



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 1<sup>st</sup> February 2019

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 1 <sup>st</sup> February 2019
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	1,846	-1,069
Estimated Excess Reserves before OMO	35,612	35,612
Estimated Excess Reserves after OMO	0	0
Required Reserves	50,928	50,928

#### ii. Known Projected Transactions

	Week ending 18 <sup>th</sup> January 2019	Week ending 25 <sup>th</sup> January 2019	Week ending 1 <sup>st</sup> February 2019	January 2019
Maturity of normal TBs/TNs/PNs	30,963	14,439	13,263	78,973
Maturity of OMO Repos	20,197	3,564	33,315	72,311

#### Commentary:

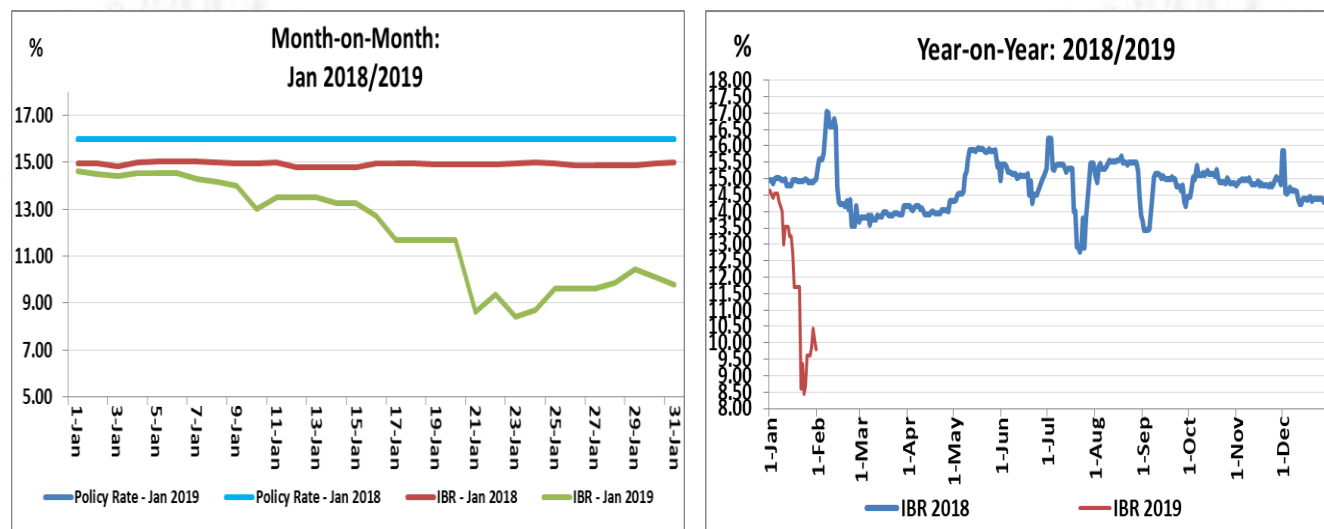
Excess reserves dropped to K33.76 billion on Thursday, 31<sup>st</sup> January 2019, from K49.08 billion recorded on Wednesday, 30<sup>th</sup> January 2019.

### 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	8,250	9.79
7 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>	7,000	14.9

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K30.20 billion on Wednesday, 30<sup>th</sup> January 2019, from K27.50 billion on Tuesday, 29<sup>th</sup> January 2019.
- The overnight interbank market rate (IBR) dropped by 35 basis points (bps) to 10.10 percent on 30<sup>th</sup> January 2019 from 10.45 percent on 29<sup>th</sup> January 2019.
- A total of K7.00 billion was accessed on the Lombard facility on Thursday, 31<sup>st</sup> January 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

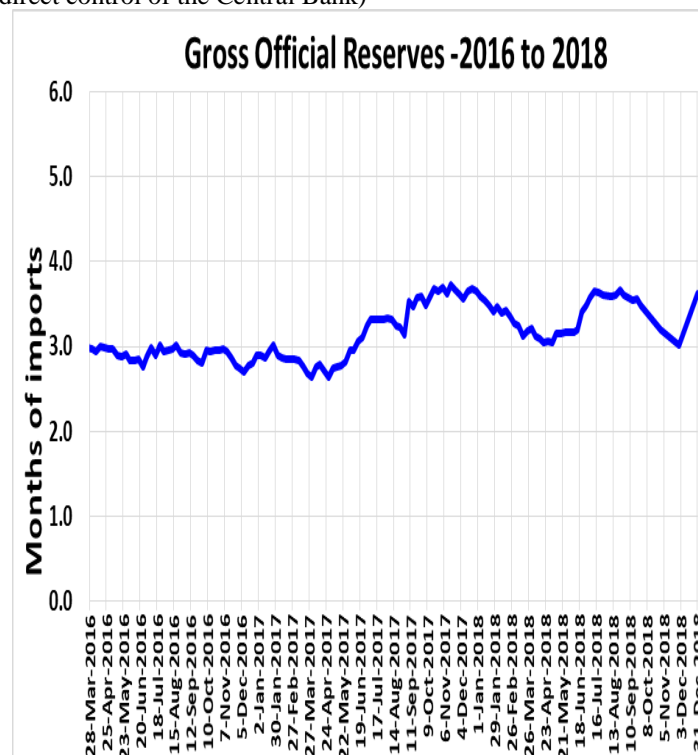
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ million)	Reserves (US\$ million)	Import Cover * (Months)
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
30 <sup>th</sup> Nov 2018	631.21	3.04
31 <sup>st</sup> Dec 2018	755.22	3.61

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

### Commentary:

- Gross official reserves increased during December 2018 to \$755.22 million (3.61 months of imports) from \$631.21 million (3.04 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)
28th Sep 2018	0.80	318.43	319.23	1.53
31 <sup>st</sup> Oct 2018	0.80	328.43	329.23	1.58
30 <sup>th</sup> Nov 2018	1.63	336.28	337.92	1.62
31 <sup>st</sup> Dec 2018	2.37	328.47	330.84	1.58

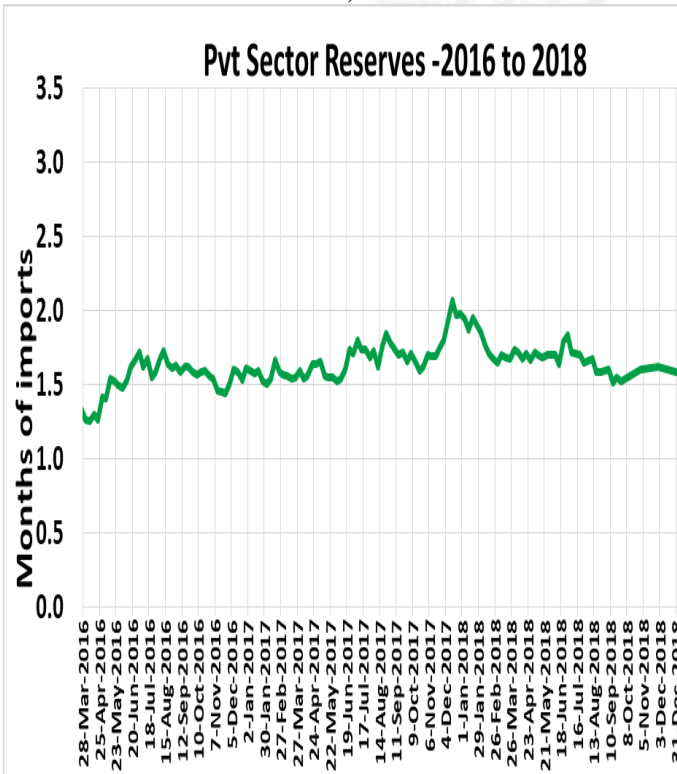
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
11 <sup>th</sup> Jan 2019	36.08	38.89
18 <sup>th</sup> Jan 2019	34.51	41.86
25 <sup>th</sup> Jan 2019	42.44	46.65
31 <sup>st</sup> Jan 2019	10.54	9.81

#### Commentary:

- ADB's FX trading increased during the week ending 25<sup>th</sup> January 2019 compared to the previous week. ADBs purchased a total of US\$42.44 million from the market and sold a total of US\$46.65 million during the week. On Thursday, 31<sup>st</sup> January 2019, ADBs purchased US\$10.54 million from the market and sold US\$9.81 million.

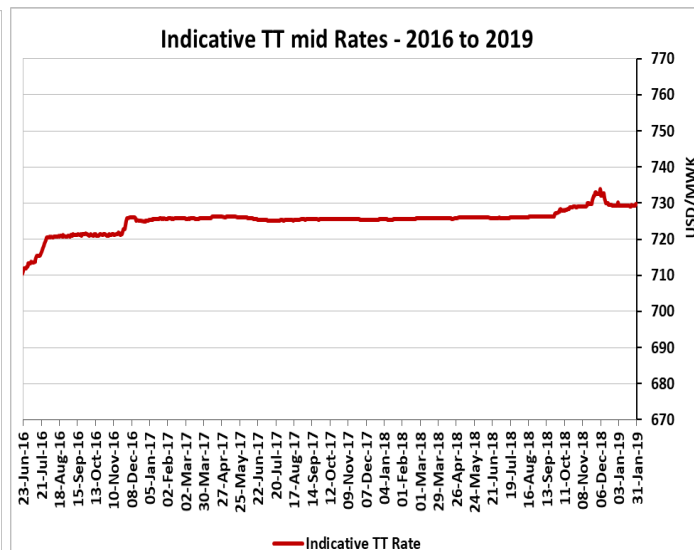
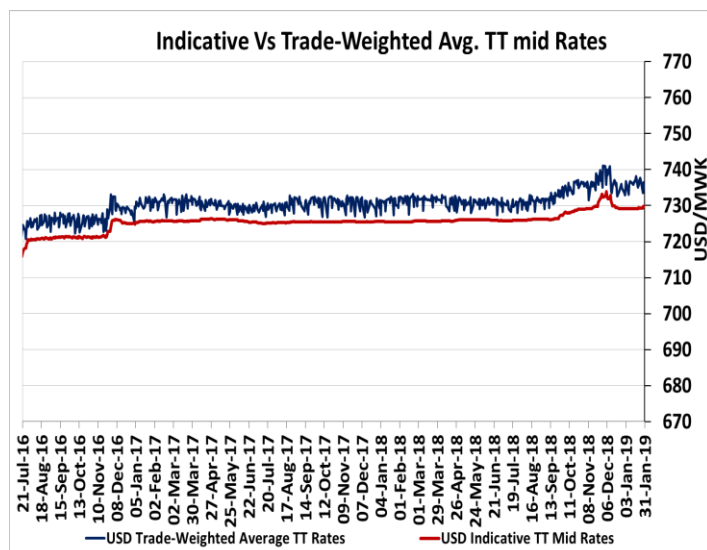


## iii. Exchange Rate Developments

	25 <sup>th</sup> Jan 2019	28 <sup>th</sup> Jan 2019	29 <sup>th</sup> Jan 2019	30 <sup>th</sup> Jan 2019	31 <sup>st</sup> Jan 2019	Today's indicative Rates
MWK/USD	737.0343	733.5983	736.4436	734.7307	735.9664	729.7654
MWK/GBP	962.7723	968.7479	971.3523	920.8172	960.8220	955.7008
MWK/EUR	830.1940	838.5515	837.4647	842.3393	844.1323	834.7057
MWK/ZAR	53.9940	53.8316	53.6365	54.2330	54.7780	54.9257

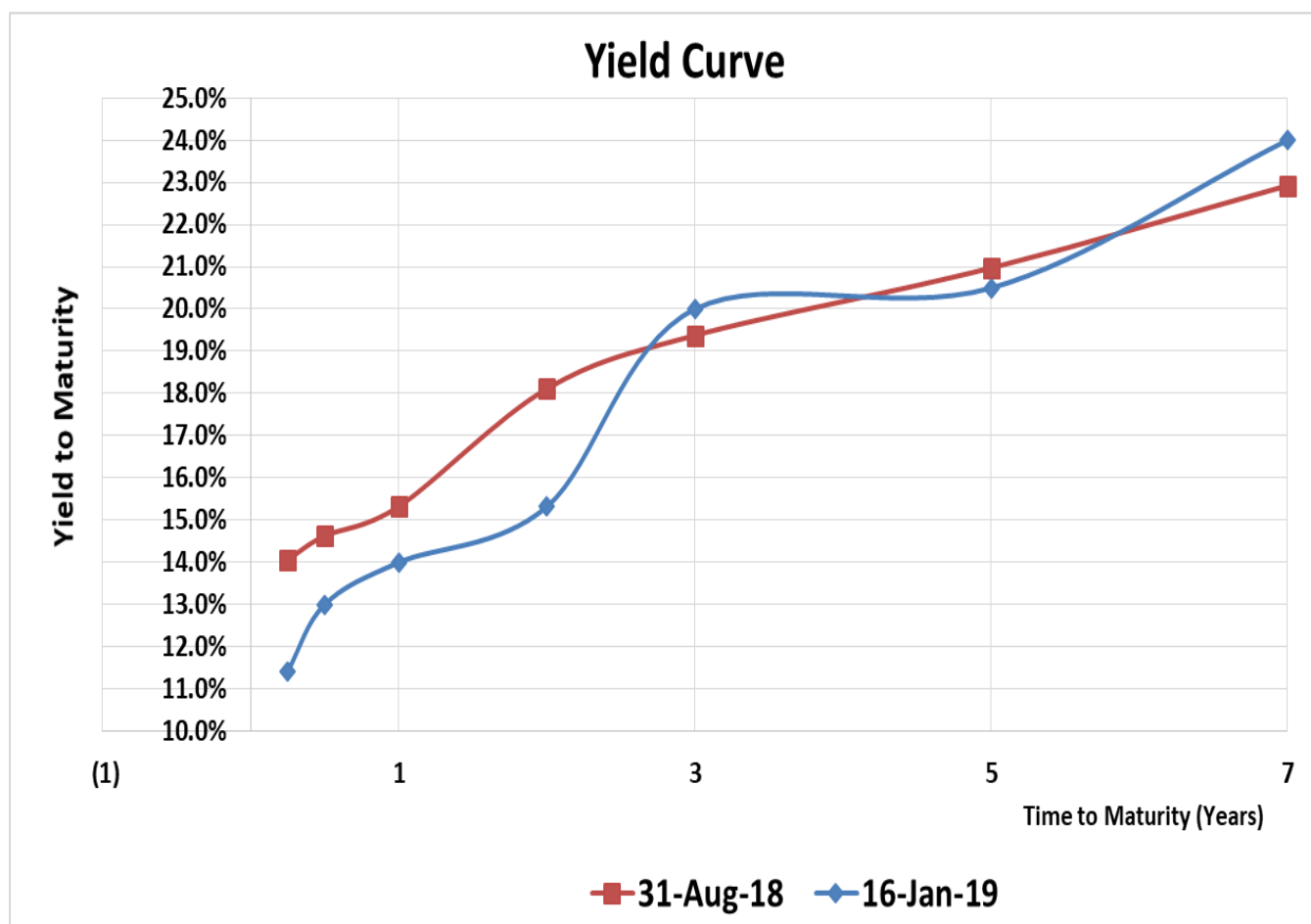
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Thursday, 31<sup>st</sup> January 2019, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to be trading at 729.2654 per US Dollar today, 1<sup>st</sup> February 2019.



#### 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
9 <sup>th</sup> November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%
22 <sup>nd</sup> February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%
29 <sup>th</sup> March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%
31 <sup>st</sup> August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%
16 <sup>th</sup> January 2019	11.42%	13.00%	14.00%	15.32%	20.00%	20.50%	24.00%
16 Jan 2019 – 31 Aug 2018 Change in Yield (Bp)	(264)	(163)	(133)	(279)	(62)	(48)	108



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