



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 18 January 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 22 <sup>nd</sup> January 2016
Projected Transactions (+= Net injection / - = Net withdrawal)	-1,883	32,820
Estimated Excess Reserves	2,988	37,690
Required Reserves	51,333	51,333

#### Known Projected Transactions

	Week ending 22 <sup>nd</sup> Jan 2016	Week ending 29 <sup>th</sup> Jan 2016	Week ending 05 <sup>th</sup> Feb 2016	Jan 2016	Feb 2016
Maturity of normal TBs/TNs/PNs	12,690	4,785	3,804	34,016	27,695
Maturity of OMO	29,542	5,713	1,992	47,566	20,083

#### Commentary:

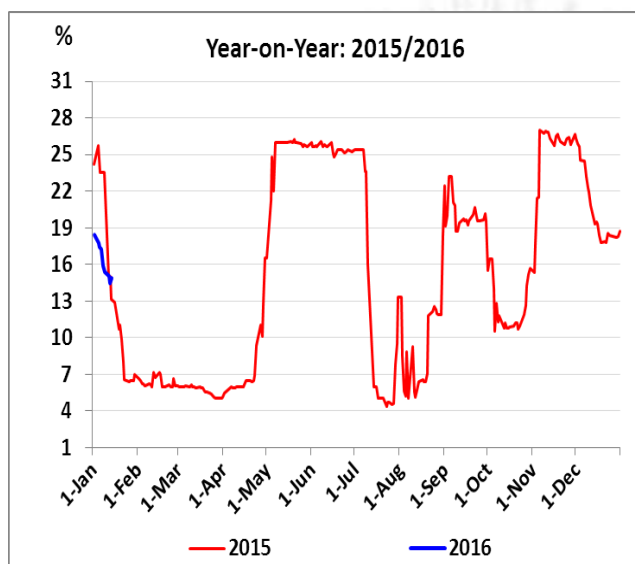
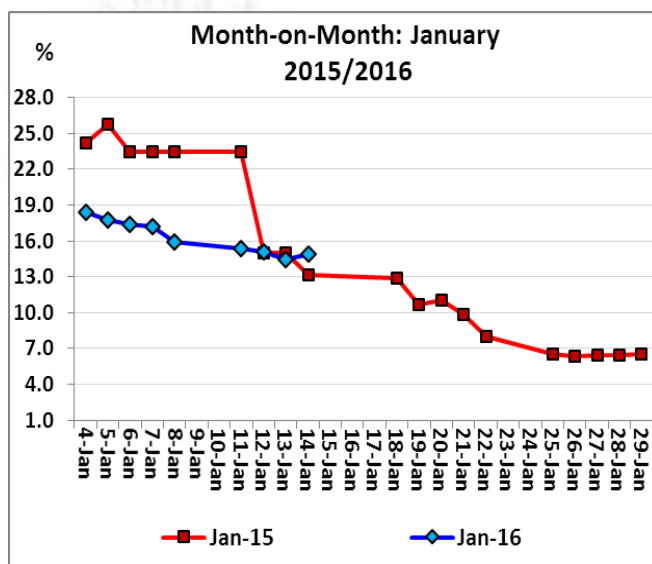
- Excess reserves are estimated to close at K2.99 billion today from K5.48 billion recorded last Thursday.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	7,150	14.91
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
90 days	-	-
(iii) Outright Purchase of Securities	-	-
<b>(c) Access on the Lombard Facility</b>	800	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market increased to K7.15 billion last week on Thursday from K6.05 billion that was recorded during the preceding day.
- The overnight interbank market rate (IBR) closed at 14.91 percent last week from 14.49 percent observed on Wednesday, 13<sup>th</sup> January 2016.
- K800 was accessed on the Lombard Facility on 14<sup>th</sup> January 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

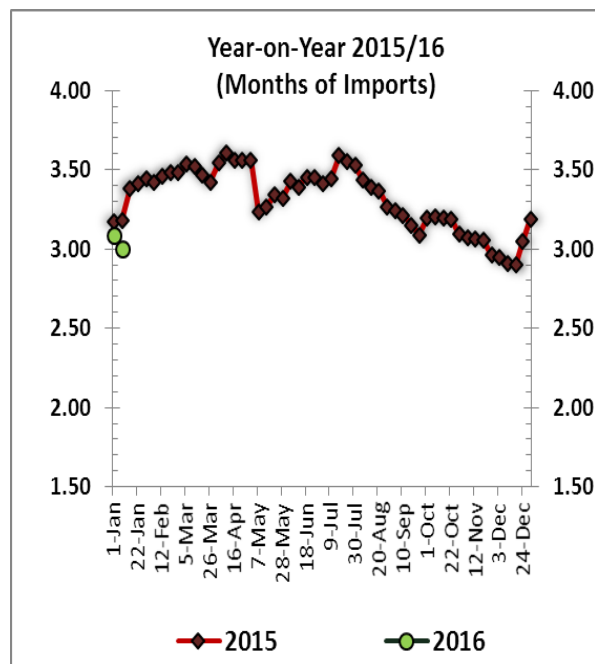
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
24 <sup>th</sup> December 2015	637.38	3.05
31 <sup>st</sup> December 2015	666.07	3.19
08 <sup>th</sup> January 2016	645.24	3.09
13 <sup>th</sup> January 2016	626.65	3.00

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

### Commentary:

- Gross official reserves declined during the week ending 08<sup>th</sup> January 2016 compared to the preceding week. The gross official reserves further declined to US\$626.65 million (3.00 months of imports) as at 13<sup>th</sup> January 2016 following sales to the market by monetary authorities.



## 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> December 2015	4.12	330.30	334.42	1.60
08 <sup>th</sup> January 2016	3.35	323.04	326.38	1.56
13 <sup>th</sup> January 2016	5.43	322.06	327.49	1.57

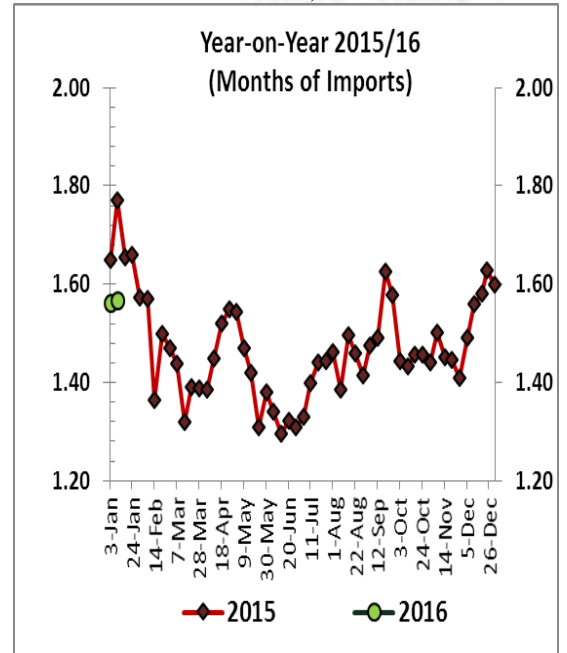
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
08 <sup>th</sup> January 2016	42.69	43.47
14 <sup>th</sup> January 2016	32.07	33.80
On 14 <sup>th</sup> January 2016	4.17	6.75

#### Commentary:

- During the week ending 15<sup>th</sup> January 2016, ADBs purchased a total of US\$32.07 million from the market and sold US\$33.80 million. On 14<sup>th</sup> January 2016 alone, ADBs purchased US\$4.17 million from the market and sold US\$6.75 million.

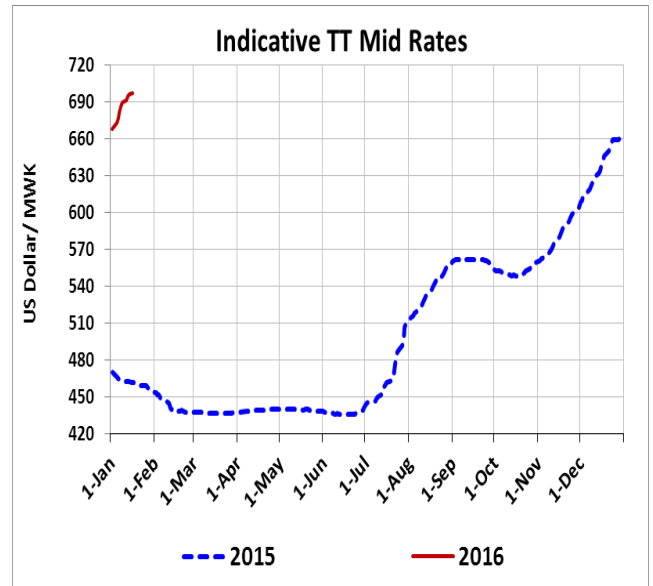
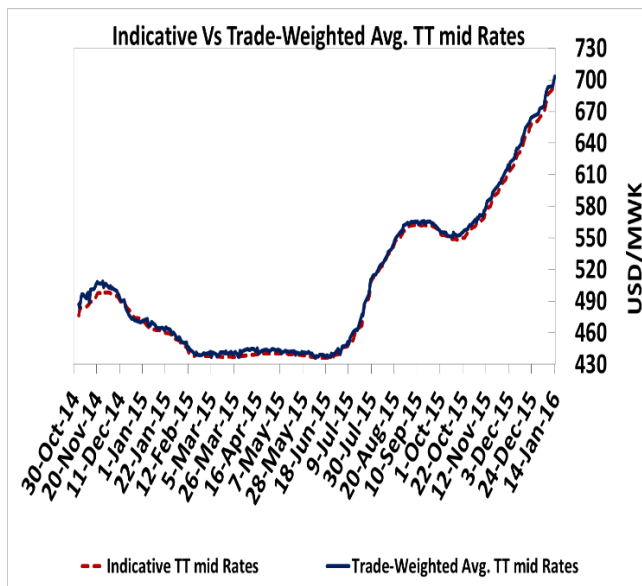


## iii. Exchange Rate Developments

	07 Jan 2016	08 Jan 2016	11 Jan 2016	12 Jan 2016	13 Jan 2016	14 Jan 2016	Today Indicative
MWK/USD	691.5182	693.2796	693.4911	693.7660	697.8908	703.1249	697.7014
MWK/GBP	1,009.1963	1,008.8373	1,008.4818	1,019.1936	1,008.8927	1,014.5540	995.1315
MWK/EUR	740.6657	748.1808	760.4179	756.2226	761.3751	761.6761	761.8202
MWK/ZAR	43.5733	43.8413	42.1132	41.7592	42.7043	42.4571	41.6404

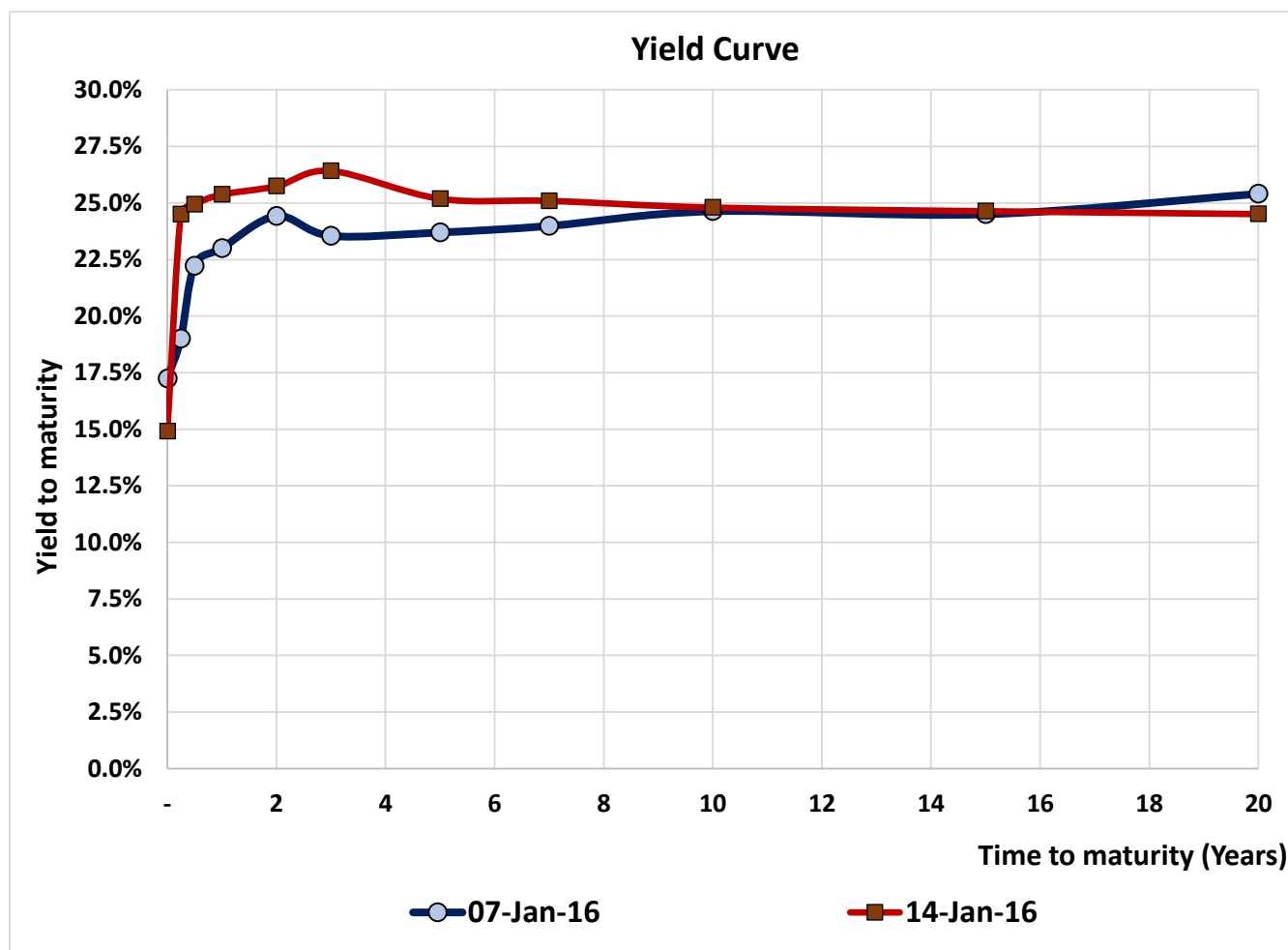
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus

**Commentary:** On Thursday, 14<sup>th</sup> January 2016, 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 K697.7014 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
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%
17 <sup>th</sup> December 2015	18.42%	24.50%	26.65%	26.24%	26.12%	25.87%	26.42%	26.63%	26.61%	26.62%	26.44%
24 <sup>th</sup> December 2015	18.40%	27.00%	26.00%	25.23%	25.53%	24.98%	26.23%	26.50%	26.29%	26.42%	26.49%
31 <sup>st</sup> December 2015	18.69%	22.17%	23.18%	24.10%	25.00%	25.13%	25.47%	25.74%	25.89%	26.15%	26.32%
07 <sup>th</sup> January 2016	17.24%	19.00%	22.22%	23.00%	24.42%	23.55%	23.70%	23.99%	24.64%	24.51%	25.41%
14 <sup>th</sup> January 2016	14.91%	24.50%	24.95%	25.38%	25.74%	26.42%	25.19%	25.10%	24.80%	24.64%	24.51%
14 – 07 Jan 2016 Change in Yield (Bp)	-233	550	273	238	132	287	149	111	16	13	-90



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