



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 20 June 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 24 <sup>th</sup> June 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	308	10,971
Estimated Excess Reserves before OMO	10,401	21,064
Estimated Excess Reserves after OMO	0.00	0.00
Required Reserves	48,474	48,474

#### Known Projected Transactions

	Week ending 24 June 2016	Week ending 01 July 2016	Week ending 08 July 2016	June 2016	July 2017
Maturity of normal TBs/TNs/PNs	2,199	12,786	9,164	59,251	54,885
Maturity of OMO	30,014	14,576	3,685	56,390	14,539

#### Commentary:

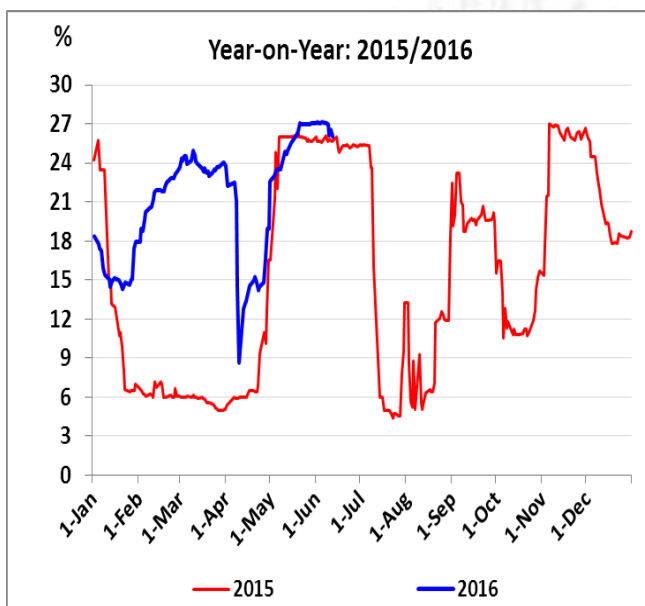
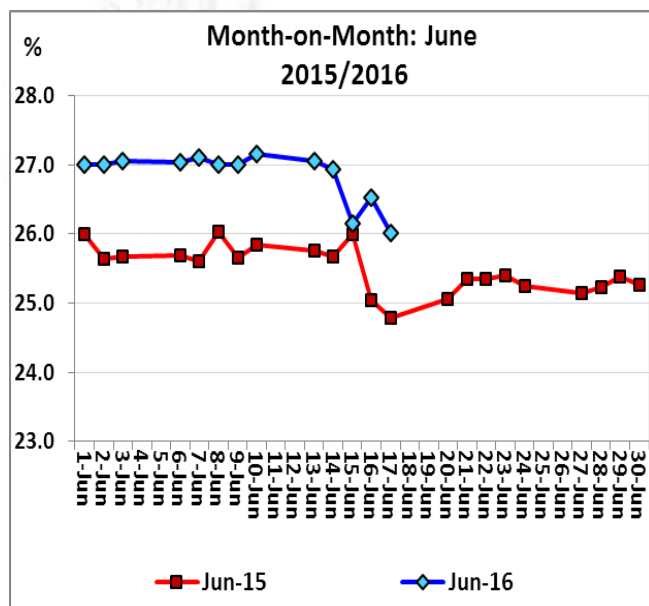
- Excess reserves decreased last Friday to K10.09 billion from K14.33 billion that was recorded on Thursday, 16<sup>th</sup> June 2016

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,100	26.01
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	3,000	28.84
32 days	113	29.00
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>	720	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market increased to K6.10 billion on Friday, 17<sup>th</sup> June 2016, from K3.82 billion recorded on Thursday, 16<sup>th</sup> June 2016
- The overnight interbank market rate (IBR) closed last week at 26.01 percent from 26.15 percent that was observed on Thursday, 16<sup>th</sup> June 2016
- About K3.11 billion was withdrawn from the banking system through repos last Friday
- A total of K720 million was accessed on the Lombard Facility on 17<sup>th</sup> June 2016

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

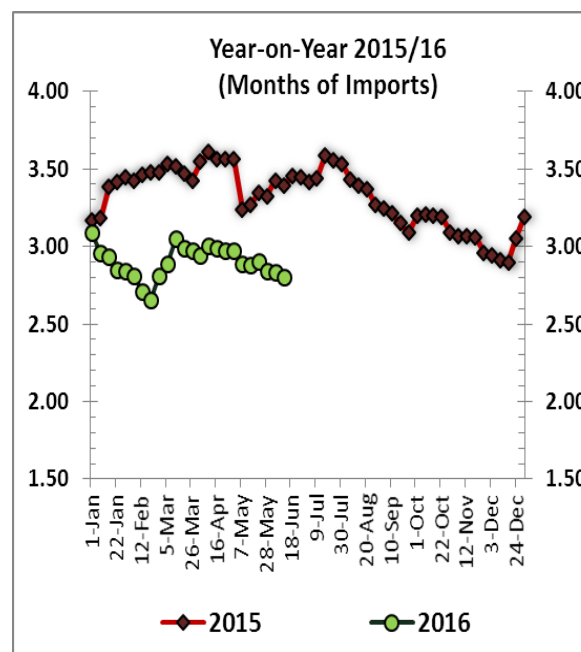
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover* (Months)
20 <sup>th</sup> May 2016	602.08	2.88
27 <sup>th</sup> May 2016	606.79	2.90
03 <sup>rd</sup> June 2016	593.40	2.84
10 <sup>th</sup> June 2016	592.99	2.84
15 <sup>th</sup> June 2016	585.85	2.80

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

### Commentary:

- Gross official reserves marginally declined during the week ending 10<sup>th</sup> June 2016 compared to the previous week. As at 15<sup>th</sup> June 2016, the gross official reserves stood at US\$585.85 million (2.80 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)
03 <sup>rd</sup> June 2016	0.54	308.72	309.26	1.48
10 <sup>th</sup> June 2016	3.42	315.60	319.02	1.53
16 <sup>th</sup> June 2016	-5.79	329.86	324.07	1.55

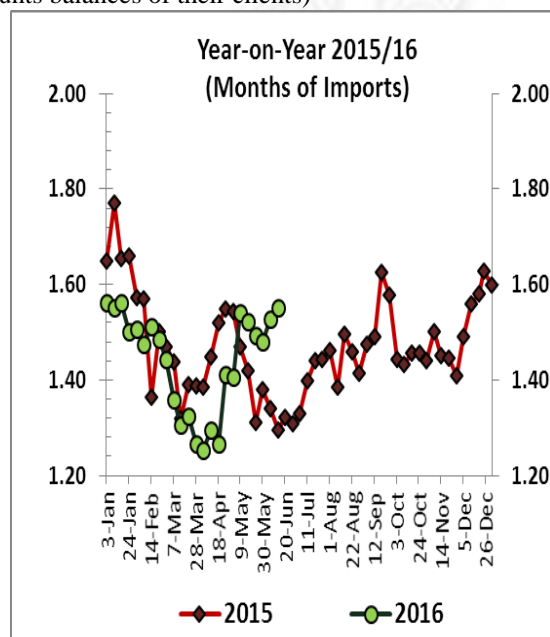
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
10 <sup>th</sup> June 2016	31.12	34.14
17 <sup>th</sup> June 2016	39.29	49.14
On 17 <sup>th</sup> June 2016	5.24	4.04

### Commentary:

- Traded volume increased during the week ending 17<sup>th</sup> June 2016 compared to the preceding week. On aggregate, ADBs purchased US\$39.29 million from the market and sold US\$49.14 million. On 17<sup>th</sup> June 2016 alone, ADBs purchased US\$5.24 million from the market against sales at US\$4.04 million.



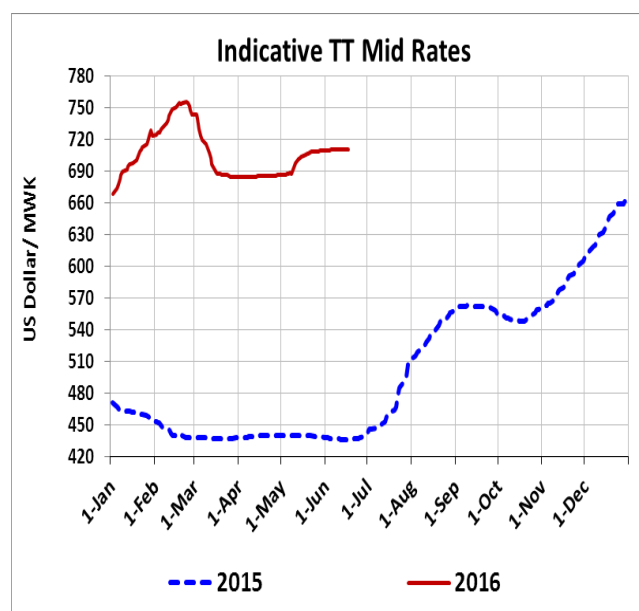
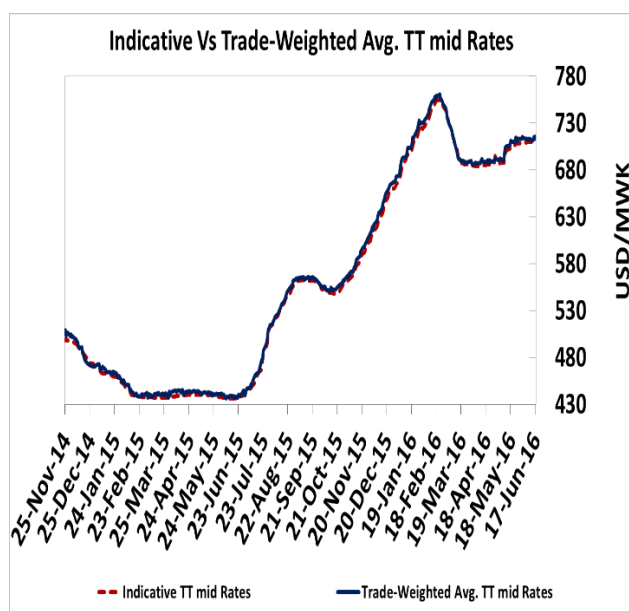
## iii. Exchange Rate Developments

	10 June 2016	13 June 2016	14 June 2016	15 June 2016	16 June 2016	17 June 2016	Today Indicative
MWK/USD	713.4623	711.3050	711.6643	715.1420	713.4578	715.5080	710.2870
MWK/GBP	1,033.1796	1,013.7946	1,008.7122	1,007.3322	1,008.2894	1,016.0116	1,019.6170
MWK/EUR	806.3814	800.0424	803.3480	796.3573	798.2351	801.6140	801.2748
MWK/ZAR	47.9150	46.7373	46.8564	46.6132	46.6060	46.9791	47.0700

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

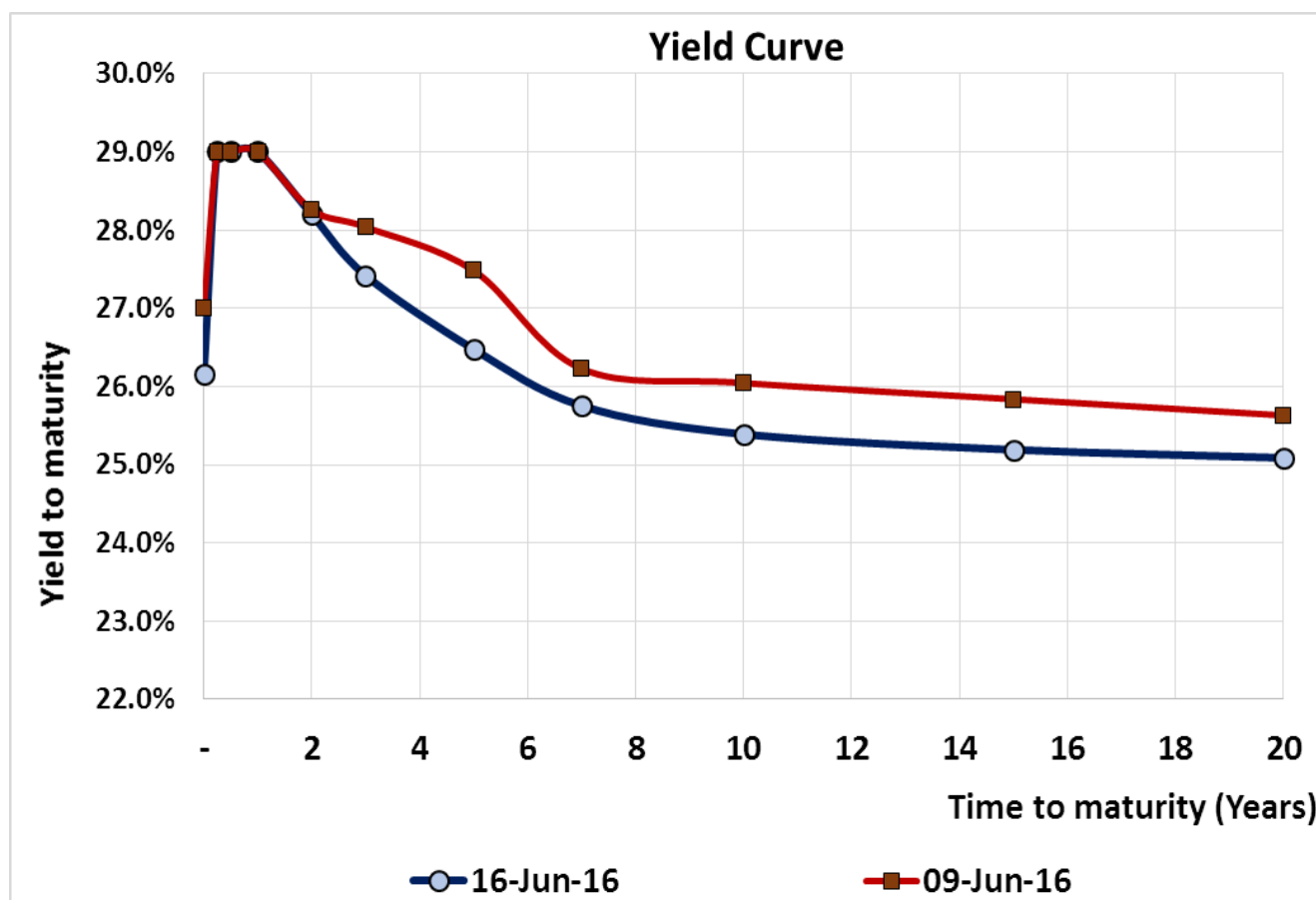
**Commentary:** On Friday, 17<sup>th</sup> June 2016, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR.

Indicatively, the Malawi Kwacha is expected to trade around K710.2870 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 <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%
19 <sup>th</sup> May 2016	25.54%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
26 <sup>th</sup> May 2016	27.01%	28.97%	29.00%	29.00%	30.82%	31.13%	34.82%	33.67%	35.23%	35.75%	37.08%
09 <sup>th</sup> June 2016	27.01%	29.00%	29.00%	29.00%	28.26%	28.04%	27.48%	26.23%	26.04%	25.84%	25.63%
16 <sup>th</sup> June 2016	26.15%	29.00%	29.00%	29.00%	28.20%	27.42%	26.48%	25.75%	25.39%	25.19%	25.09%
16 Jun–09 Jun 2016 Change in Yield (Bp)	-86	0	0	0	-6	-62	-101	-47	-65	-65	-54



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