



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 29 July 2016

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 29 th July 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-12,570	-12,327
Estimated Excess Reserves before OMO	-8,137	-8,137
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:

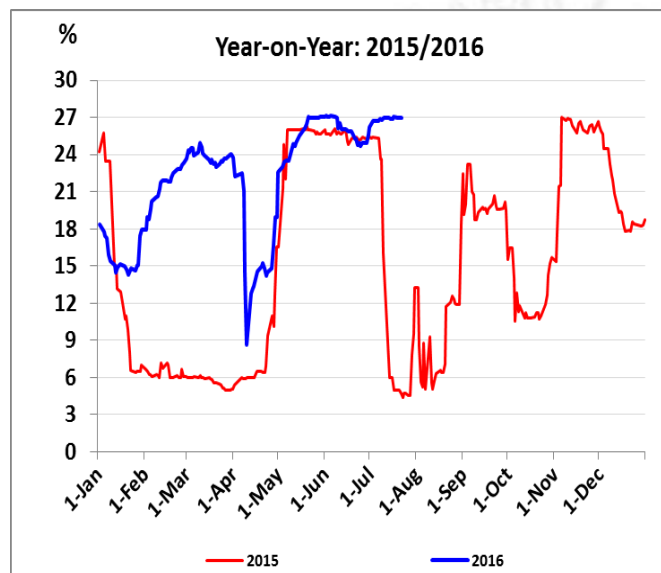
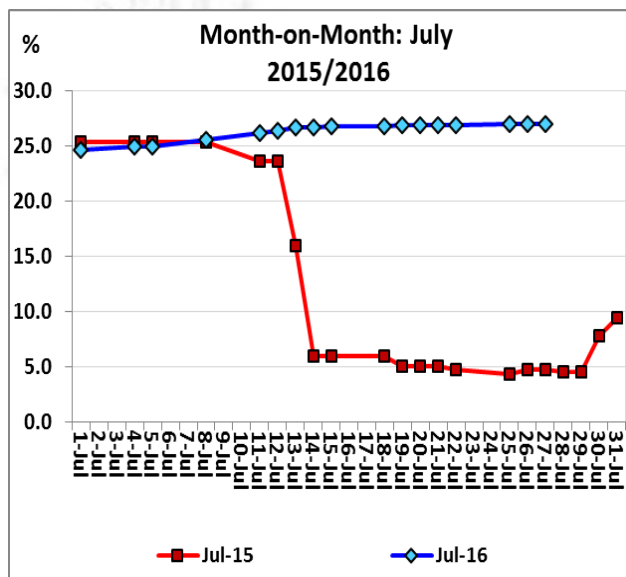
- Excess reserves increased yesterday to K4.43 billion from 2.73 billion recorded on Wednesday, 27th July 2016.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	6,450	27.00
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
273 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
(c) Access on the Lombard Facility	15,400	29.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market went down to K6.45 billion yesterday from K9.78 billion that was recorded on Wednesday, 27th July 2016.
- The overnight interbank market rate (IBR) remained unchanged at 27.00 percent.
- A total of K15.40 billion was accessed on the Lombard Facility yesterday, 28th July 2016.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

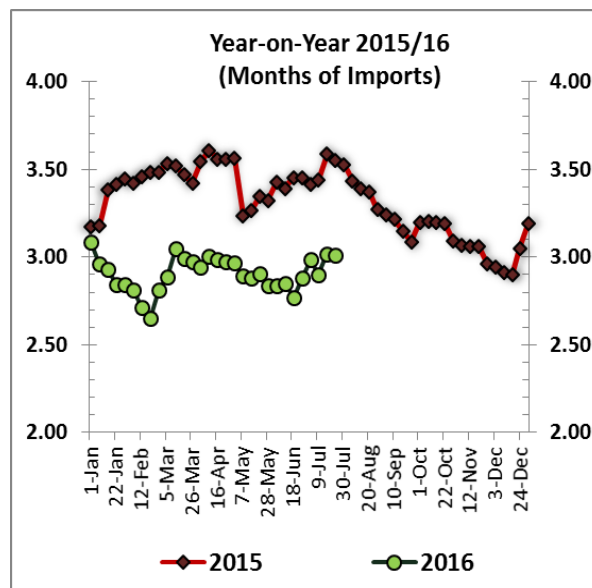
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
01 st July 2016	602.44	2.88
08 th July 2016	623.58	2.98
15 th July 2016	606.63	2.90
22 nd July 2016	630.96	3.02
27 th July 2016	629.14	3.01

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

Commentary:

- Gross official reserves increased during the week ending 22nd July 2016 compared to the previous week. As at 27th July 2016, the gross official reserves stood at US\$629.14 million (3.01 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 th July 2016	-1.32	351.84	350.51	1.68
22 th July 2016	4.37	319.22	323.59	1.55
27 th July 2016	2.59	334.46	337.05	1.61

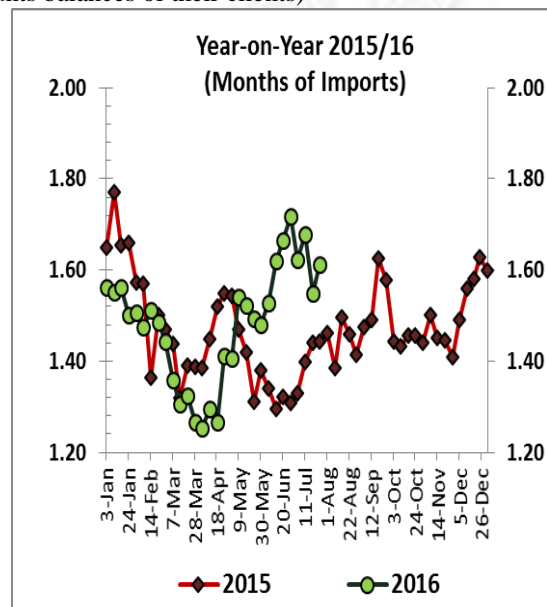
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

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 28 th July 2016	7.17	7.60

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. Yesterday, ADB's purchased US\$7.17 million from the market and sold US\$7.60 million.

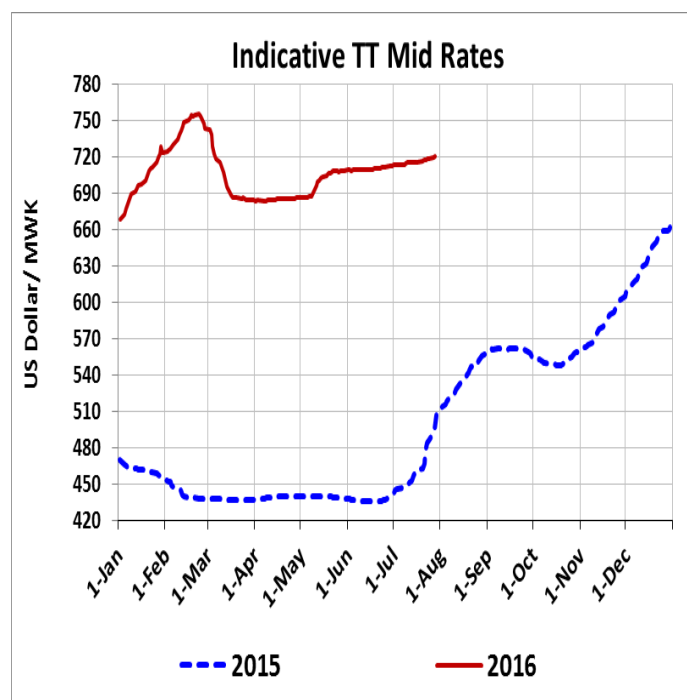
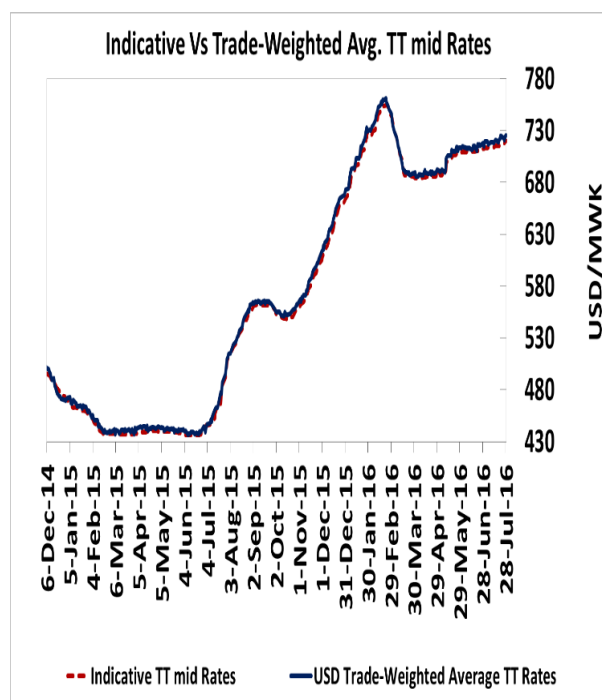


iii. Exchange Rate Developments

	21 July 2016	22 July 2016	25 July 2016	26 July 2016	27 July 2016	28 July 2016	Today's indicative
MWK/USD	724.6065	724.5077	722.8432	720.8078	724.2663	725.7040	720.5013
MWK/GBP	953.2294	958.0393	951.3547	954.9174	950.2265	957.0332	949.9089
MWK/EUR	797.0023	797.0321	795.3894	798.5725	792.6172	801.8641	798.3154
MWK/ZAR	50.1824	50.6066	50.3147	50.0584	50.4710	50.8950	50.9920

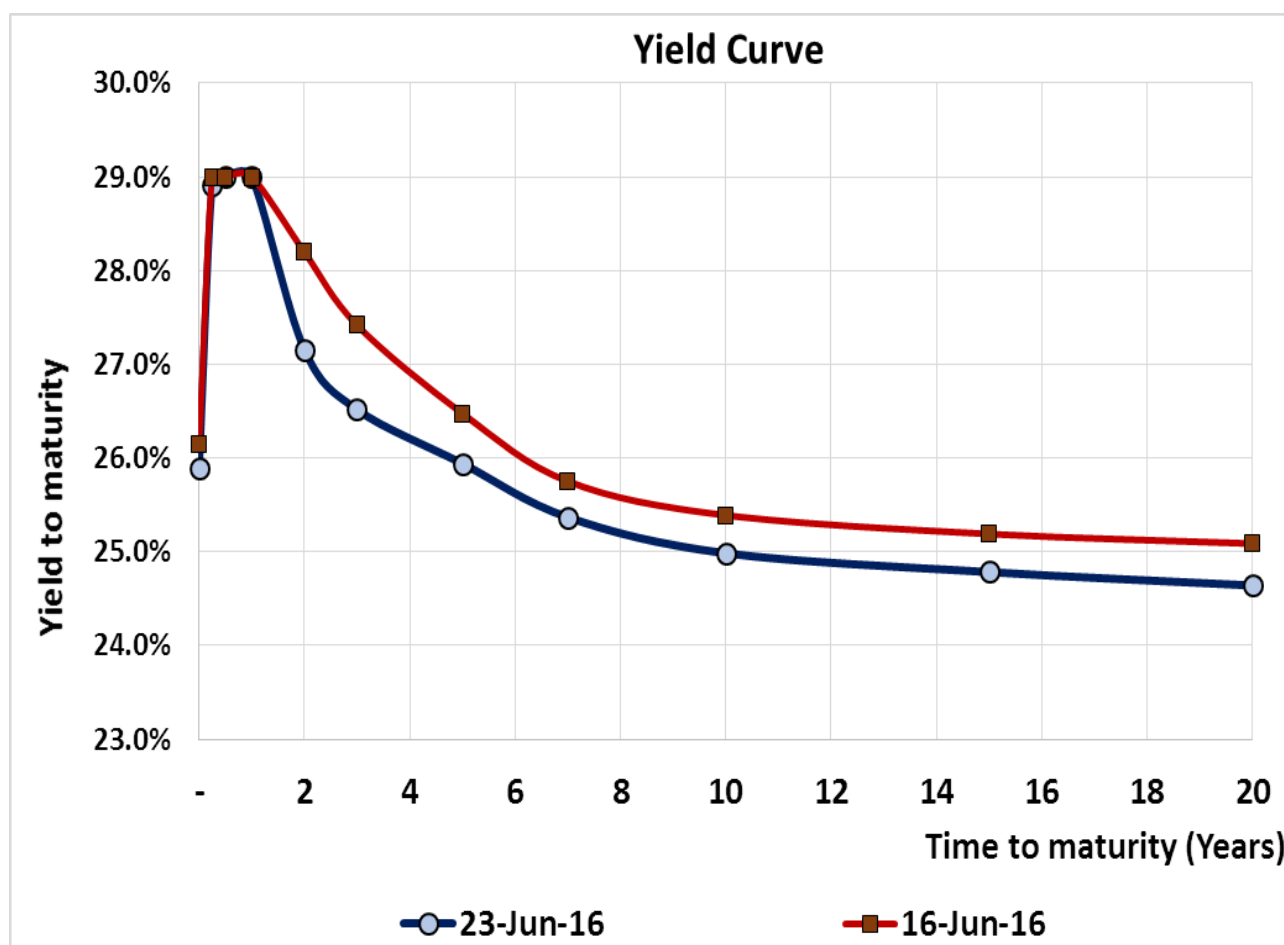
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, 28th July 2016, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K720.5013 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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