



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

*(In Millions of Malawi Kwacha, unless otherwise specified)*

**Tuesday 17<sup>th</sup> June 2014**

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

|   | Today  | Week ending 20 <sup>th</sup> June 2014 | Week ending 27 <sup>th</sup> June 2014 |
|---|--------|--|--|
| Projected Transactions<br>(+= Net injection / - = Net withdrawal) | -247   | 1,853                                  | 2,468                                  |
| Estimated Excess Reserves   | 3,398  | 5,745                                  | 8,213                                  |
| Required Reserves   | 45,388 | 45,388                                 | 45,388                                 |

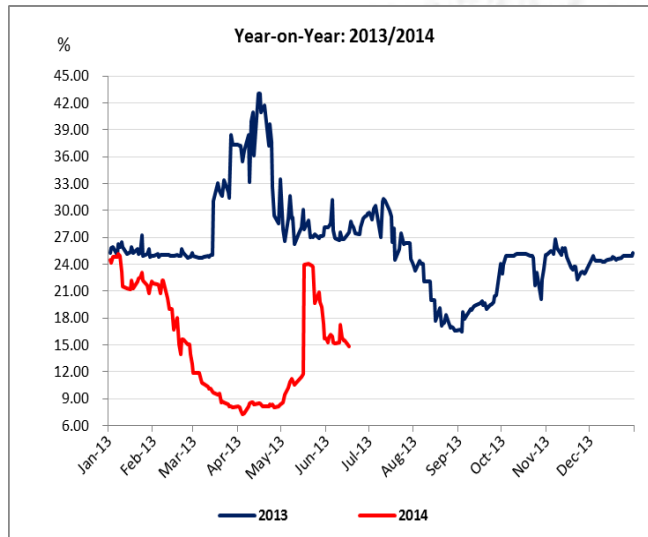
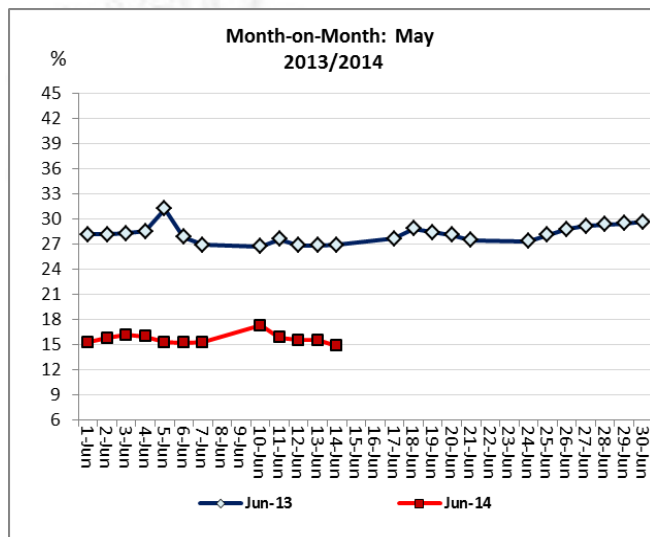
**Commentary:** Excess reserves are estimated at MK3.4 billion from MK3.6 billion yesterday.

### B. INTER-BANK MARKET DEVELOPMENTS

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

|                                       | Volume | Average rate (%) |
|---------------------------------------|--------|------------------|
| <b>(a) Inter-bank borrowing</b>       |        |                  |
| O/N                                   | 5,984  | 14.83            |
| 7 days                                | 800    | 16.00            |
| 14 days                               | -      | -                |
| 30 days                               | -      | -                |
| <b>(b) RBM Open market operations</b> |        |                  |
| (i) Access to the Lombard facility    | -      | -                |
| (ii) Repos                            |        |                  |
| 7 days                                | -      | -                |
| 14 days                               | -      | -                |
| 30 days                               | -      | -                |
| 60 days                               | -      | -                |
| (iii) Reverse Repos                   |        |                  |
| 7 days                                | -      | -                |
| 14 days                               | -      | -                |
| 30 days                               | -      | -                |
| 60 days                               | -      | -                |

## ii. Weighted Average Interbank Rates



**Commentary:** Traded volumes on the interbank market went up to MK6.0 billion yesterday from MK5.1 billion on Friday. The interbank rate went down to 14.83% from 15.50% on Friday and no bank accessed the Lombard facility.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

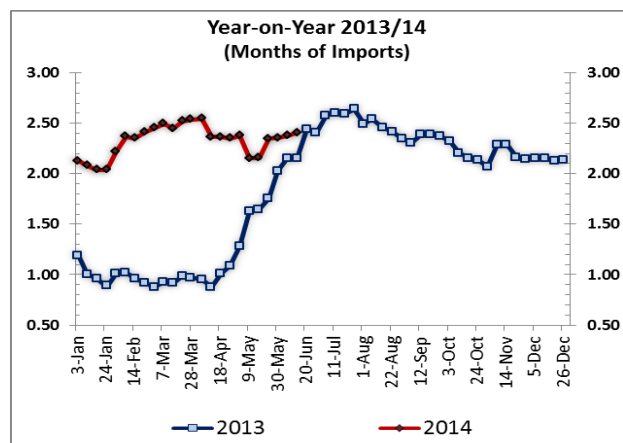
### i. Gross Official Foreign Reserves Position

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

| Week ending                | Reserves (US\$ million) | Import Cover * (Months) |
|----------------------------|-------------------------|-------------------------|
| 6 <sup>th</sup> June 2014  | 455                     | 2.38                    |
| 13 <sup>th</sup> June 2014 | 460                     | 2.41                    |

\* US\$191 million per month is used in this calculation

**Commentary:** Gross official reserves increased during the week under review due to purchases of foreign exchange from the ADBs.



## ii. Private Sector Foreign 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)

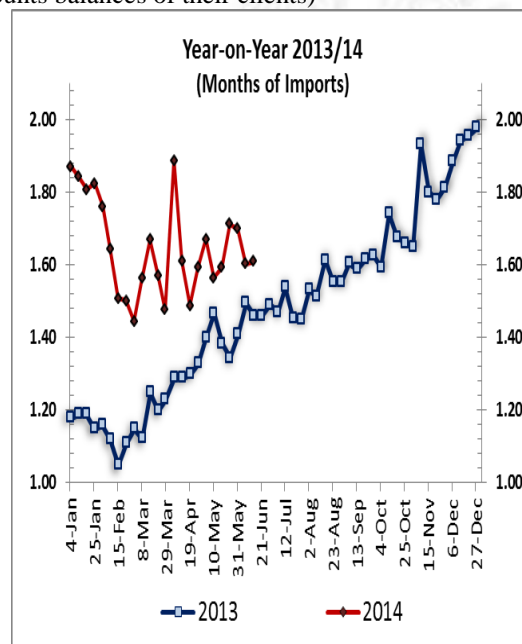
| Week Ending (US\$ m)       | ADB's Own Position | FCDA   | Total  | Import Cover * (Months) |
|----------------------------|--------------------|--------|--------|-------------------------|
| 6 <sup>th</sup> June 2014  | 0.24               | 305.99 | 306.23 | 1.60                    |
| 13 <sup>th</sup> June 2014 | 3.91               | 302.88 | 306.79 | 1.61                    |

\* US\$191.0 million per month is used in this calculation

**ADB's FOREIGN EXCHANGE TRADING ACTIVITY- WEEK ENDING**

| Week Ending (US\$ m)       | ADB's Purchases | ADB's Sales |
|----------------------------|-----------------|-------------|
| 6 <sup>th</sup> June 2014  | 71.08           | 66.55       |
| 13 <sup>th</sup> June 2014 | 69.91           | 68.11       |

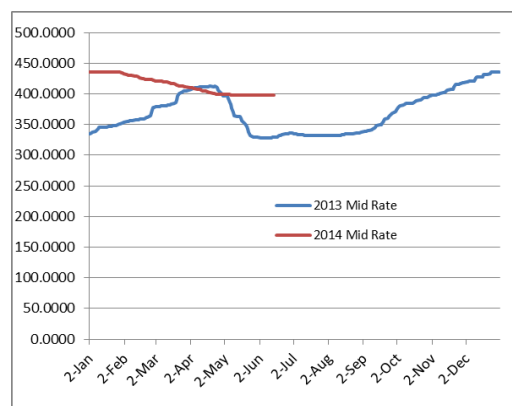
**Commentary:** Private sector reserves rose slightly during the week. FCDAs continue to be volatile compared to a similar period last year. Total ADBs purchases of forex from the market registered \$70 million last week.



## iii. Exchange Rate Developments

| Week ending | 6 <sup>th</sup> June 2014 | 13 <sup>th</sup> June 2014 | Today    |
|-------------|---------------------------|----------------------------|----------|
| MWK/USD     | 397.9090                  | 397.5647                   | 397.5647 |
| MWK/GBP     | 669.2829                  | 673.0373                   | 675.2239 |
| MWK/EUR     | 543.5437                  | 538.7797                   | 539.6543 |
| MWK/ZAR     | 37.2302                   | 37.2475                    | 36.9714  |

**Commentary:** Compared to end of last week, the Kwacha remained unchanged against the USD but depreciated against the GBP and the EUR. However, the local currency appreciated against the ZAR.



## D. MONEY MARKET YIELD CURVE

|                            | Overnight | 7 days | 14 days | 30 days | 91days | 182days | 364days |
|----------------------------|-----------|--------|---------|---------|--------|---------|---------|
| 3rd June 2014              | 15.77%    | -      | -       | -       | 20.62% | 26.17%  | 26.17%  |
| 10 <sup>th</sup> June 2014 | 15.19%    | 20.00  | -       | 27.00   | 20.90% | 26.36%  | 26.59%  |
| Change in yield (bp)       | -58       | -      | -       | -       | 28     | 19      | 42      |

**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.