	47.27	63.22
18 th May 2018	43.59	37.17
25 th May 2018	47.39	52.92
31 st May 2018	15.21	13.28

Commentary:

- ADB's FX trading increased during the week ending 25th May 2018 compared to the previous week. ADBs purchased a total of US\$47.39 million from the market and sold a total of US\$52.92 million during the week. On Thursday, 31st May 2018, ADBs purchased US\$15.21 million from the market and sold US\$13.28 million.

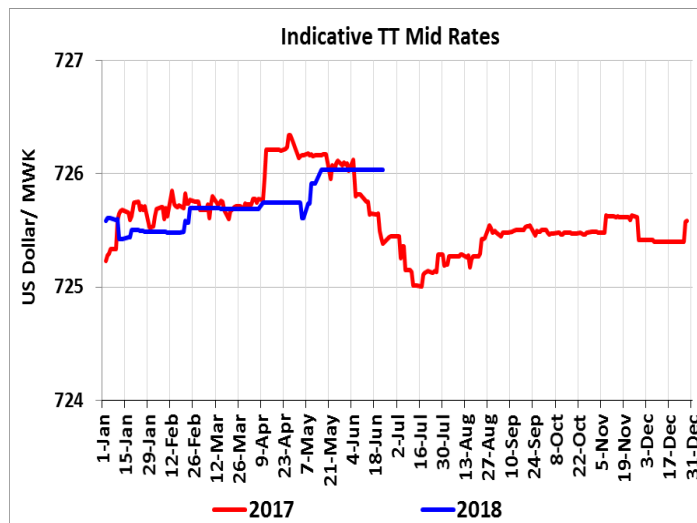
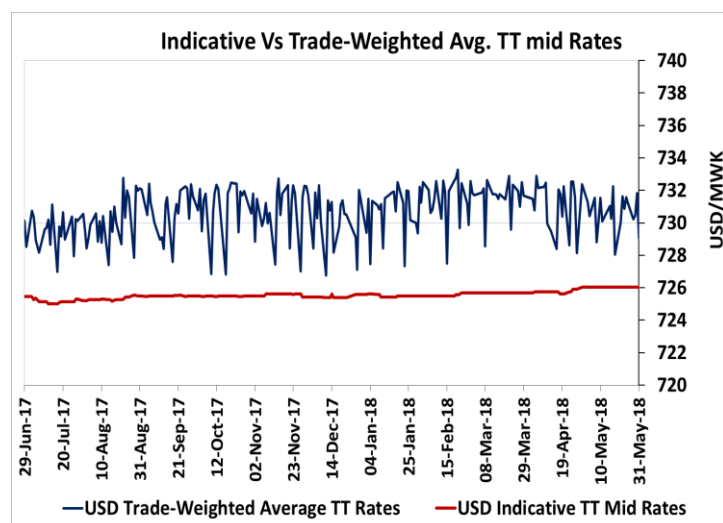


iii. Exchange Rate Developments

	25 th May 2018	28 th May 2018	29 th May 2018	30 th May 2018	31 st May 2018	Today's indicative Rates
MWK/USD	731.2438	730.2412	730.4538	731.8482	729.0736	726.0396
MWK/GBP	977.8548	968.7957	966.5095	967.3052	967.4365	963.5272
MWK/EUR	855.7046	854.5910	846.0267	845.4331	852.0857	848.0143
MWK/ZAR	58.5446	58.9099	58.4583	58.0608	58.2622	57.4403

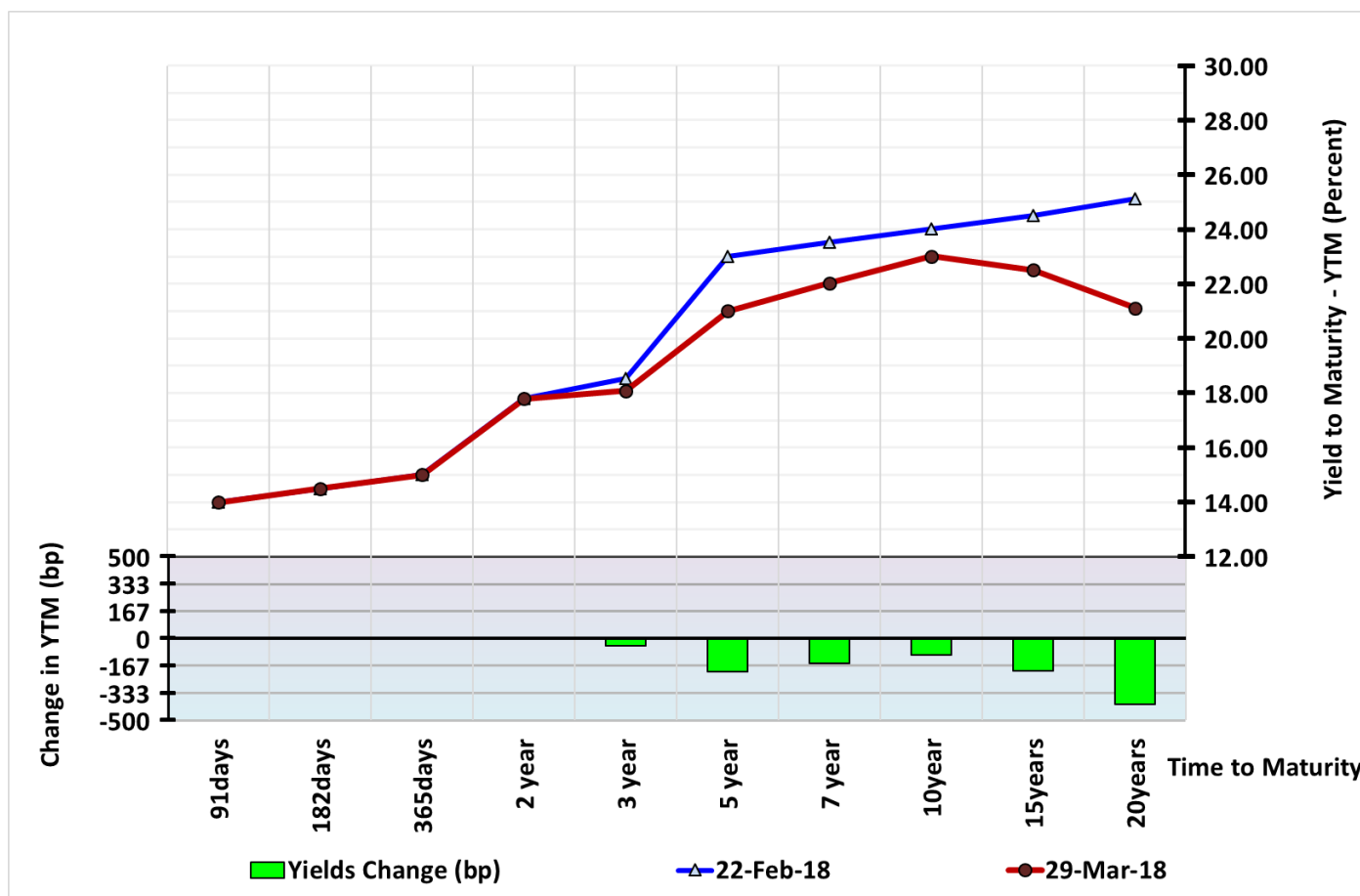
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Thursday, 31st May 2018, the Kwacha appreciated against the USD but depreciated against the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to trade at K726.0396 per US Dollar today, 1st June 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
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%
8 th February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%	24.01%	24.51%	25.12%
22 nd February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%	24.01%	24.51%	25.12%
29 th March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%	23.01%	22.51%	21.12%
29 Mar - 22 Feb 2018 Change in Yield (Bp)	0	0	0	0	-44	-200	-150	-100	-200	-400



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