



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 04 May 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 6 <sup>th</sup> May 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-5,845	-3,606
Estimated Excess Reserves before OMO	1,422	2,813
Estimated Excess Reserves after OMO	5,000	5,000
Required Reserves	47,854	47,854

#### Known Projected Transactions

	Week ending 06 <sup>th</sup> May 2016	Week ending 13 <sup>th</sup> May 2016	Week ending 20 <sup>th</sup> May 2016	May 2016	June 2016
Maturity of normal TBs/TNs/PNs	8,551	6,494	7,779	27,519	39,531
Maturity of OMO	10,469	32,277	665	75,709	20,072

#### Commentary:

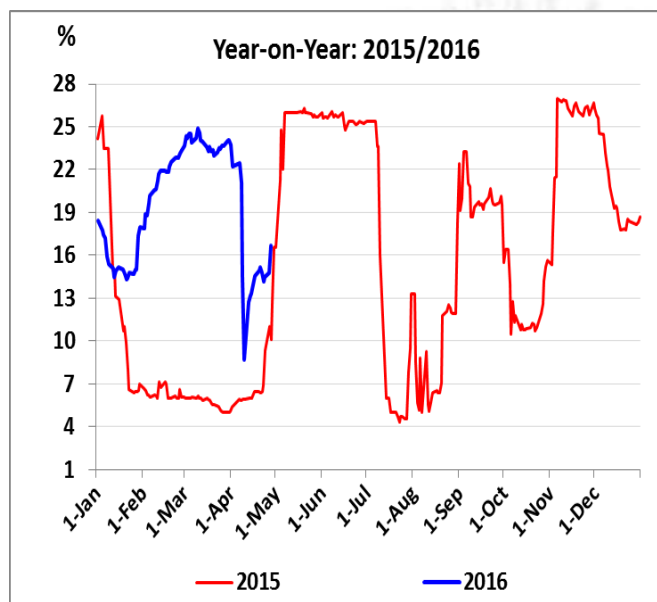
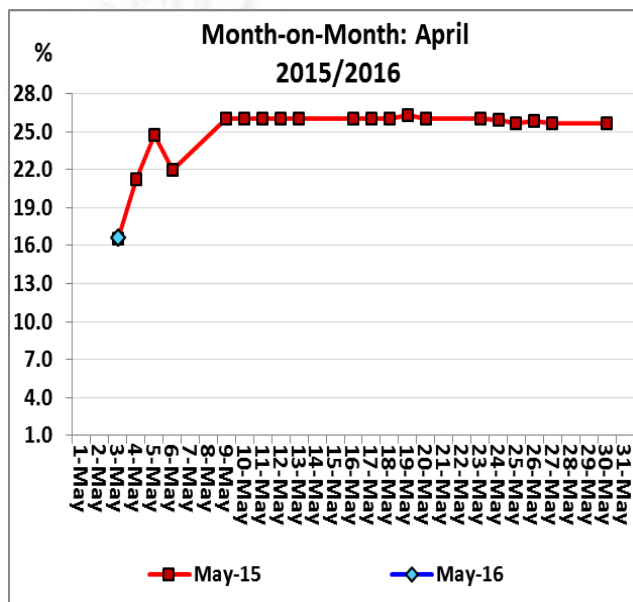
- Excess reserves closed at K6.45 billion yesterday, 3 May 2016 from K5.84 billion observed on Friday, 29<sup>th</sup> April 2016

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	8,850	16.66
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos	-	-
07 days	-	-
30 days	-	-
60 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos	-	-
7 days	-	-
30 days	-	-
60 days	-	-
90 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
<b>(c) Access on the Lombard Facility</b>	6,120	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market increased to K8.85 billion yesterday, 3 May 2016 from K4.80 billion that was recorded on Friday, 29<sup>th</sup> April 2016
- The overnight interbank market rate (IBR) increased for the 3<sup>rd</sup> day running to 16.66 percent yesterday from 14.80 percent observed on Friday, 29<sup>th</sup> April 2016
- An total of K6.12 billion was accessed on the Lombard Facility yesterday.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

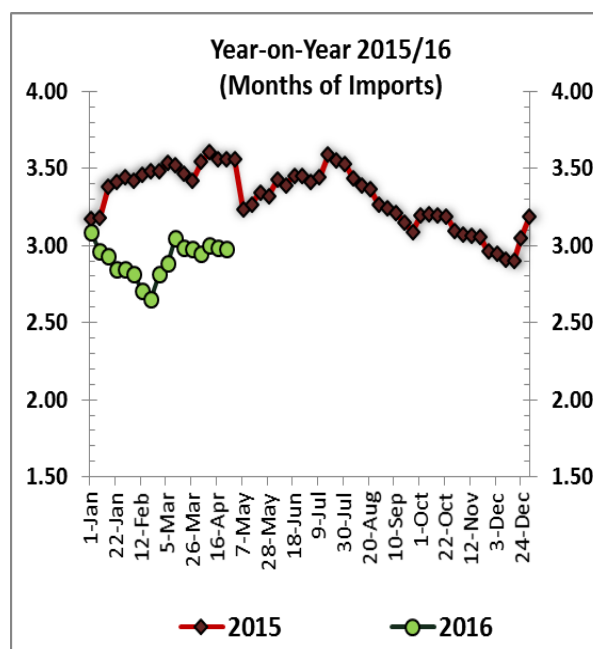
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
15 <sup>th</sup> April 2016	627.82	3.00
22 <sup>nd</sup> April 2016	624.61	2.99
29 <sup>th</sup> April 2016	621.73	2.97
On 3 <sup>rd</sup> May 2016	623.73	2.98

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

### Commentary:

- Gross official reserves declined during the week ending 29<sup>th</sup> April 2016 compared to the preceding week. As at 3<sup>rd</sup> May 2016, the gross official reserves slightly increased to US\$623.73 million (2.98 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)
15 <sup>th</sup> April 2016	-7.42	274.77	267.35	1.28
22 <sup>nd</sup> April 2016	-5.70	270.19	264.49	1.27
29 <sup>th</sup> April 2016	-2.48	297.46	294.97	1.41

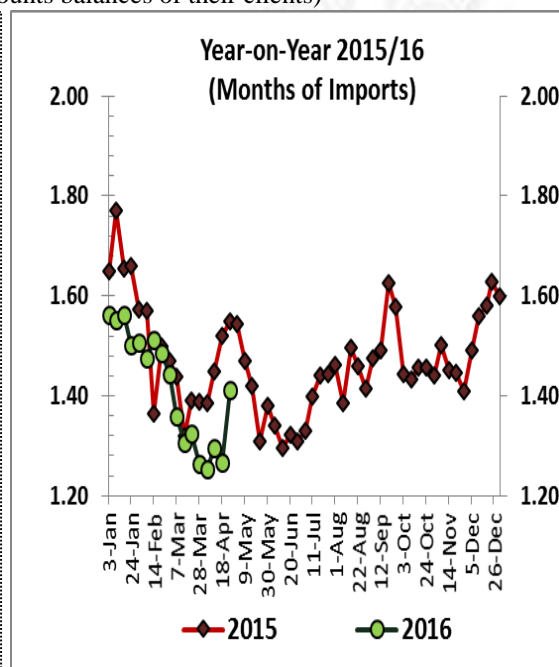
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
22 <sup>nd</sup> April 2016	34.78	37.16
29 <sup>th</sup> April 2016	56.48	56.69
On 3 <sup>rd</sup> May 2016	26.83	28.58

### Commentary:

- The ADBs purchased US\$56.48 million from the market during the week ending 29<sup>th</sup> April 2016 and sold US\$56.69 million. On 32<sup>nd</sup> May 2016, ADBs purchased US\$8.62 million from the market and sold US\$9.72 million to the market.

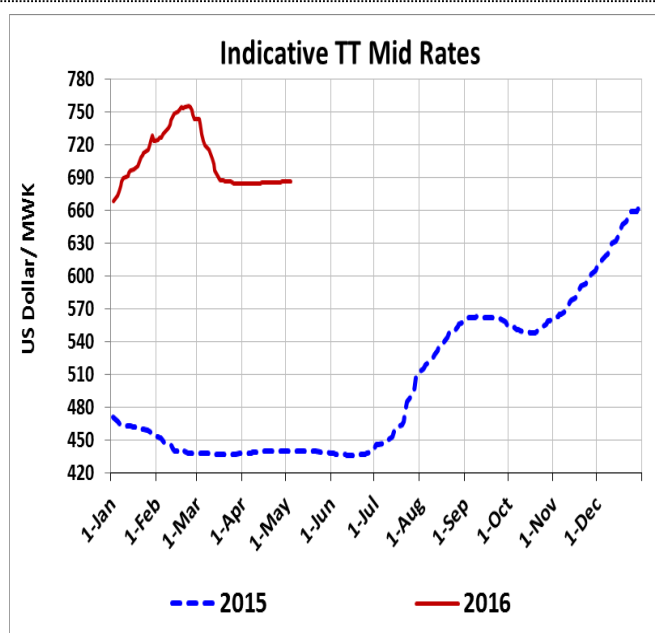
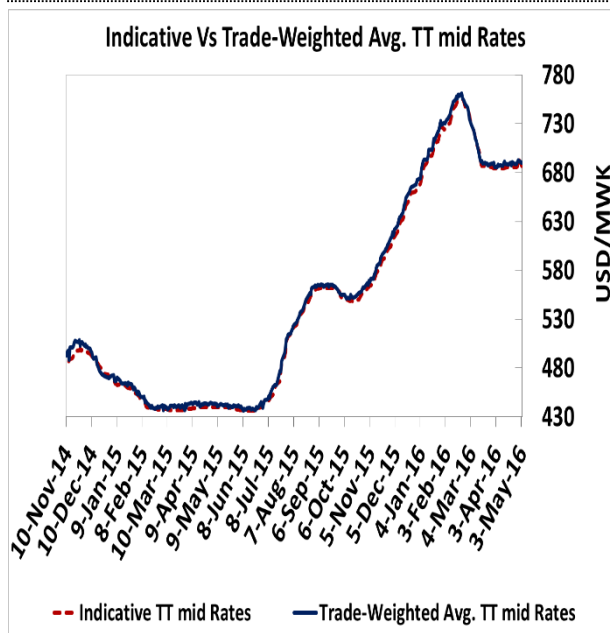


## iii. Exchange Rate Developments

	25 Apr 2016	26 Apr 2016	27 Apr 2016	28 Apr 2016	29 Apr 2016	03 May 2016	Today Indicative
MWK/USD	688.5438	688.9079	689.1012	690.4373	692.3132	690.3700	686.9066
MWK/GBP	987.4581	993.6079	997.3592	1,006.3897	1,012.3544	1,013.5929	998.4187
MWK/EUR	770.7456	770.6286	776.7685	779.5169	788.6652	796.1776	789.6678
MWK/ZAR	47.8796	48.1626	47.6289	47.7826	47.8475	47.9815	46.9237

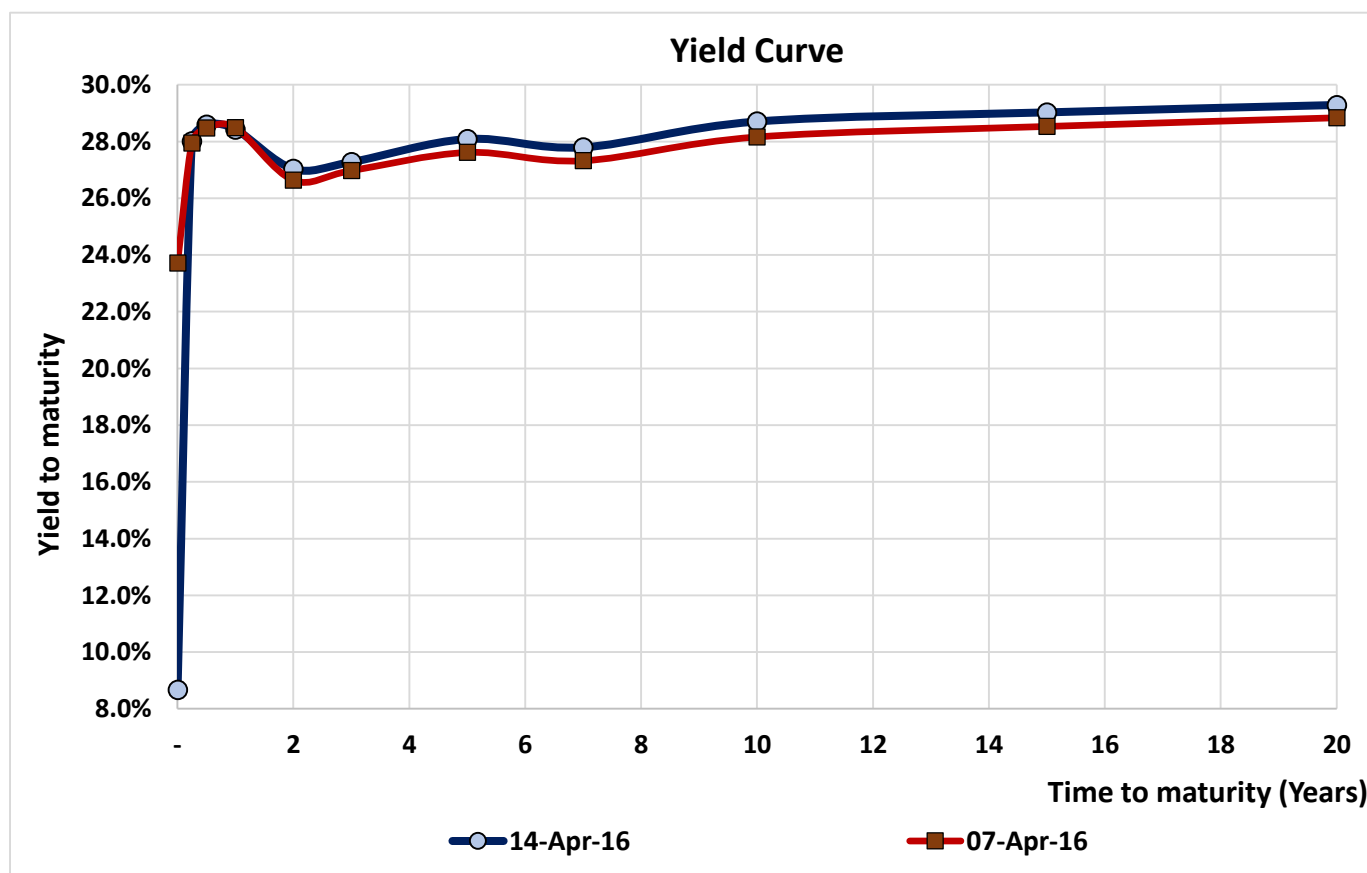
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Tuesday, 3<sup>rd</sup> May 2016, the Kwacha depreciated against the GBP, the EUR and the ZAR and it appreciated against the USD. Indicatively, the Malawi Kwacha is expected to trade around K686.9066 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
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%
28 <sup>th</sup> January 2016	15.02%	23.97%	25.43%	26.50%	26.05%	26.66%	26.20%	25.90%	25.63%	25.48%	25.31%
25 <sup>th</sup> February 2016	22.85%	26.88%	26.91%	27.00%	26.45%	27.03%	26.85%	26.73%	26.58%	26.48%	26.36%
10 <sup>th</sup> March 2016	24.17%	26.99%	27.00%	27.50%	27.45%	28.25%	28.45%	28.91%	29.24%	29.68%	30.05%
17 <sup>th</sup> March 2016	23.58%	26.72%	27.18%	28.48%	27.77%	27.99%	28.66%	28.23%	28.89%	29.33%	29.62%
24 <sup>th</sup> March 2016	23.02%	27.77%	28.17%	28.11%	28.26%	28.75%	29.80%	29.11%	29.84%	29.78%	30.29%
31 <sup>st</sup> March 2016	23.43%	27.69%	28.04%	28.44%	26.91%	28.01%	29.32%	29.06%	30.17%	30.82%	31.35%
07 <sup>th</sup> April 2016	23.72%	27.95%	28.48%	28.50%	26.64%	26.98%	27.62%	27.33%	28.16%	28.54%	28.84%
14 <sup>th</sup> April 2016	8.67%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
14 Apr–07 April 2016 Change in Yield (Bp)	-1,505	6	11	-7	39	30	47	47	54	49	44



**DISCLAIMER:** This information is provided for general reference purposes only. Whilst every effort is made to ensure that the information is up to date and accurate, the Reserve Bank of Malawi does not accept responsibility for any loss that may arise from reliance on the information contained herein.