



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 25 July 2016

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 22 nd July 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	8,406	9,747
Estimated Excess Reserves before OMO	11,991	14,130
Estimated Excess Reserves after OMO	0.00	0.00
Required Reserves	53,828	53,828

i. Known Projected Transactions

	Week ending 29 July 2016	Week ending 05 Aug 2016	Week ending 12 Aug 2016	July 2016	August 2016
Maturity of normal TBs/TNs/PNs	3,505	2,745	1,211	54,990	42,739
Maturity of OMO	17,060	5,742	4,029	58,420	10,971

Commentary:

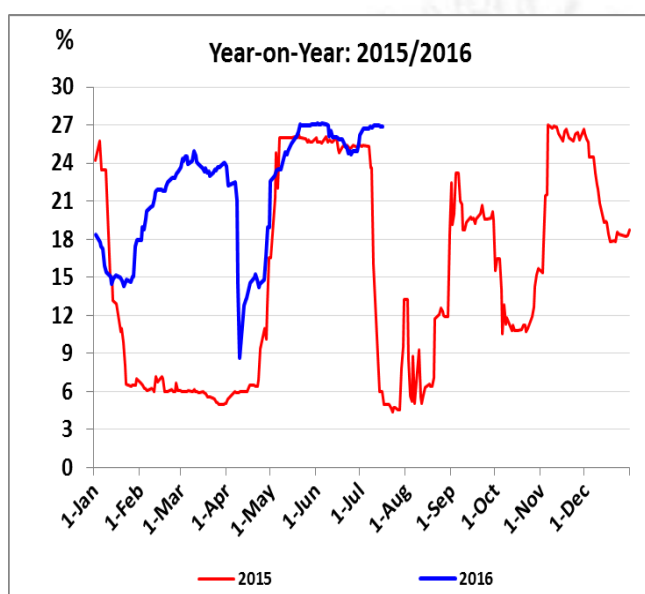
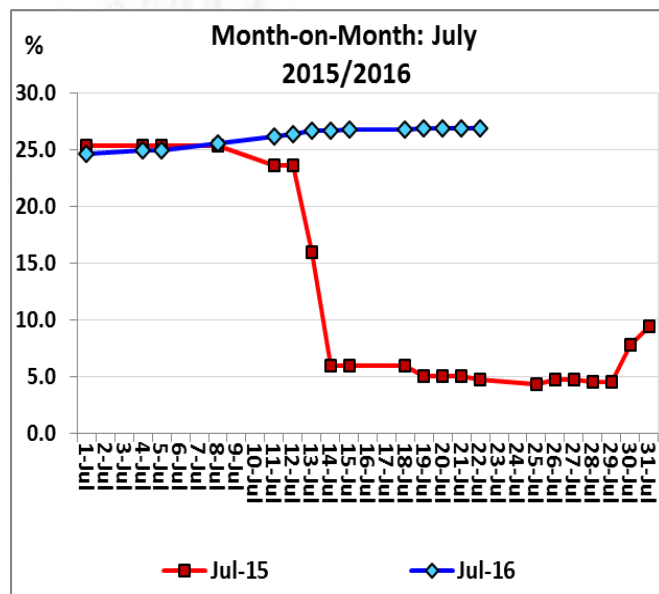
- Excess reserves decreased on Friday, 22nd July 2016 to K3.58 billion from K11.84 billion recorded on Thursday, 21st July 2016.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	4,730	26.92
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	-	-
14 days	2,500	29.00
31 days	1,636	29.00
60 days	41	29.00
273 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
(c) Access on the Lombard Facility	6,850	29.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market decreased to K4.73 on Friday, 22nd July 2016 from K5.68 billion that was recorded on Thursday, 21st July 2016.
- The overnight interbank market rate (IBR) increased to 26.92 percent from 26.88 percent recorded on Thursday, 21st July 2016.
- About K4.18 billion was withdrawn from the banking system using OMO on Friday, 22nd July 2016.
- A total of K6.85 billion was accessed on the Lombard Facility on Friday, 22nd July 2016.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

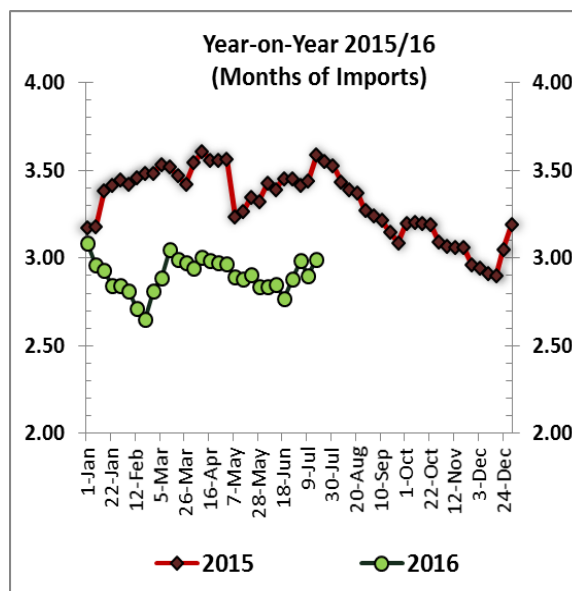
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
24 th June 2016	578.22	2.77
01 st July 2016	602.44	2.88
08 th July 2016	623.58	2.98
15 th July 2016	606.63	2.90
21 st July 2016	625.99	2.99

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

Commentary:

- Gross official reserves decreased marginally during the week ending 15th July 2016 compared to the previous week. However, as at 21st July 2016, the gross official reserves improved and stood at US\$625.79 million (2.99 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)
08 th July 2016	-4.18	343.50	339.32	1.62
15 th July 2016	-1.33	351.84	350.51	1.68
21 st July 2016	5.55	337.59	343.14	1.64

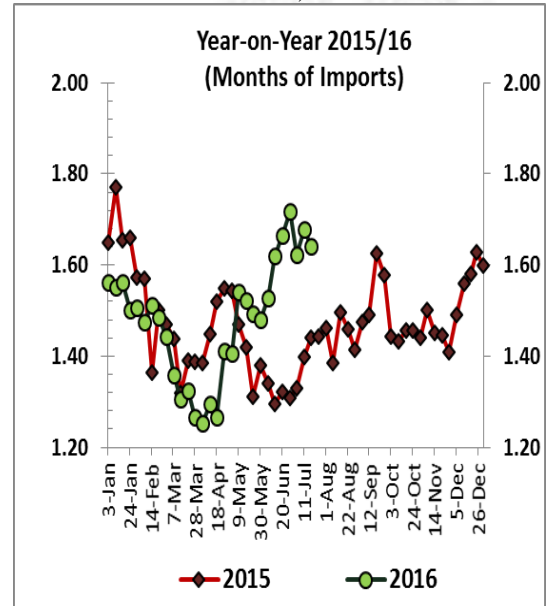
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
15 th July 2016	53.28	52.79
22 nd July 2016	41.95	36.46
On 22 nd July 2016	7.04	6.18

Commentary:

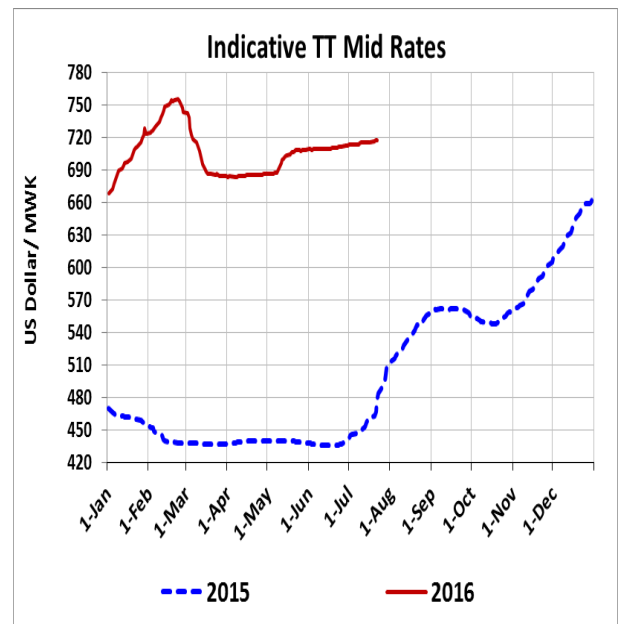
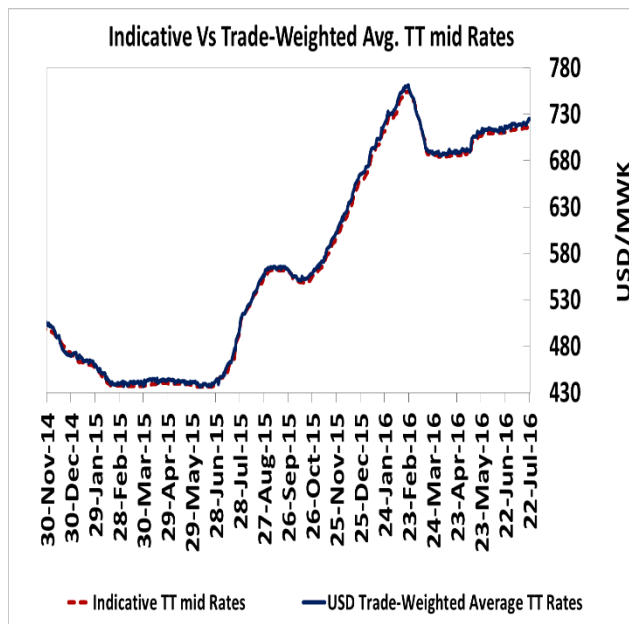
- ADB's purchased US\$41.95 million from the market and monetary authorities during the week ending 22nd July 2016 against sales to the market at US\$36.46 million. On Friday, 22nd July 2016 alone, ADB's purchased US\$7.04 million from the market and sold US\$6.18 million.



	15 July 2016	18 July 2016	19 July 2016	20 July 2016	21 July 2016	22 July 2016	Today's indicative
MWK/USD	720.7845	718.7806	721.1906	722.1924	724.6065	724.5077	718.2355
MWK/GBP	964.1075	947.3937	954.7433	952.2286	953.2294	958.0393	943.3305
MWK/EUR	797.8837	798.0142	798.7502	797.5680	797.0023	797.0321	788.4789
MWK/ZAR	50.0498	50.3127	50.6603	50.5420	50.1824	50.6066	50.2227

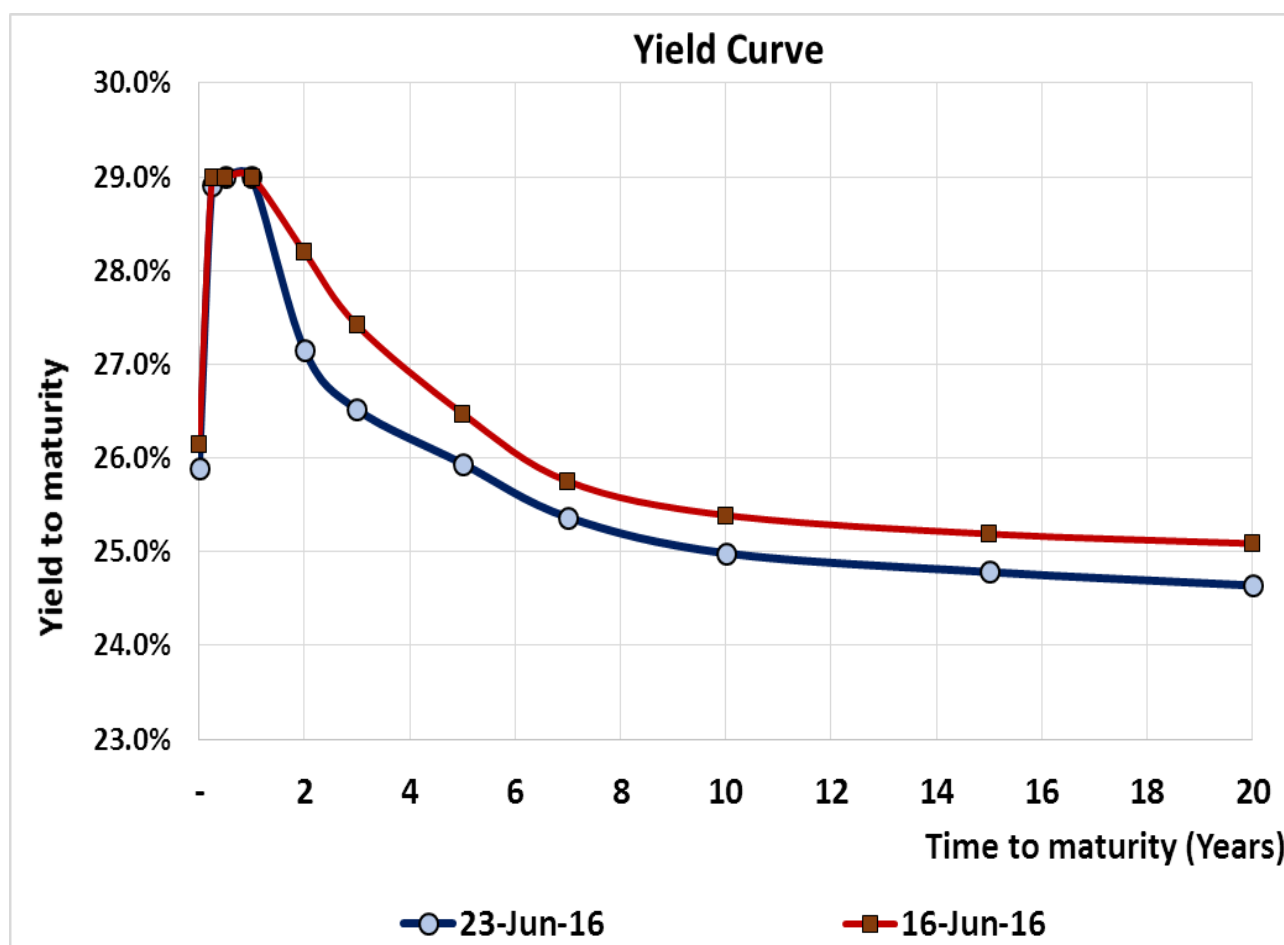
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On 22nd July 2016, the Kwacha appreciated marginally against the USD. However, the local currency depreciated against GBP, the EUR as well as the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K718.2355 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
07 th 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 th 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 th 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 th 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 th 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 th June 2016	26.15%	29.00%	29.00%	29.00%	28.20%	27.42%	26.48%	25.75%	25.39%	25.19%	25.09%
23 rd June 2016	25.89%	28.92%	29.00%	29.00%	27.16%	26.52%	25.94%	25.37%	24.99%	24.78%	24.64%
23 Jun–16 Jun 2016 Change in Yield (Bp)	-26	-8	0	0	-104	-90	-54	-38	-40	-41	-45



Commentary:

Indicative yields for long tenors have depicted an inverted curve suggesting lower medium to long term expected inflation rates.

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