



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 04 January 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 08 January 2016
Projected Transactions (+= Net injection / - = Net withdrawal)	-1,750	-1,963
Estimated Excess Reserves	15,763	15,550
Required Reserves	49,762	49,762

#### Known Projected Transactions

	Week ending 08 <sup>th</sup> Jan 2016	Week ending 15 <sup>th</sup> Jan 2016	Week ending 22 <sup>nd</sup> Jan 2016	Jan 2016	Feb 2016
Maturity of normal TBs/TNs/PNs	1,933	4,466	12,690	34,016	27,695
Maturity of OMO	3,542	5,646	9,347	25,792	17,716

#### Commentary:

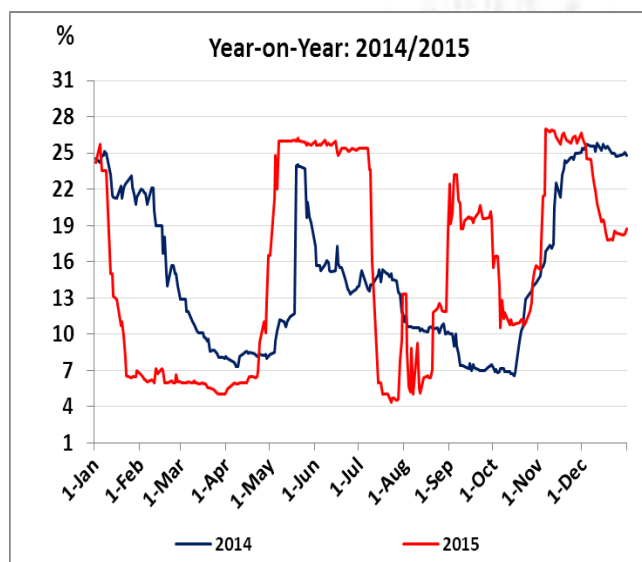
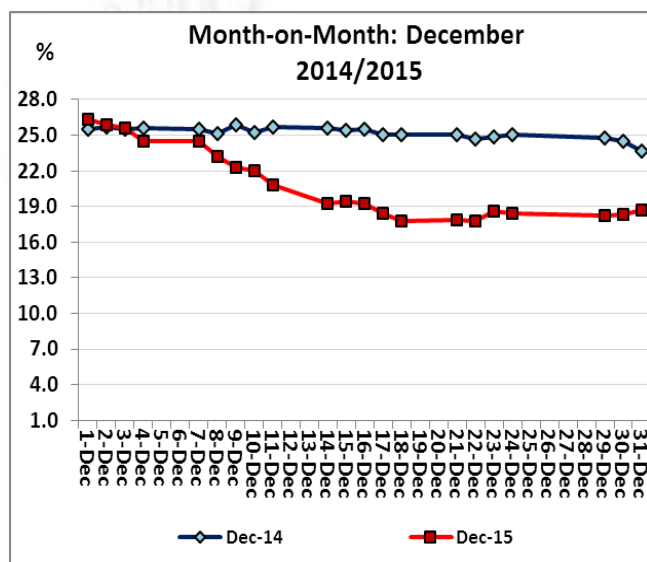
- Excess reserves are estimated to close at K15.76 billion today from K17.51 billion recorded on Thursday, 31<sup>st</sup> December 2015.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	3,650	18.69
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	700	27.00
62 days	3,001	27.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
90 days	-	-
(iii) Outright Purchase of Securities	-	-
<b>(c) Access on the Lombard Facility</b>	1,800	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market declined to K3.65 billion last Thursday from K5.16 billion recorded during the preceding day.
- The overnight interbank market rate (IBR) closed the year 2015 at 18.69 percent from 18.30 percent observed on Wednesday, 30<sup>th</sup> December 2015.
- A total of K3.70 billion was withdrawn from the banking system last Thursday through repos.
- K1.80 billion was accessed on the Lombard Facility on 31<sup>st</sup> December 2015.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

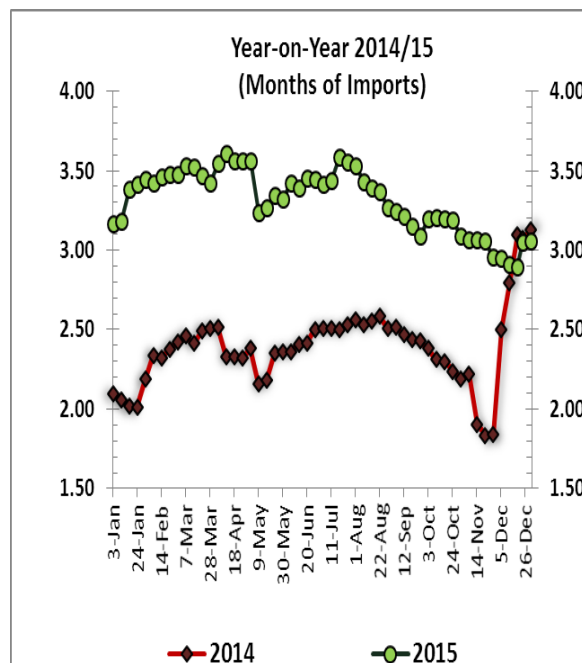
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
11 <sup>th</sup> December 2015	608.16	2.91
18 <sup>th</sup> December 2015	605.67	2.90
24 <sup>th</sup> December 2015	637.38	3.05
30 <sup>th</sup> December 2015	638.85	3.06

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

### Commentary:

- Gross official reserves significantly increased to US\$637.38 million (3.05 months of imports) during the week ending 25<sup>th</sup> December 2015 mainly following purchases from the market compared to US\$605.67 million (2.90 months of imports) that was recorded during the previous week. As at 30<sup>th</sup> December 2015, the gross official reserves marginally increased and stood at US\$638.85 million (3.06 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)
18 <sup>th</sup> December 2015	6.06	324.29	330.35	1.58
24 <sup>th</sup> December 2015	5.54	334.77	340.31	1.63
30 <sup>th</sup> December 2015	4.55	336.44	340.99	1.63

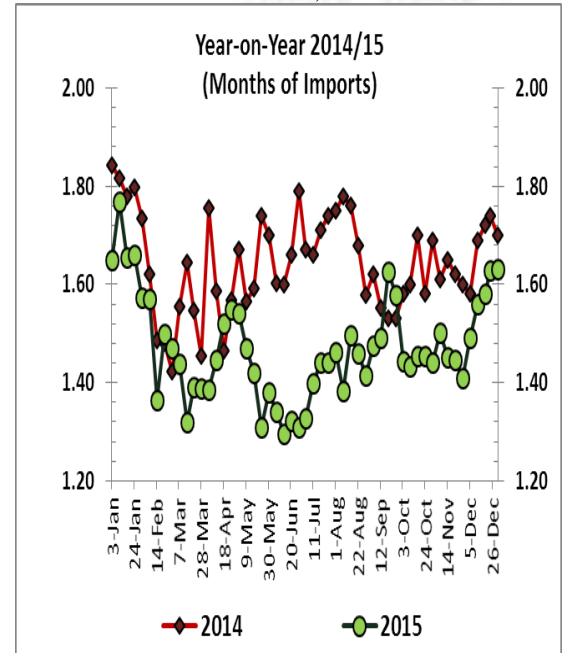
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
25 <sup>th</sup> December 2015	21.87	27.01
01 <sup>st</sup> January 2016	11.25	15.68
On 31 <sup>st</sup> December 2015	5.86	8.61

#### Commentary:

- During the week ending 01<sup>st</sup> January 2016, ADBs purchased a total of US\$11.25 million from the market and sold US\$15.68 million. On 31<sup>st</sup> December 2015 alone, ADBs purchased US\$5.86 million from the market and sold US\$8.61 million.

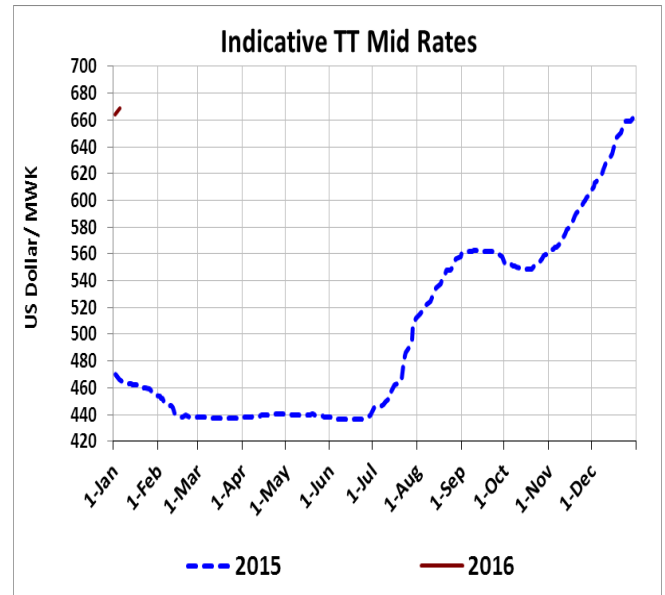
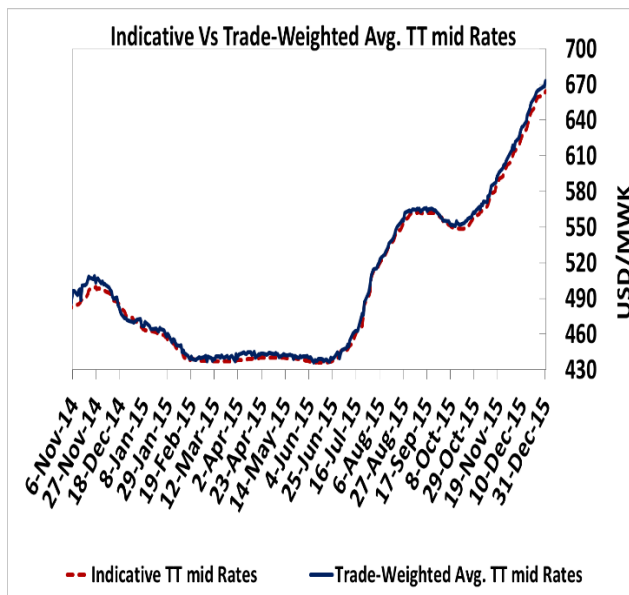


## iii. Exchange Rate Developments

	22 Dec 2015	23 Dec 2015	24 Dec 2015	29 Dec 2015	30 Dec 2015	31 Dec 2015	Today Indicative
MWK/USD	660.1641	663.3177	664.6533	667.6690	668.0664	672.6838	668.5401
MWK/GBP	982.9704	978.2260	989.2042	989.3948	991.0463	997.5306	985.8961
MWK/EUR	718.4863	725.1337	728.3072	728.4133	728.7870	732.3748	725.9008
MWK/ZAR	43.7467	43.6589	43.9372	43.6601	43.5332	43.4138	43.2055

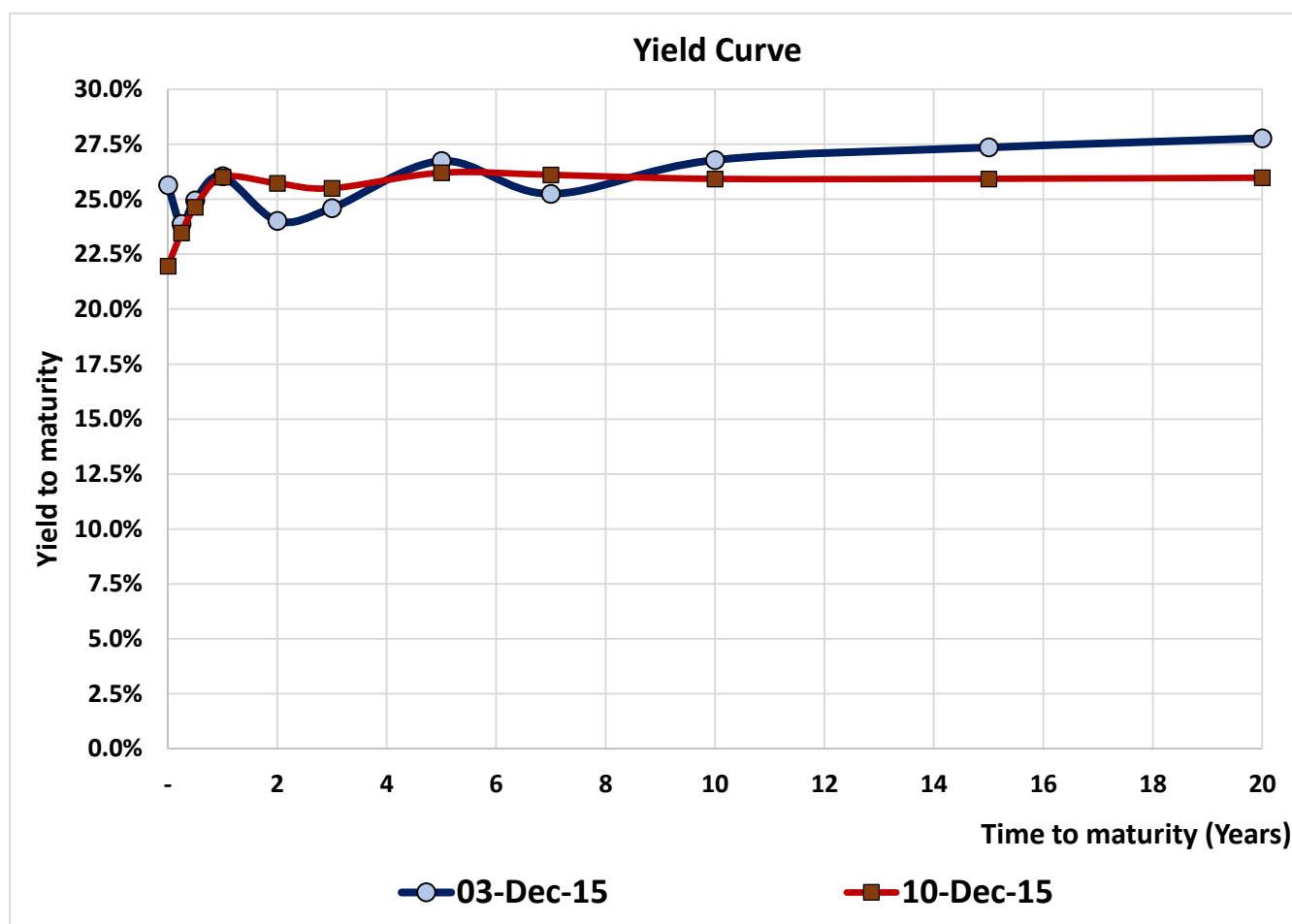
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus

**Commentary:** On Thursday, 31<sup>st</sup> December 2015, the Kwacha depreciated against the USD, the EUR, and the GBP, and appreciated against the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K668.5401 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
01 <sup>st</sup> October 2015	15.50%	19.52%	21.09%	22.75%	24.16%	24.41%	25.00%	24.60%	24.38%	24.35%	24.43%
08 <sup>th</sup> October 2015	11.32%	20.21%	20.51%	22.27%	23.39%	22.61%	22.72%	22.80%	23.41%	24.66%	25.43%
15 <sup>th</sup> October 2015	10.76%	19.88%	21.59%	21.78%	23.66%	24.24%	23.31%	23.60%	24.53%	25.38%	26.00%
22 <sup>nd</sup> October 2015	10.68%	21.32%	23.38%	23.61%	23.82%	22.36%	22.54%	22.43%	22.75%	23.17%	23.47%
29 <sup>th</sup> October 2015	15.20%	21.38%	22.38%	23.67%	24.85%	24.86%	25.57%	24.73%	24.21%	23.97%	23.78%
05 <sup>th</sup> November 2015	21.51%	19.95%	22.07%	23.41%	24.13%	23.94%	23.93%	24.22%	24.56%	24.72%	25.08%
12 <sup>th</sup> November 2015	26.83%	21.17%	22.64%	24.10%	24.98%	25.10%	25.45%	25.72%	25.87%	26.13%	26.31%
19 <sup>th</sup> November 2015	26.42%	24.85%	25.72%	25.80%	25.82%	25.17%	27.74%	25.39%	27.74%	28.52%	29.01%
26 <sup>th</sup> November 2015	26.44%	25.67%	25.80%	26.84%	25.22%	25.65%	27.97%	25.53%	27.73%	28.34%	28.77%
03 <sup>rd</sup> December 2015	25.64%	23.87%	24.95%	26.04%	24.02%	24.60%	26.74%	25.25%	26.79%	27.36%	27.78%
10 <sup>th</sup> December 2015	21.96%	23.47%	24.63%	26.00%	25.72%	25.50%	26.20%	26.11%	25.93%	25.93%	25.98%
10 Dec - 03 Dec 2015 Change in Yield (Bp)	-368	-40	-32	-04	170	90	-54	86	-86	-143	-180



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