



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 7<sup>th</sup> December 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 7 <sup>th</sup> December 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-6,020	7,052
Estimated Excess Reserves before OMO	21,319	21,319
Estimated Excess Reserves after OMO	0	0
Required Reserves	77,979	77,979

#### ii. Known Projected Transactions

	Week ending 30 <sup>th</sup> November 2018	November 2018	Week ending 7 <sup>th</sup> December 2018	December 2018
Maturity of normal TBs/TNs/PNs	9,660	28,135	8,472	31,310
Maturity of OMO Repos	17,130	51,121	5,174	52,222

#### Commentary:

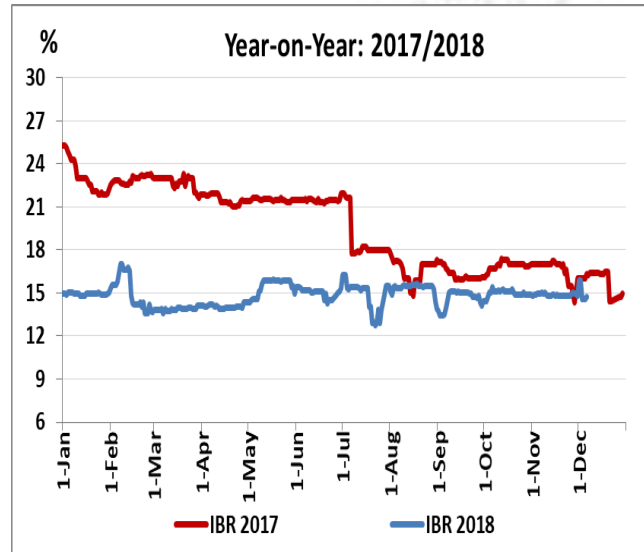
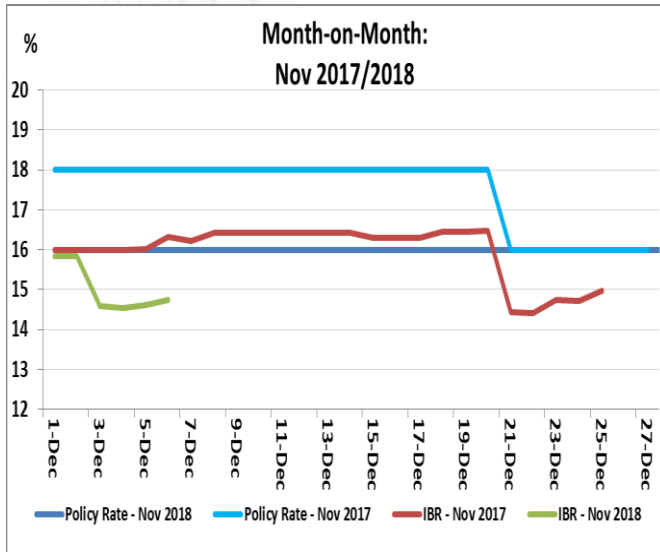
Excess reserves increased to K27.33 billion on Thursday, 6<sup>th</sup> December 2018, from K21.92 billion recorded on Wednesday, 5<sup>th</sup> December 2018.

### 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	4,800	14.74
4 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
31 days	-	-
60 days	-	-
91 days	-	-
150 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	-	-

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market decreased to K4.80 billion on Thursday, 6<sup>th</sup> December 2018, from K8.96 billion on Wednesday, 5<sup>th</sup> December 2018.
- The overnight interbank market rate (IBR) increased by 13 basis points (bps) to 14.74 percent on 6<sup>th</sup> December 2018 from 14.61 percent on 5<sup>th</sup> December 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

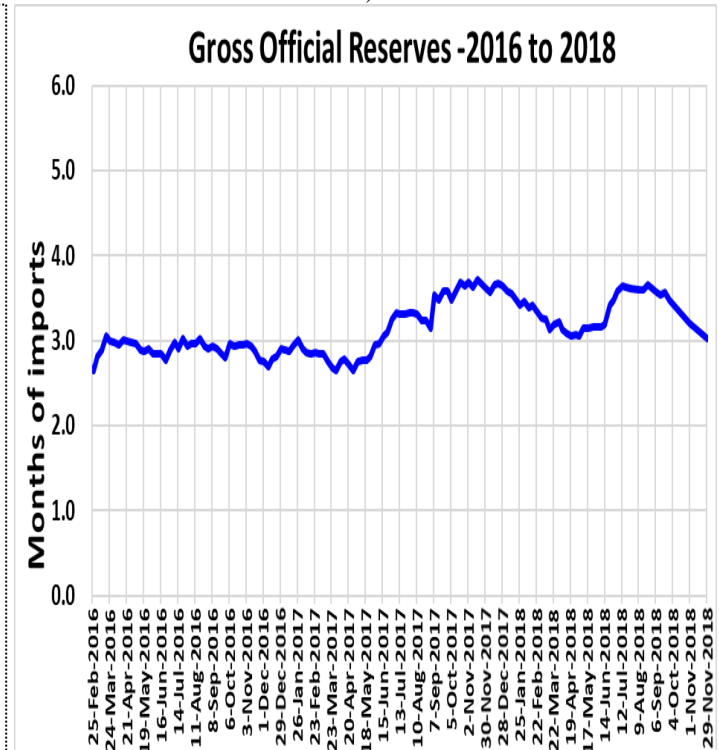
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
31 <sup>st</sup> May 2018	662.21	3.17
29 <sup>th</sup> June 2018	728.10	3.48
31 <sup>st</sup> July 2018	754.23	3.61
31 <sup>st</sup> Aug 2018	753.52	3.61
28 <sup>th</sup> Sep 2018	727.63	3.48
31 <sup>st</sup> Oct 2018	669.92	3.20

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

### Commentary:

- Gross official reserves decreased during October 2018 to \$669.92 million (3.20 months of imports) from \$727.63 million (3.48 months of imports) at the end of the preceding month.



## 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)
31 <sup>st</sup> July 2018	1.87	336.61	338.48	1.62
31 <sup>st</sup> Aug 2018	-9.18	341.24	332.06	1.59
28 <sup>th</sup> Sep 2018	0.80	318.43	319.23	1.53
31 <sup>st</sup> Oct 2018	0.80	328.43	329.23	1.58

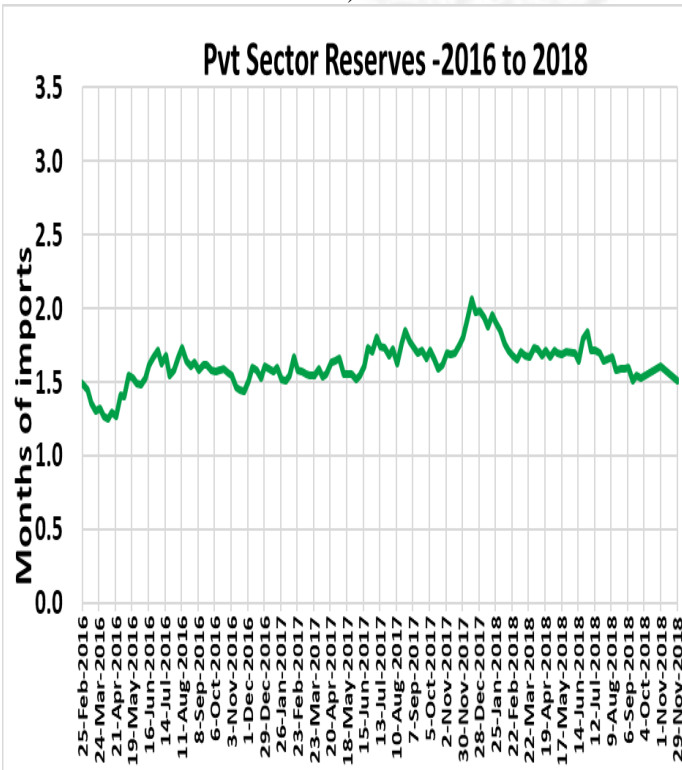
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
16 <sup>th</sup> Nov 2018	36.18	40.03
23 <sup>rd</sup> Nov 2018	54.73	47.17
30 <sup>th</sup> Nov 2018	46.62	53.87
6 <sup>th</sup> Nov 2018	4.44	6.34

#### Commentary:

- ADB's FX trading increased during the week ending 23<sup>rd</sup> November 2018 compared to the previous week. ADBs purchased a total of US\$54.73 million from the market and sold a total of US\$47.17 million during the week. On Thursday, 6<sup>th</sup> December 2018, ADBs purchased US\$4.44 million from the market and sold US\$6.34 million.

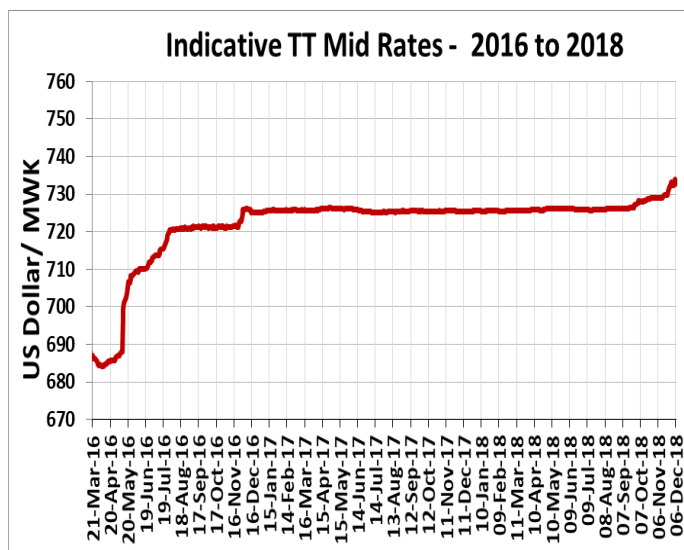
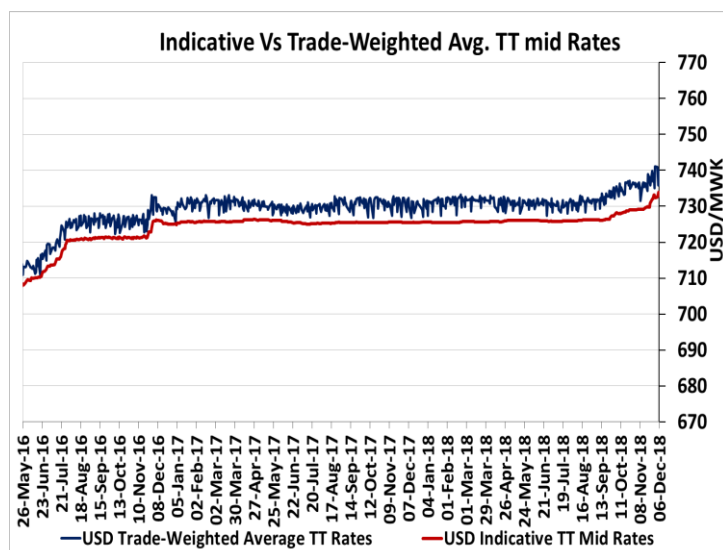


## iii. Exchange Rate Developments

	30 <sup>th</sup> Nov 2018	3 <sup>rd</sup> Dec 2018	4 <sup>th</sup> Dec 2018	5 <sup>th</sup> Dec 2018	6 <sup>th</sup> Dec 2018	Today's indicative Rates
MWK/USD	741.1066	740.925	738.0989	735.9075	740.0278	731.9817
MWK/GBP	943.6528	937.763	940.0569	939.1336	940.4827	934.8870
MWK/EUR	830.8865	834.156	835.8411	839.2615	835.3474	832.4096
MWK/ZAR	53.9201	53.696	54.4602	53.6658	52.9276	52.1685

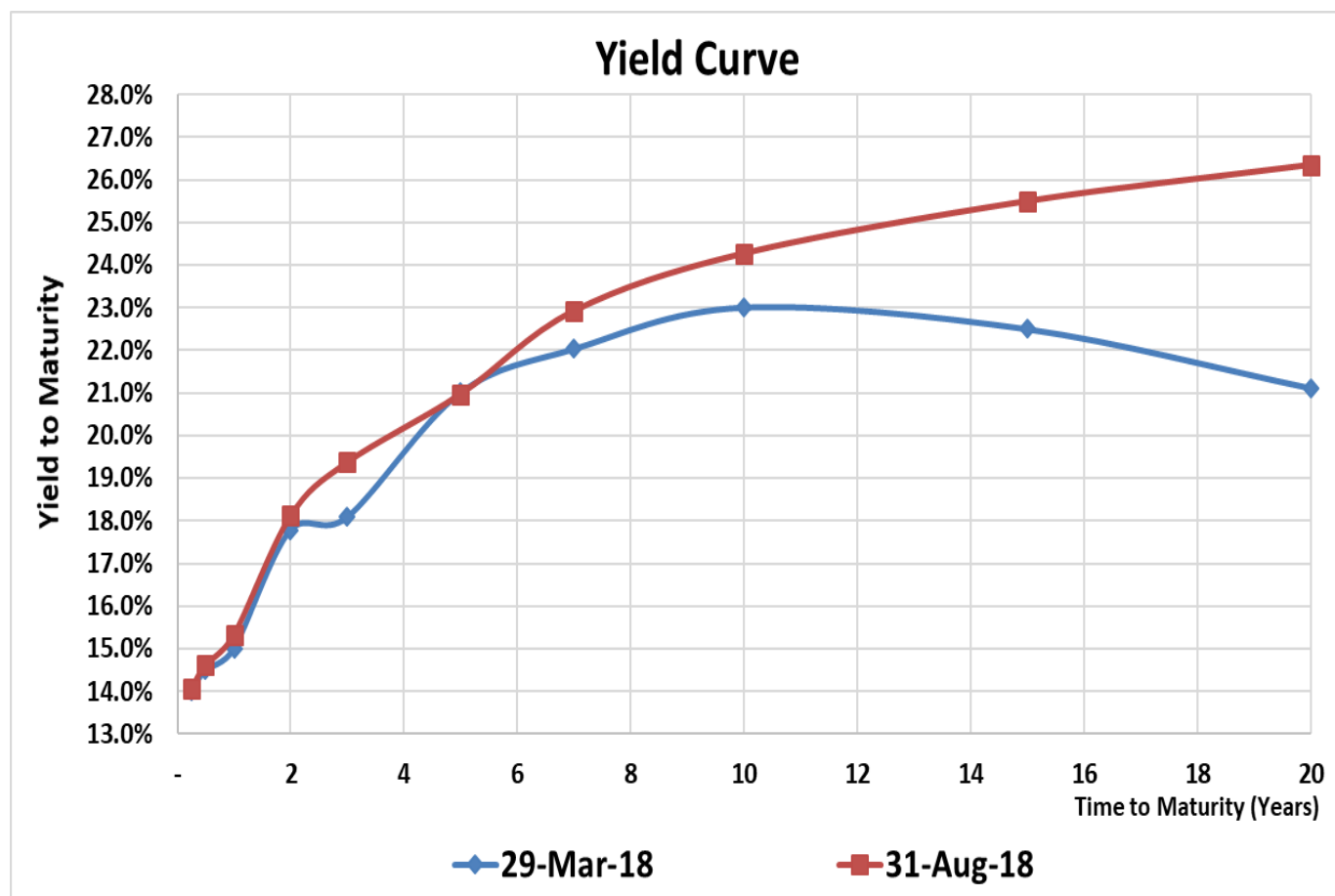
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Thursday, 6<sup>th</sup> December 2018, the Kwacha depreciated against the USD and the GBP but appreciated against the EUR and the ZAR. Indicatively, the local currency is expected to be trading at 731.9817 per US Dollar, today 7<sup>th</sup> December 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
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%
31 <sup>st</sup> August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%	24.28%	25.50%	26.35%
31 Aug – 29 Mar 2018 Change in Yield (Bp)	7	13	33	32	129	(4)	89	126	299	523



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