



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 12 August 2015

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 14 August 2015
Projected Transactions (+= Net injection / - = Net withdrawal)	-10,999	9,847
Estimated Excess Reserves	11,339	11,540
Required Reserves	40,821	40,821

#### Known Projected Transactions

	Week ending 14 <sup>th</sup> Aug 2015	Week ending 21 <sup>st</sup> Aug 2015	Week ending 28 <sup>th</sup> Aug 2015	August 2015	Sept 2015
Maturity of normal TBs/TNs/PNs	7,427	9,888	10,547	35,737	32,399
Maturity of OMO	-	-	-	-	-

#### Commentary:

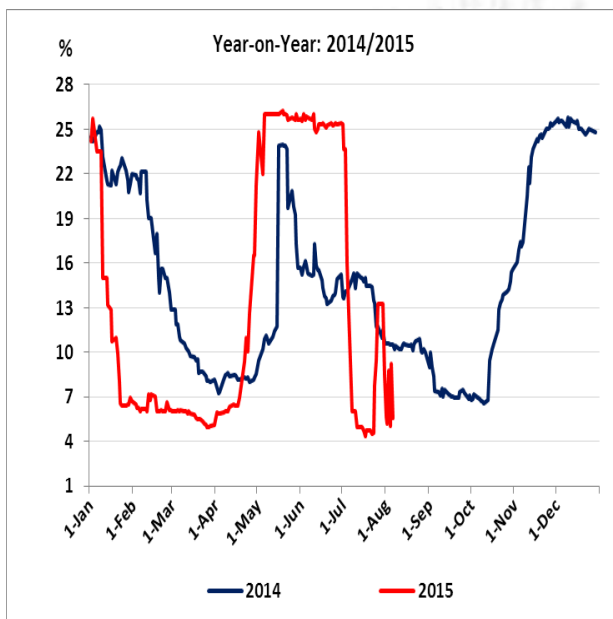
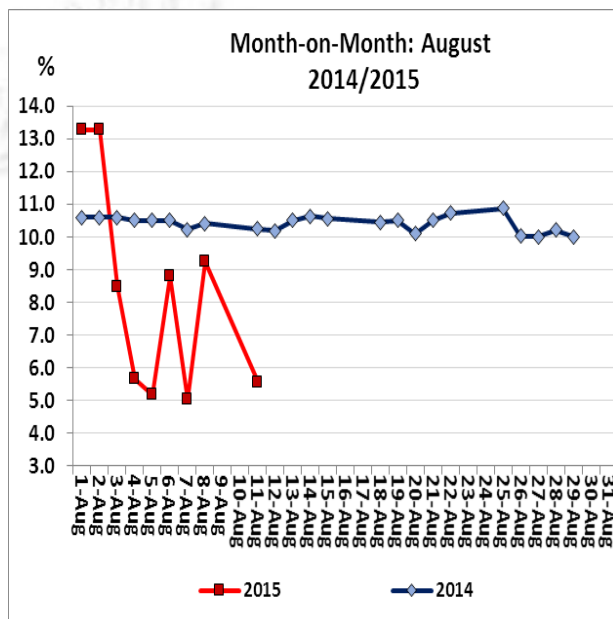
- Excess reserves are estimated to close at K11.34 billion today from K22.14 billion recorded yesterday.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	2,650	5.57
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
(ii) Reverse Repos		
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
(iii) Outright Purchase of Securities	-	-
<b>(c) Access on the Lombard Facility</b>	-	-

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market dropped to K2.65 billion yesterday from K3.65 billion recorded on Monday, 10<sup>th</sup> August 2015.
- The (overnight) interbank market rate closed at 5.57 percent from 9.25 percent recorded this week on Monday.
- No access on the Lombard Facility was recorded yesterday.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

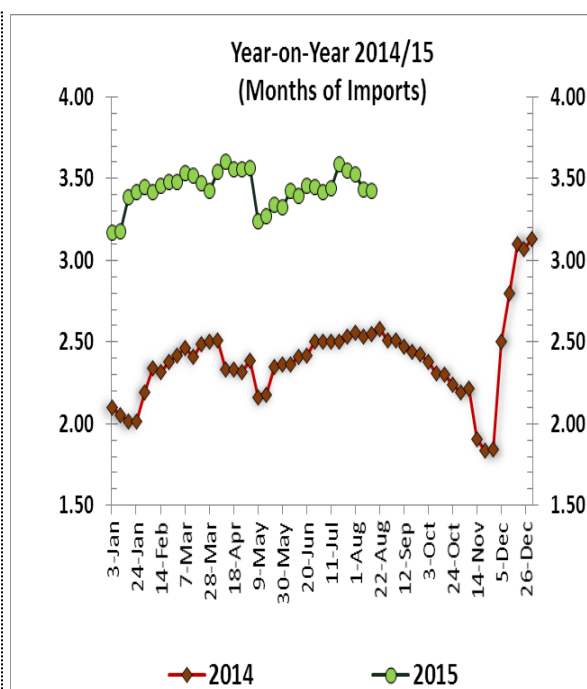
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
31 <sup>st</sup> July 2015	737.51	3.53
07 <sup>th</sup> August 2015	717.75	3.43
10 <sup>th</sup> August 2015	716.65	3.43

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

### Commentary:

- Gross official reserves dropped during the week ending 07<sup>th</sup> August 2015 mainly following monetary authorities' increased sales to the market in support of importation of strategic commodities. As at 10<sup>th</sup> August 2015, gross official reserves stood at US\$716.65 million (3.43 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)
31 <sup>st</sup> July 2015	8.25	297.42	305.67	1.46
07 <sup>th</sup> August 2015	3.15	286.12	289.27	1.38
11 <sup>th</sup> August 2015	3.38	290.64	294.02	1.41

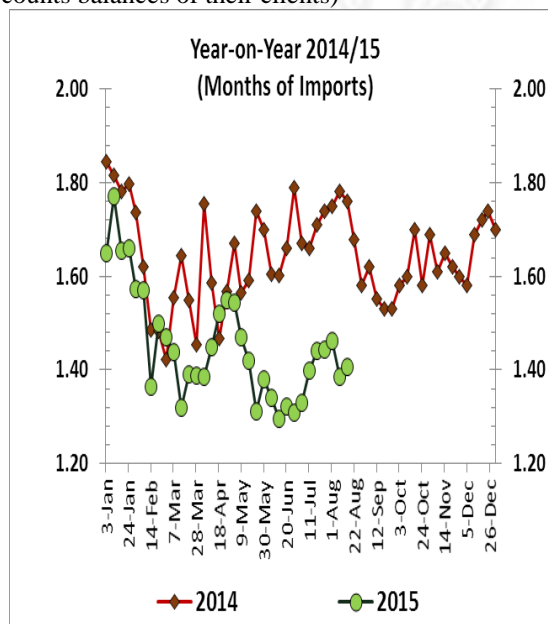
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**ADB's FOREIGN EXCHANGE TRADING ACTIVITY**

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
31 <sup>st</sup> July 2015	43.69	44.83
07 <sup>th</sup> August 2015	53.06	51.25
On 11 <sup>th</sup> August 2015	4.47	6.39

**Commentary:**

- ADB's purchased US\$53.06 million from the market and sold US\$51.25 million during the week ending 07<sup>th</sup> August 2015. On Tuesday, 11<sup>th</sup> August 2015, ADB's purchased US\$4.47 million and sold US\$6.39 million.

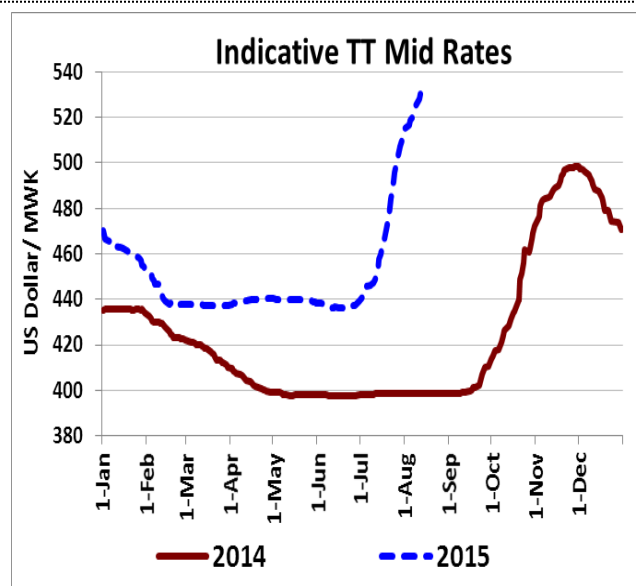
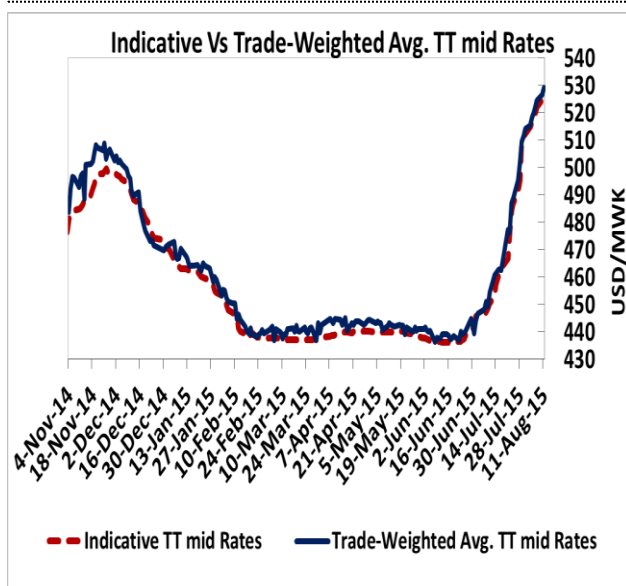


## iii. Exchange Rate Developments

	04 Aug 2015	05 Aug 2015	06 Aug 2015	07 Aug 2015	10 Aug 2015	11 Aug 2015	Today Indicative
MWK/USD	518.2052	520.1455	522.7324	524.3404	526.7247	529.2941	529.9424
MWK/GBP	808.8096	809.3464	809.7803	811.7383	813.6456	819.2669	825.2263
MWK/EUR	570.5668	567.2382	569.9331	570.1282	573.3125	575.7106	585.1624
MWK/ZAR	43.0385	42.9382	42.9122	42.8220	42.6747	43.6378	41.4458

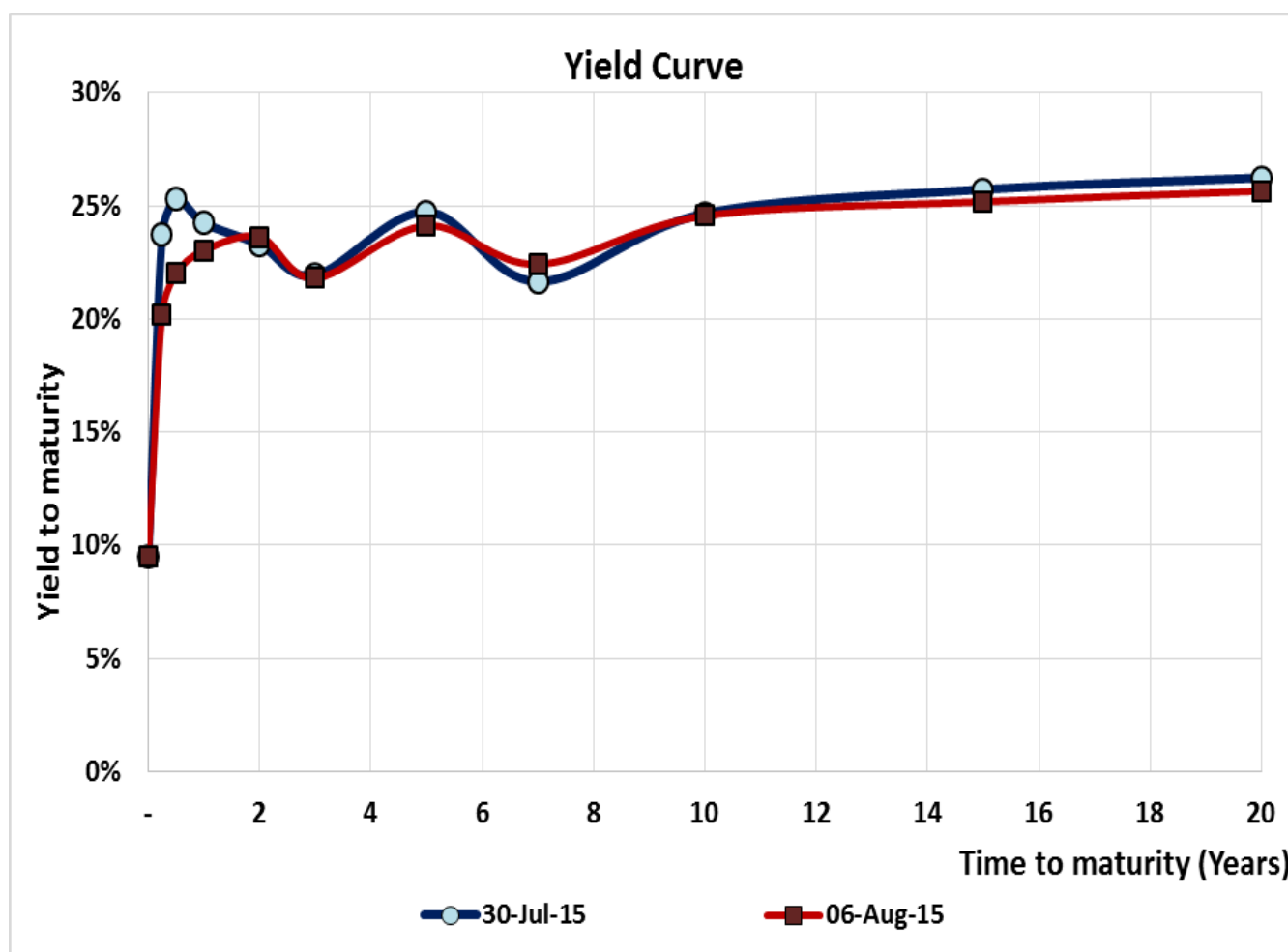
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus.

**Commentary:** Yesterday, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around MK529.9424 against the USD today.



#### D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	Overnight	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
18 <sup>th</sup> June 2015	25.06%	24.89%	25.13%	25.14%	23.49%	24.55%	25.72%	26.00%	26.71%	27.91%	28.26%
25 <sup>th</sup> June 2015	25.23%	24.77%	24.91%	25.14%	26.44%	27.26%	28.97%	30.02%	30.99%	32.15%	33.19%
02 <sup>nd</sup> July 2015	25.35%	25.37%	25.01%	25.02%	24.22%	24.04%	26.50%	25.59%	27.08%	27.82%	28.52%
09 <sup>th</sup> July 2015	16.00%	24.00%	25.01%	25.02%	23.17%	22.76%	25.62%	24.16%	26.27%	27.04%	27.56%
23 <sup>rd</sup> July 2015	4.36%	23.10%	23.21%	24.53%	23.42%	22.94%	24.91%	23.94%	25.43%	25.96%	26.35%
30 <sup>th</sup> July 2015	9.49%	23.75%	25.32%	24.23%	23.28%	21.93%	24.73%	21.65%	24.65%	25.72%	26.23%
06 <sup>th</sup> August 2015	9.53%	20.22%	22.00%	23.02%	23.62%	21.80%	24.12%	22.41%	24.55%	25.17%	25.65%
06 August-30 July 2015 Change in Yield (Bp)	04	(255)	(332)	(121)	34	(13)	(61)	76	(10)	(55)	(58)



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