



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 23<sup>rd</sup> July 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 27 <sup>th</sup> July 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	10,012	19,471
Estimated Excess Reserves before OMO	13,512	17,377
Estimated Excess Reserves after OMO	0	0
Required Reserves	78,119	78,119

#### ii. Known Projected Transactions

	Week ending 20 <sup>th</sup> July 2018	Week ending 27 <sup>th</sup> July 2018	July 2018
Maturity of normal TBs/TNs/PNs	15,968	8,685	44,387
Maturity of OMO Repos	7,704	11,441	71,034

#### Commentary:

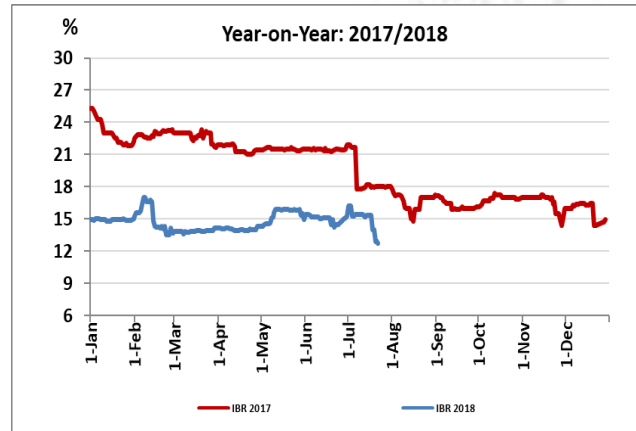
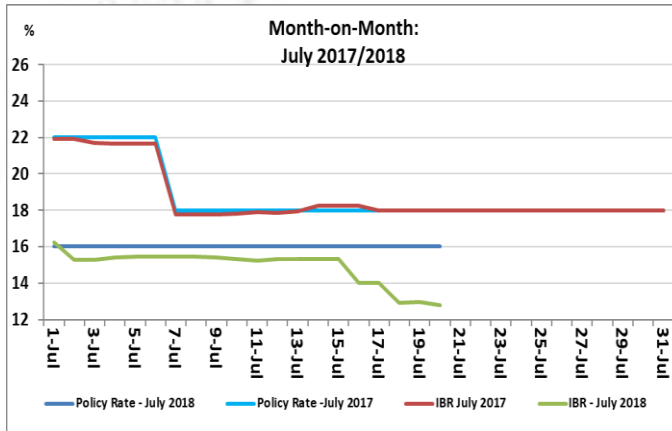
Excess reserves dropped to K3.50 billion on Friday, 20<sup>th</sup> July 2018, from K7.79 billion recorded on Thursday, 19<sup>th</sup> July 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	10,660	12.78
7 days	-	-
19 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
1 days	-	-
7 days	-	-
14 days	4,000	15.00
31 days	5,366	15.00
63 days	-	-
168 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
<b>(c) Access on the Lombard Facility</b>	350	18.00

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K10.66 billion on Friday, 20<sup>th</sup> July 2018, from K13.17 billion on Thursday, 19<sup>th</sup> July 2018.
- The overnight interbank market rate (IBR) decreased by 17 basis points (bps) and closed at 12.78 percent.
- A total of K9.37 billion was withdrawn from the market through repos.
- A total of K350 million was accessed from the Lombard Facility on Friday, 20<sup>th</sup> July 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

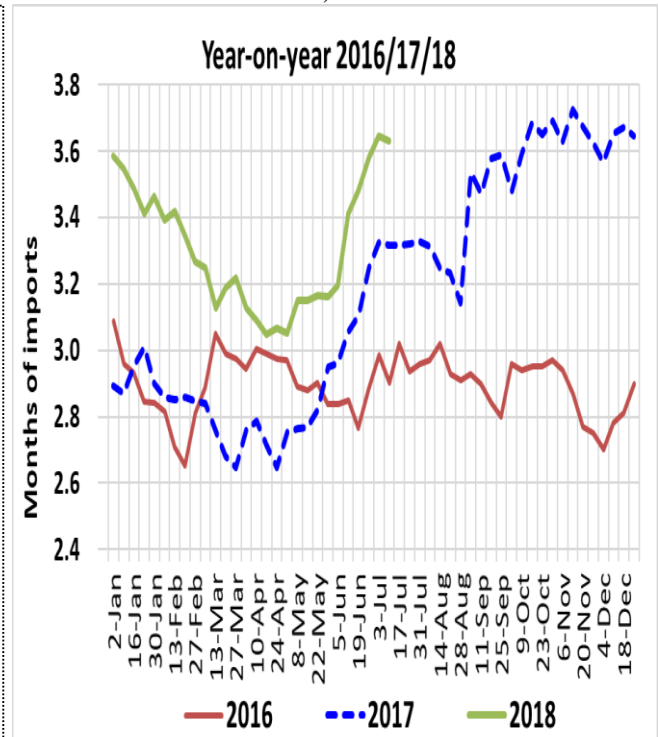
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
14 <sup>th</sup> June 2018	667.60	3.19
22 <sup>nd</sup> June 2018	712.97	3.41
29 <sup>th</sup> June 2018	728.10	3.48
5 <sup>th</sup> July 2018	748.50	3.58
13 <sup>th</sup> July 2018	761.51	3.64
20 <sup>th</sup> July 2018	758.59	3.63

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

### Commentary:

- Gross official reserves decreased during the week ending 20<sup>th</sup> July 2018 to \$758.59 million (3.63 months of imports) from \$761.51 million (3.64 months of imports) at the end of the preceding week.



### 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)
29 <sup>th</sup> June 2018	12.81	370.90	383.78	1.84
5 <sup>th</sup> July 2018	-5.22	364.25	359.03	1.72
13 <sup>th</sup> July 2018	-5.02	363.04	358.02	1.71
19 <sup>th</sup> July 2018	0.51	366.81	367.32	1.76

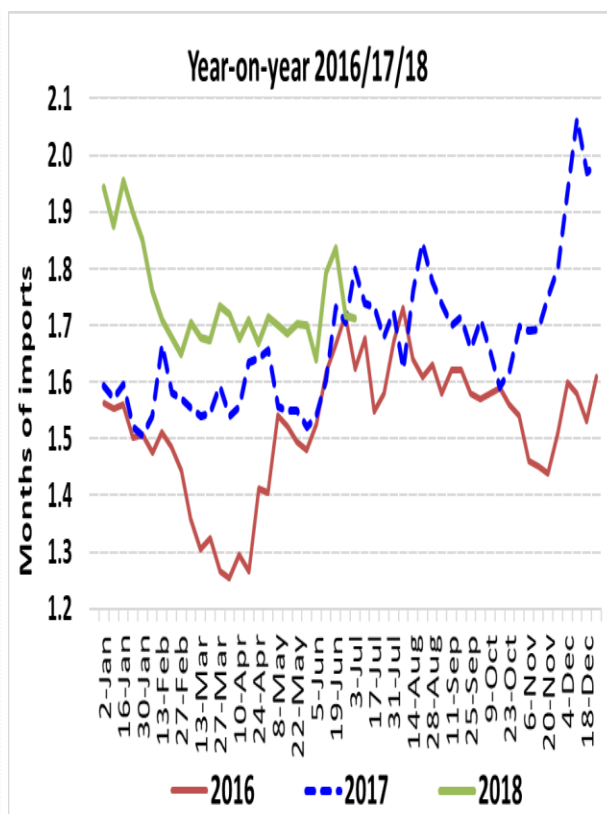
\* US\$209.0 million per month is used in this calculation

#### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
29 <sup>th</sup> June 2018	72.66	68.75
5 <sup>th</sup> July 2018	37.41	53.64
13 <sup>th</sup> July 2018	62.33	75.02
20 <sup>th</sup> July 2018	57.76	60.35
On 20 <sup>th</sup> July 2018	22.34	24.68

#### Commentary:

- ADB's FX trading increased during the week ending 13<sup>th</sup> July 2018 compared to the previous week. ADBs purchased a total of US\$62.33 million from the market and sold a total of US\$75.02 million during the week. On Thursday, 19<sup>th</sup> July 2018 alone, ADBs purchased US\$8.90 million from the market and sold US\$11.15 million.

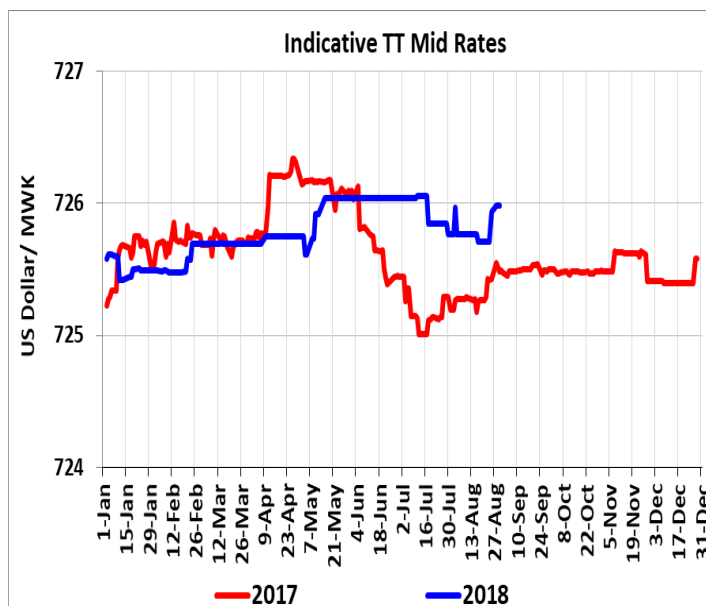
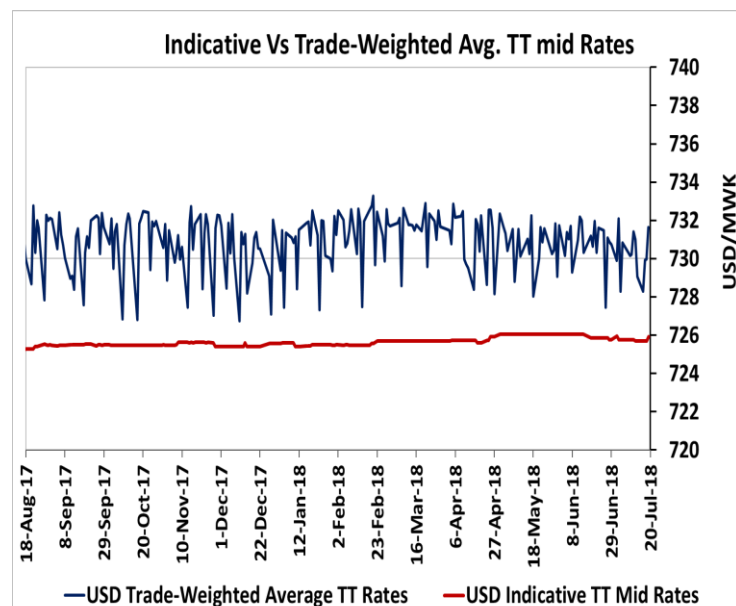


### iii. Exchange Rate Developments

	16 <sup>th</sup> July 2018	17 <sup>th</sup> July 2018	18 <sup>th</sup> July 2018	19 <sup>th</sup> July 2018	20 <sup>th</sup> July 2018	Today's indicative Rates
MWK/USD	728.3028	729.9200	729.9662	731.6416	729.7302	725.9868
MWK/GBP	968.7359	965.6640	958.2607	955.5738	951.2858	954.2370
MWK/EUR	853.5958	855.0630	851.2853	851.9067	850.6604	851.7277
MWK/ZAR	55.1963	55.2753	54.6050	54.8834	53.8568	54.2016

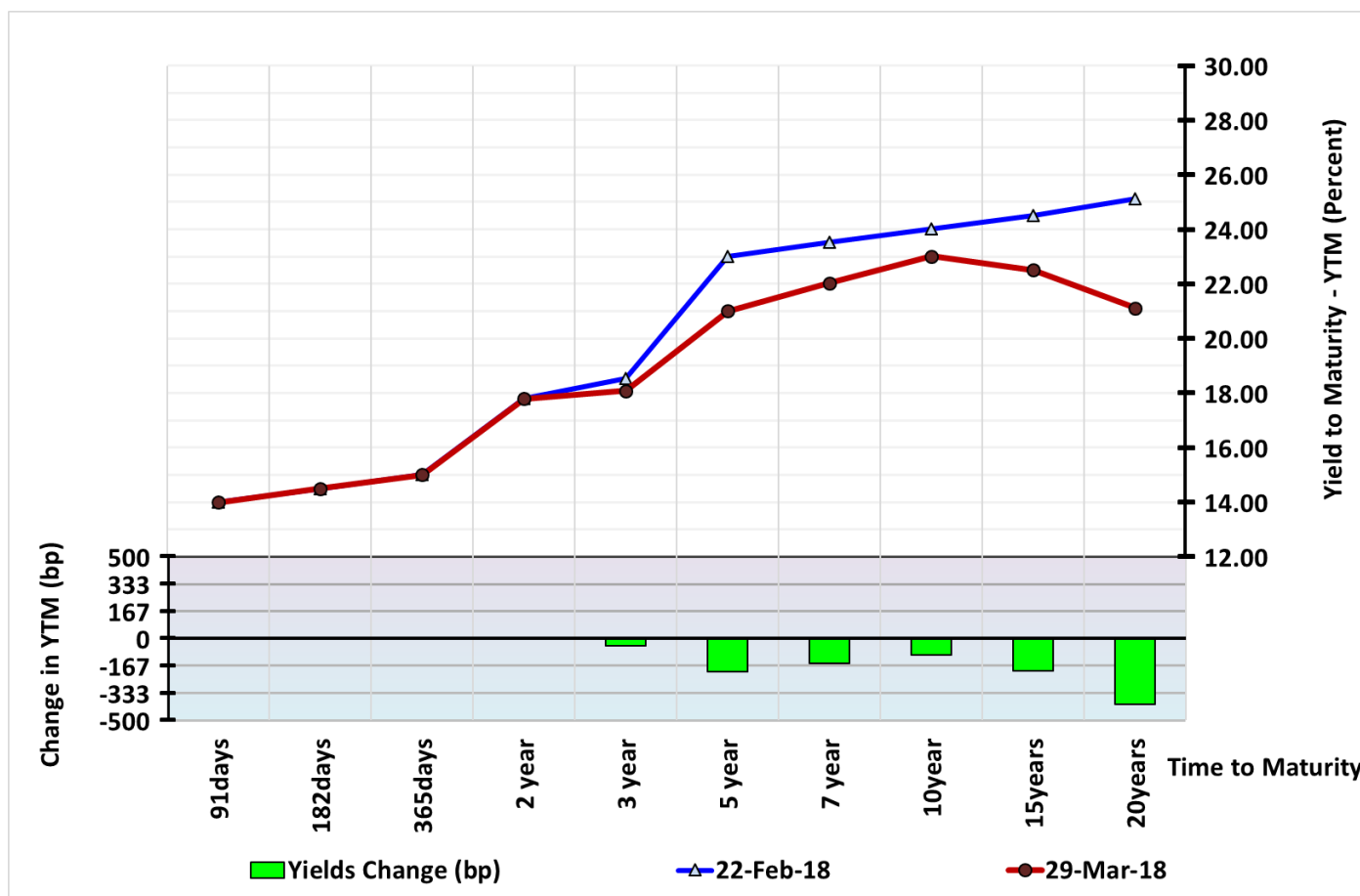
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 20<sup>th</sup> July 2018, the Kwacha appreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to trade at K725.9868 per US Dollar today, 23<sup>rd</sup> July 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 <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%
29 <sup>th</sup> 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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