



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 31 August 2015

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 04 September 2015
Projected Transactions (+= Net injection / - = Net withdrawal)	-4,826	19,727
Estimated Excess Reserves	179	24,733
Required Reserves	44,874	44,874

Known Projected Transactions

	Week ending 04 th Sep 2015	Week ending 11 th Sep 2015	Week ending 18 th Sep 2015	Sept 2015	Oct 2015
Maturity of normal TBs/TNs/PNs	16,073	4,248	3,670	32,399	47,924
Maturity of OMO	20,990	-	-	20,990	1,239

Commentary:

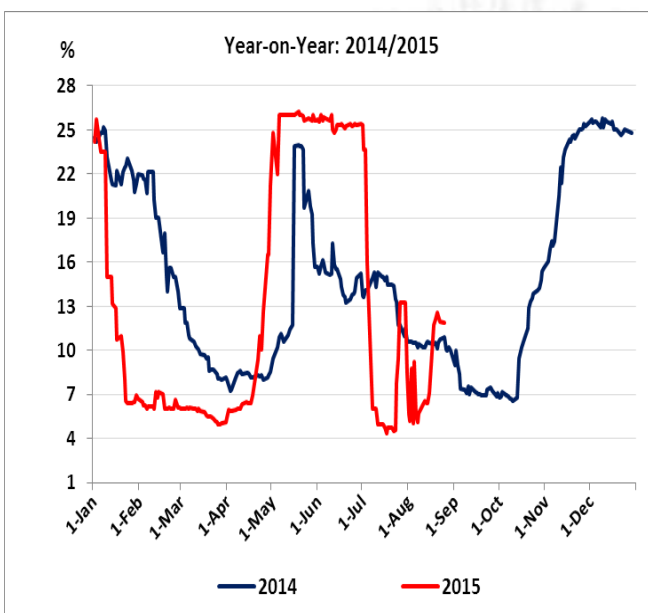
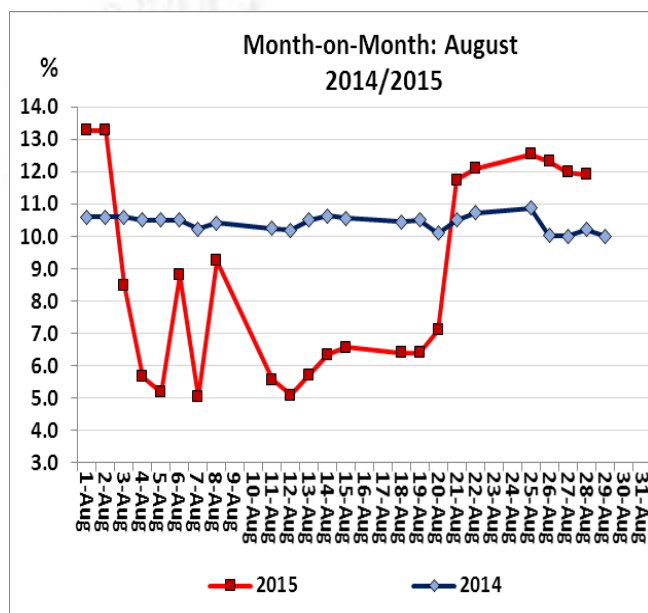
- Excess reserves are estimated to close at K179 million today from K4.77 billion recorded last Friday.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	9,170	11.91
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
6 days	3,350	19.19
14 days	-	-
30 days	-	-
60 days	-	-
(ii) Reverse Repos		
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
(iii) Outright Purchase of Securities	-	-
(c) Access on the Lombard Facility	3,500	27.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K9.17 billion last Friday from K4.95 billion on Thursday, 27th August 2015.
- The (overnight) interbank market rate closed last week at 11.91 percent from 11.98 percent observed on Thursday, 27th August 2015.
- K3.50 billion was accessed on the Lombard Facility last Friday.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

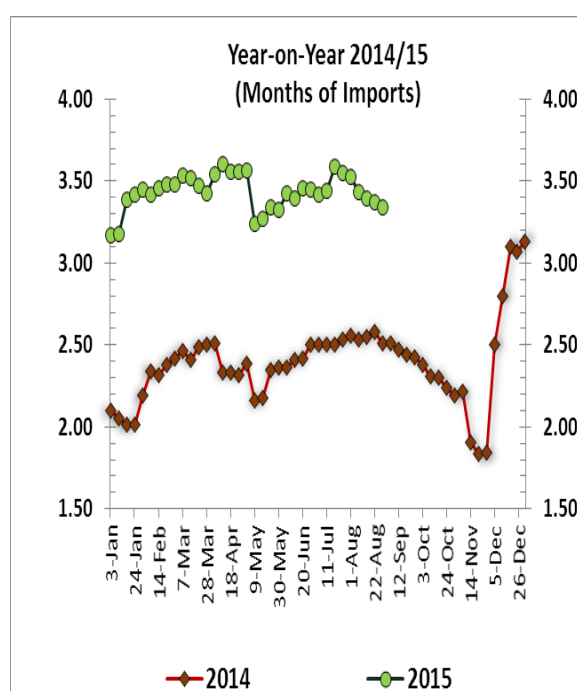
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
14 th August 2015	708.87	3.39
21 st August 2015	704.16	3.37
27 th August 2015	697.84	3.34

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

Commentary:

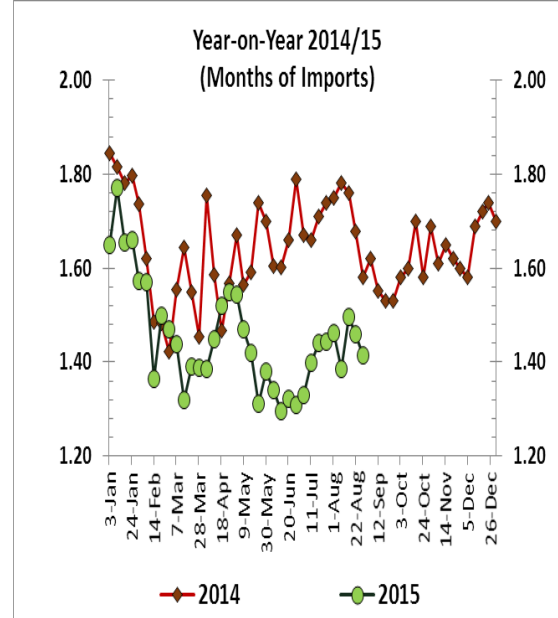
- Gross official reserves dropped during the week ending 21st August 2015 compared to the preceding week. The official reserves is expected to have declined further by the end of business on 28th August 2015 as monetary authorities continued to sale foreign exchange in support of importation of strategic commodities in the market.



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)
14 th August 2015	4.50	308.14	312.64	1.50
21 st August 2015	6.11	298.96	305.07	1.46
28 th August 2015	7.13	288.39	295.51	1.41
* 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		
21 st August 2015	28.31	32.88		
28 th August 2015	47.56	52.39		
On 28 th August 2015	6.20	7.99		
Commentary:				
• During the week ending 28 th August 2015, ADB's purchased US\$47.56 million from the market and sold US\$52.39 million. On 28 th August 2015 alone, ADBs purchased US\$6.20 million and sold US\$7.99 million.				

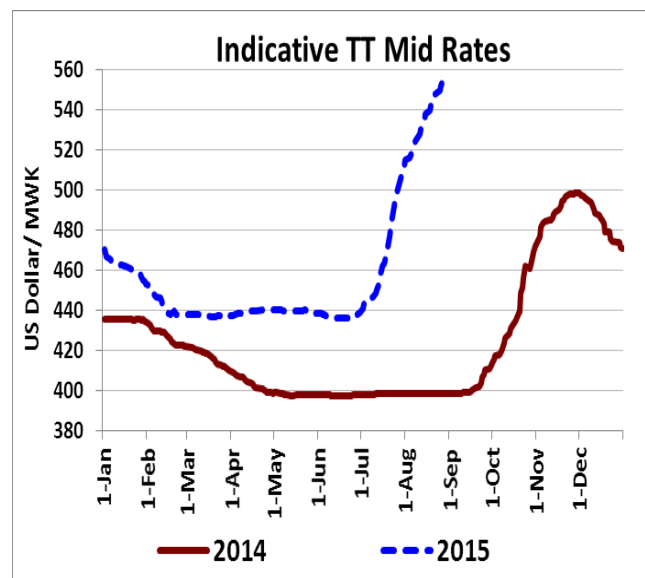
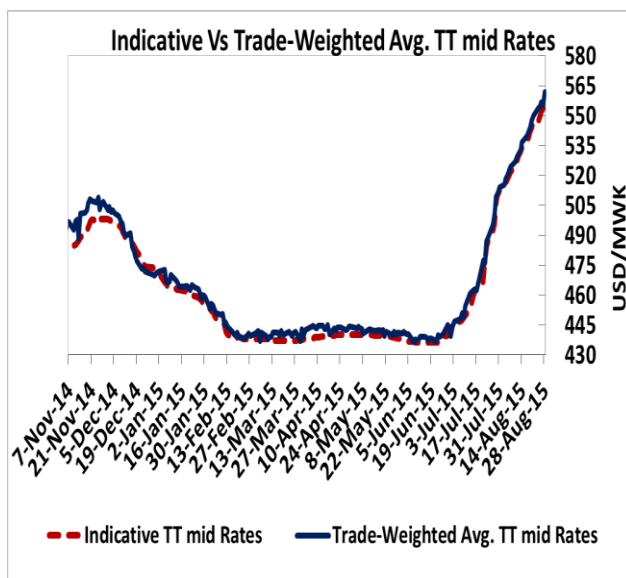


iii. Exchange Rate Developments

	21 Aug 2015	24 Aug 2015	25 Aug 2015	26 Aug 2015	27 Aug 2015	28 Aug 2015	Today Indicative
MWK/USD	549.9364	553.71879	554.77982	556.69506	555.54007	561.8209	557.9798
MWK/GBP	861.3086	863.08135	863.07354	866.41056	863.87444	858.4331	859.0657
MWK/EUR	619.0463	631.39932	637.87098	632.97417	636.78272	630.4503	623.6540
MWK/ZAR	43.8988	42.70747	42.66891	42.87274	42.96361	42.8954	41.9543

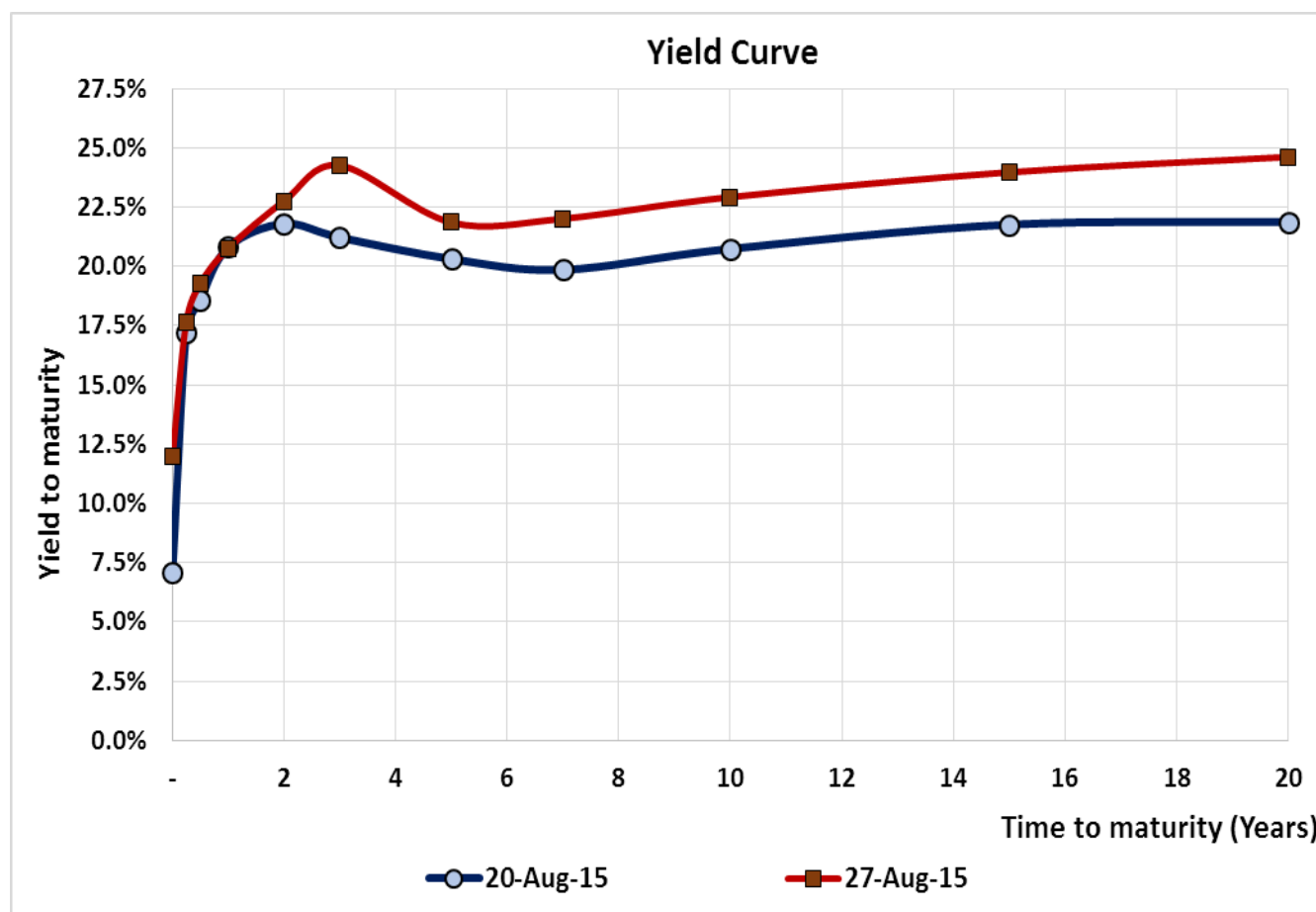
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus.

Commentary: On Friday, 28th August 2015, the Kwacha appreciated against the GBP, the EUR and the ZAR. The local unit nonetheless, depreciated against the USD. Indicatively, the Malawi Kwacha is expected to trade around K557.9798 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
25 th 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 nd 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 th 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 rd 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 th 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 th August 2015	9.53%	20.22%	22.00%	23.02%	23.62%	21.80%	24.12%	22.41%	24.55%	25.17%	25.65%
13 th August 2015	5.72%	18.55%	19.73%	23.07%	23.49%	20.97%	20.64%	20.81%	21.51%	22.16%	22.55%
20 th August 2015	7.10%	17.21%	18.57%	20.81%	21.80%	21.22%	20.31%	19.85%	20.74%	21.76%	21.87%
27 th August 2015	11.98%	17.66%	19.25%	20.76%	22.75%	24.26%	21.85%	22.01%	22.92%	23.97%	24.62%
27 Aug-20 Aug 2015 Change in Yield (Bp)	488	45	68	(5)	95	303	154	216	218	221	274



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