# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

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

**Wednesday, 29 October 2014**

## A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

| | Today | Week ending 31st October 2014 |
|---|---|---|
| Projected Transactions (+= Net injection / - = Net withdrawal) | 711 | 1,011 |
| Estimated Excess Reserves | 24 | 3,253 |
| Required Reserves | 45,954 | 45,954 |

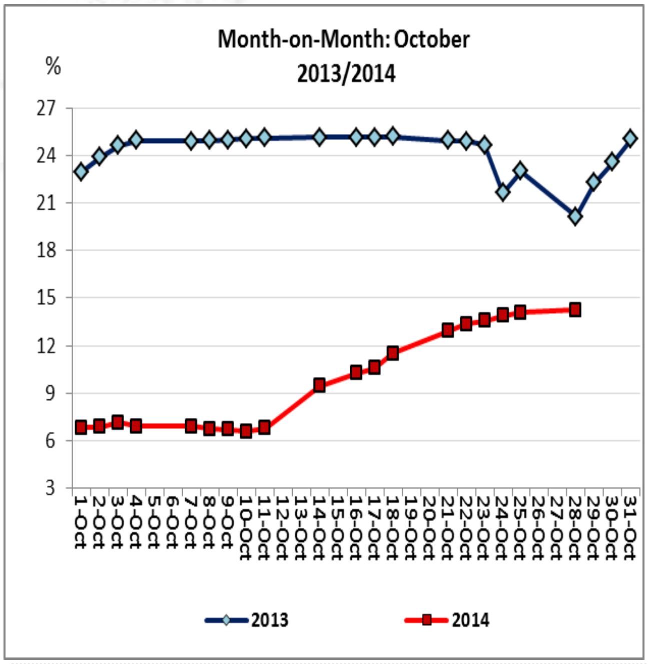
**Commentary:**
- Excess reserves are expected to close today at only MK24 million from MK3.21 billion observed yesterday.

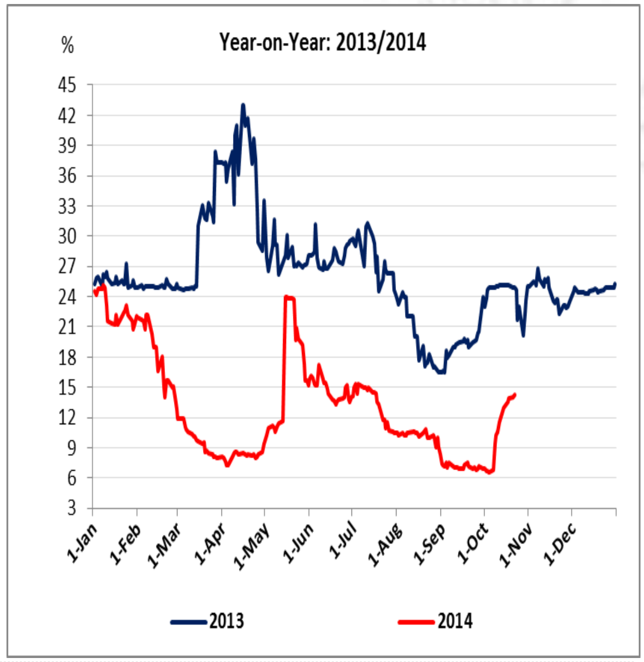
## B. INTER-BANK MARKET DEVELOPMENTS

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

| **(a)** Inter-bank borrowing | **Volume** | **Average rate (%)** |
|---|---|---|
| O/N | 7,900 | 14.25 |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| | | |
| **(b) RBM Open market operations** | | |
| (i) Repos | | |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| | | |
| **(c) Access on the Lombard Facility** | 3,900 | 24.50 |

## ii. Weighted Average Interbank Rates




**Commentary:**

- Traded volumes on the interbank market increased to MK7.90 billion yesterday from MK6.10 billion observed on Monday, 27 October 2014.
- The interbank rate (IBR) gained 17 basis points and closed at 14.25 percent from 14.07 recorded on Monday, 27th October 2014.
- K3.90 billion was accessed from the Lombard Facility yesterday.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

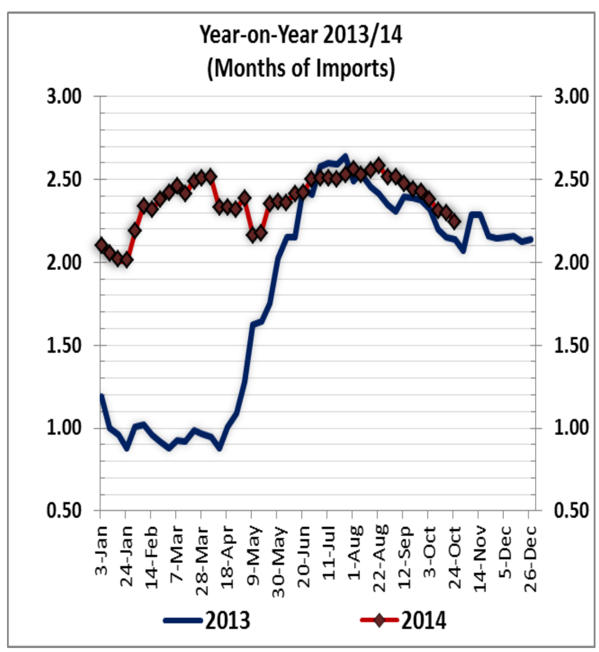
(Foreign reserves under the direct control of the Central Bank)

| Week ending | Reserves (US$ million) | Import Cover * (Months) |
|---|---|---|
| 17th October 2014 | 439.31 | 2.30 |
| 24th October 2014 | 427.35 | 2.24 |

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

**Commentary:**

- Gross Official Reserves decreased during the week ending 24th October 2014 compared to the preceding week. This was mainly on account of Monetary Authorities' continued commitment to support importation of strategic commodities in the economy. However, the official gross foreign exchange reserves were still higher than the position observed same time last year.



## ii. Private Sector Foreign Reserves

(Foreign reserves under the direct control of authrozed dealer banks (ADBs) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

| Week Ending (US$ m) | ADBs Own Position | FCDA | Total | Import Cover * (Months) |
|---|---|---|---|---|
| 17th October 2014 | 14.87 | 309.76 | 324.63 | 1.70 |
| 24th October 2014 | 11.95 | 289.79 | 301.74 | 1.58 |

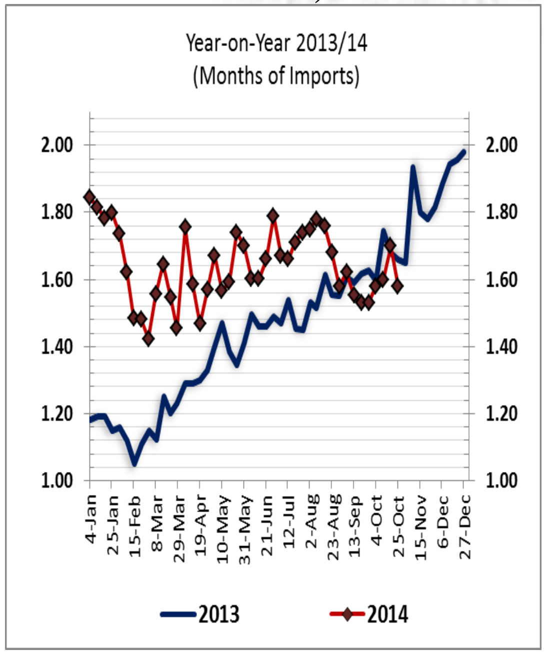
*** US$191.0 million per month is used in this calculation**

**ADBs FOREIGN EXCHANGE TRADING ACTIVITY**

| Week Ending (US$ m) | ADBs Purchases | ADBs Sales |
|---|---|---|
| 17th October 2014 | 44.11 | 47.00 |
| 24th October 2014 | 27.32 | 33.08 |

**Commentary:**

- Private sector foreign exchange reserves declined during the week-ending 24th October 2014 and stood at US$301.74 million.

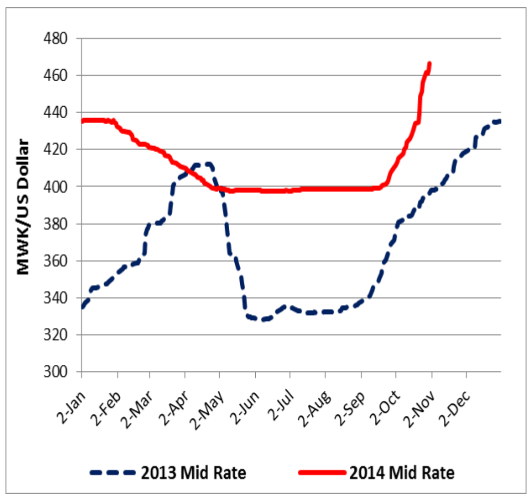



## iii. Exchange Rate Developments

| Week ending | 17th October 2014 | 24th October 2014 | Today |
|---|---|---|---|
| MWK/USD | 434.7152 | 461.8187 | 466.5441 |
| MWK/GBP | 699.3263 | 740.2954 | 752.5356 |
| MWK/EUR | 556.8267 | 584.0159 | 594.0973 |
| MWK/ZAR | 39.1019 | 42.0703 | 43.0137 |

**Commentary:**

- Compared to Friday, 17th October 2014, the Kwacha has depreciated today against the USD, the GBP, the EUR and the ZAR.




## D. MONEY MARKET YIELD CURVE

| | Overnight | 07 days | 14 days | 30 days | 91 days | 182 days | 364 days |
|---|---|---|---|---|---|---|---|
| **21st October 2014** | 12.91% | - | - | - | 20.44% | 20.39% | 20.38% |
| **28th October 2014** | 14.25% | - | - | - | 20.17% | 20.50% | 20.50% |
| **-Change in yield (bp)** | 134 | - | - | - | -27 | 11 | -12 |