



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 8<sup>th</sup> August 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 10 <sup>th</sup> August 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-10,971	-10,008
Estimated Excess Reserves before OMO	267	-1,182
Estimated Excess Reserves after OMO	0	0
Required Reserves	76,974	76,974

#### ii. Known Projected Transactions

	Week ending 3 <sup>rd</sup> August 2018	Week ending 10 <sup>th</sup> August 2018	August 2018
Maturity of normal TBs/TNs/PNs	1,654	4,287	23,320
Maturity of OMO Repos	6,330	6,404	46,528

#### Commentary:

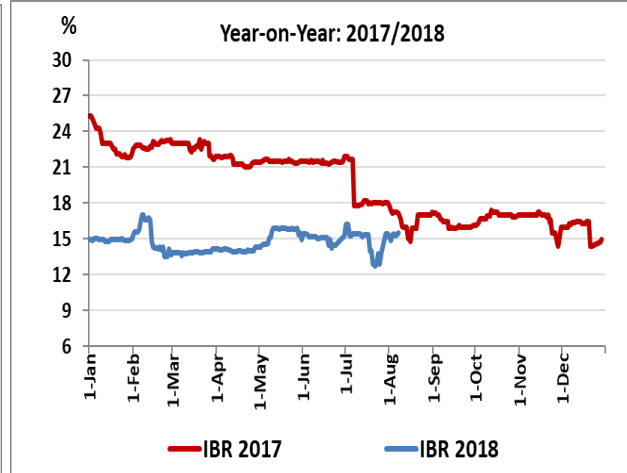
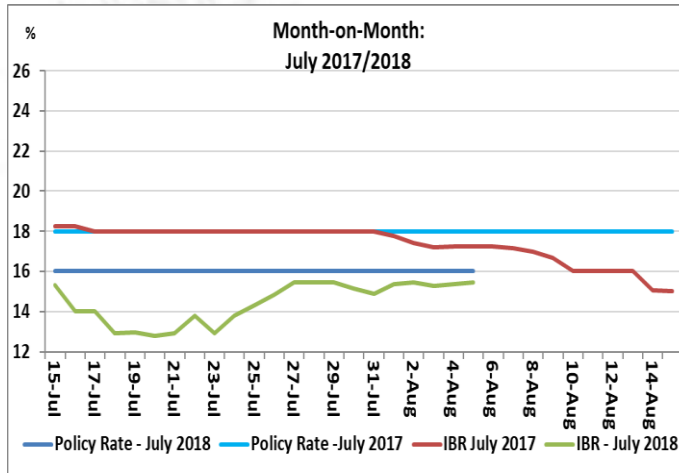
Excess reserves increased to K11.27 billion on Tuesday, 7<sup>th</sup> August 2018, from K10.38 billion recorded on Monday, 6<sup>th</sup> August 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume (Mk'mn)	Average rate (%)
O/N	10,200	15.47
7 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
O/N		
7 days	-	-
14 days	-	-
31 days	-	-
63 days	-	-
91 days	-	-
182 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	10,965	18.00

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased slightly to K10.20 billion on Tuesday, 7<sup>th</sup> August 2018, from K10.16 billion on Monday, 6<sup>th</sup> August 2018.
- The overnight interbank market rate (IBR) increased by 10 basis points (bps) and closed at 15.47 percent.
- A total of K10.97 billion was accessed from the Lombard Facility on Tuesday, 7<sup>th</sup> August 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

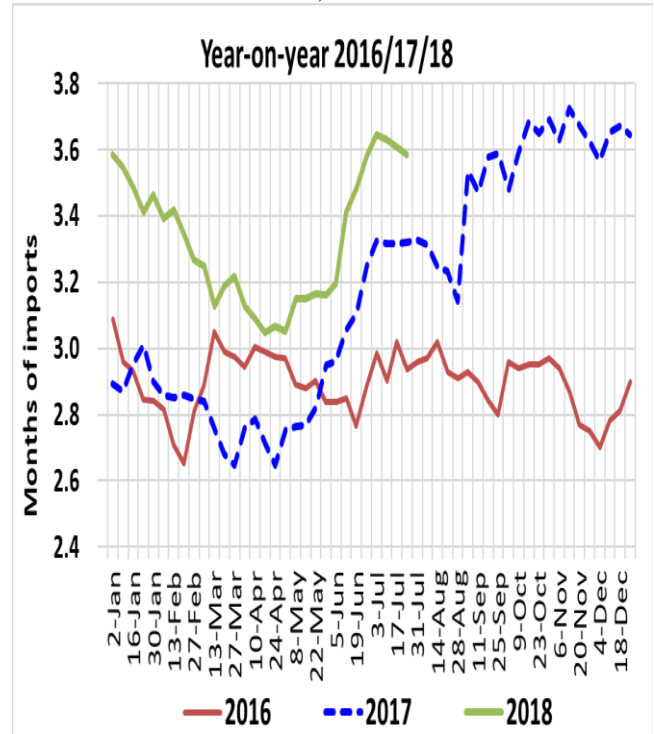
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
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
27 <sup>th</sup> July 2018	754.24	3.61
7 <sup>th</sup> Aug 2018	749.04	3.58

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

### Commentary:

- Gross official reserves increased during the week ending 3<sup>rd</sup> August 2018 to \$761.83 million (3.65 months of imports) from \$754.24 million (3.61 months of imports) at the end of the preceding week. As at 7<sup>th</sup> August 2018, gross official reserves stood at \$749.04 million (3.58 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)
13 <sup>th</sup> July 2018	-5.02	363.04	358.02	1.71
20 <sup>th</sup> July 2018	0.51	366.81	367.32	1.76
27 <sup>th</sup> July 2018	2.99	340.35	343.35	1.64
6 <sup>th</sup> Aug 2018	3.09	360.10	363.19	1.74

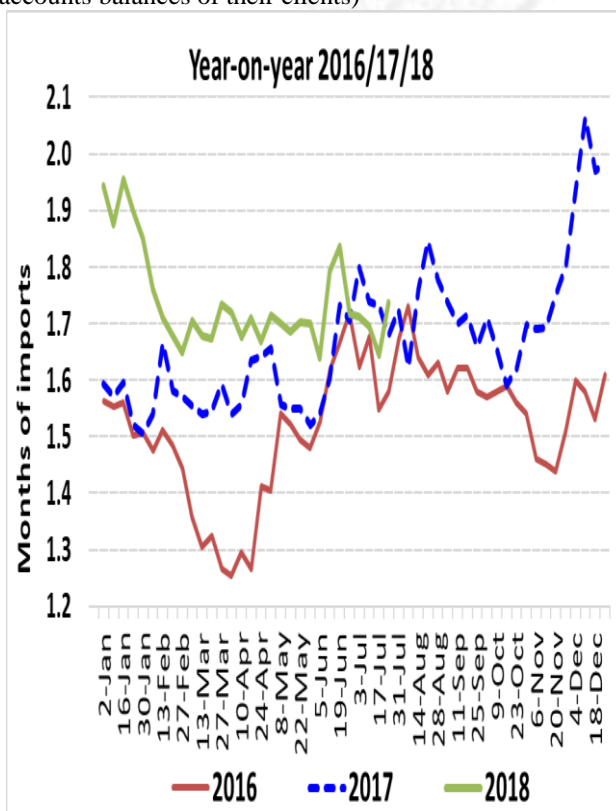
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
13 <sup>th</sup> July 2018	62.33	75.02
20 <sup>th</sup> July 2018	57.76	60.35
27 <sup>th</sup> July 2018	50.16	50.50
3 <sup>rd</sup> Aug 2018	60.18	70.32
On 7 <sup>th</sup> Aug 2018	9.25	11.41

#### Commentary:

- ADB's FX trading increased during the week ending 3<sup>rd</sup> August 2018 compared to the previous week. ADBs purchased a total of US\$60.18 million from the market and sold a total of US\$70.32 million during the week. On Tuesday, 7<sup>th</sup> August 2018, ADBs purchased US\$9.25 million from the market and sold US\$11.41 million.

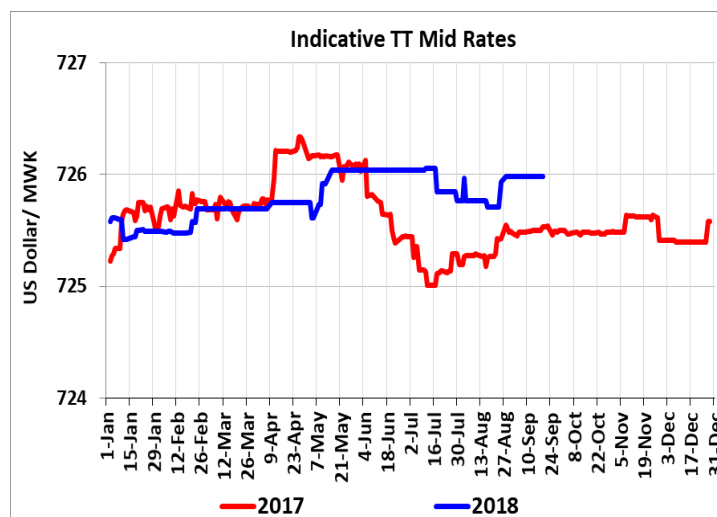
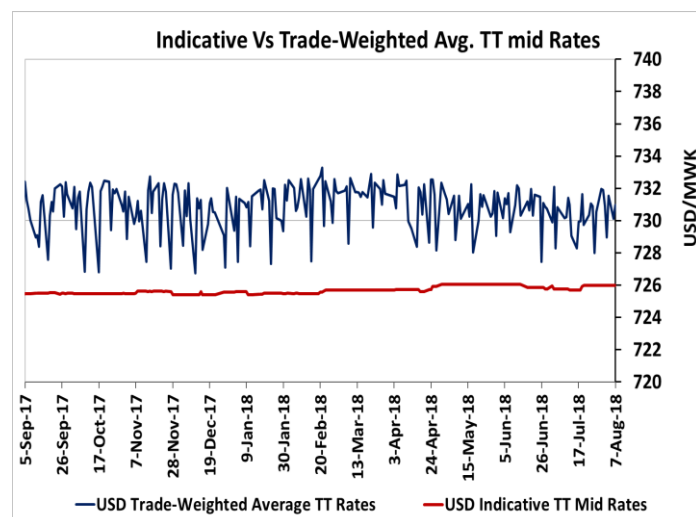


## iii. Exchange Rate Developments

	1 <sup>st</sup> August 2018	2 <sup>nd</sup> August 2018	3 <sup>rd</sup> August 2018	6 <sup>th</sup> August 2018	7 <sup>th</sup> August 2018	Today's indicative Rates
MWK/USD	730.9097	728.9677	731.5339	730.1228	730.9517	725.9868
MWK/GBP	957.7821	955.4906	943.8511	943.7894	947.3580	939.8625
MWK/EUR	848.6301	849.9340	841.0905	842.3805	841.9492	843.1611
MWK/ZAR	55.0899	54.6679	53.8282	54.5613	54.6803	54.5314

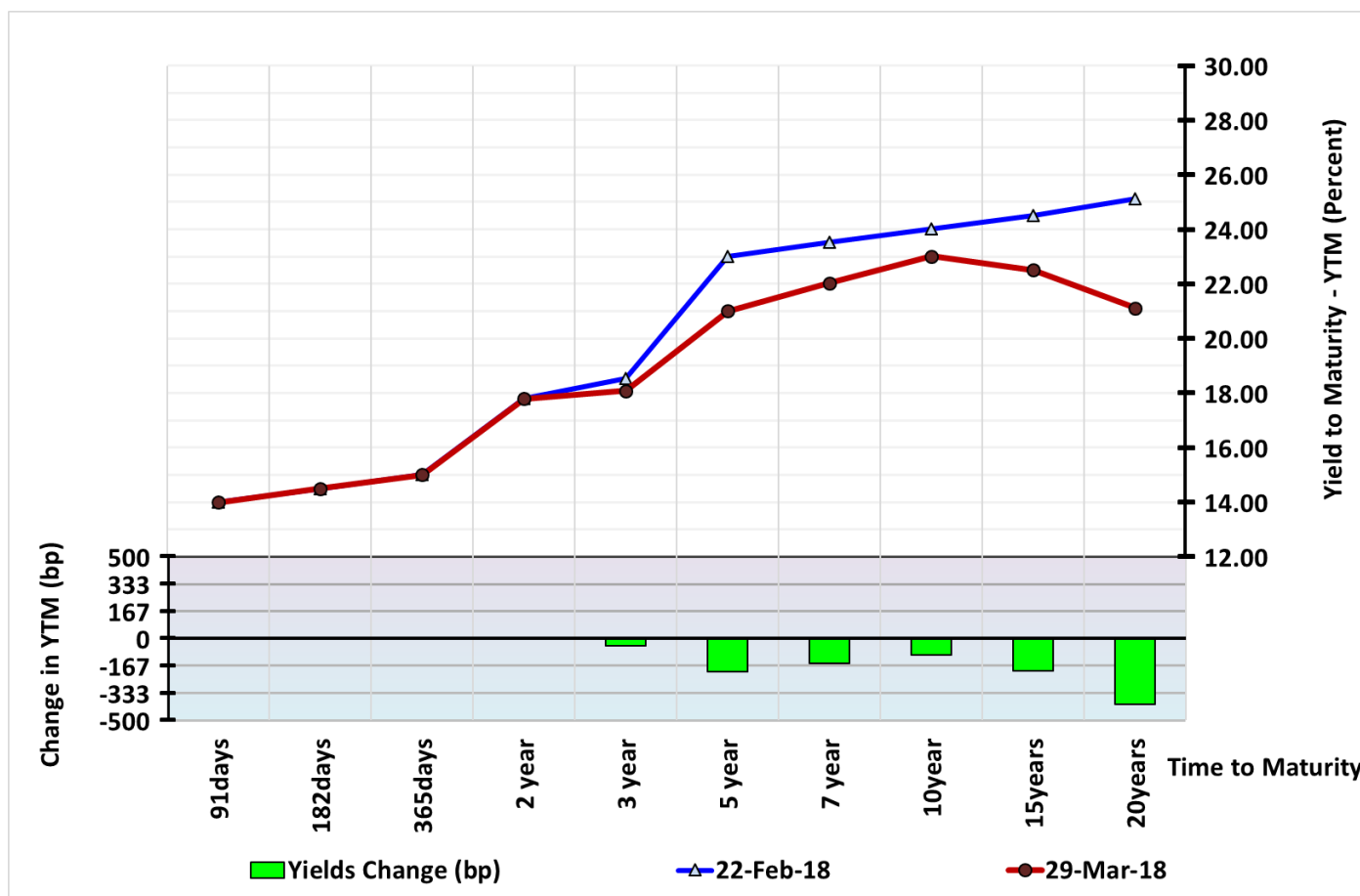
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Tuesday, 7<sup>th</sup> August 2018, the Kwacha depreciated against the USD, the GBP and the ZAR but gained value against the EUR. Indicatively, the local currency is expected to trade at K725.9868 per US Dollar today, 8<sup>th</sup> August 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



**DISCLAIMER:** This information is provided for general reference purposes only. Whilst every effort is made to ensure that the information is up to date and Accurate, the Reserve Bank of Malawi does not accept responsibility for any loss that may arise from reliance on the information contained herein.