



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 11 August 2016

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

| | Today | Week ending 12 th August 2016 |
|--|--------|---|
| Projected Autonomous Transactions (+= Net injection / - = Net withdrawal) | -2,458 | -4,030 |
| Estimated Excess Reserves before OMO | 3,403 | 3,537 |
| Estimated Excess Reserves after OMO | 0.00 | 0.00 |
| Required Reserves | 52,977 | 52,977 |

i. Known Projected Transactions

| | Week ending 12 Aug 2016 | Week ending 19 Aug 2016 | Week ending 26 Aug 2016 | August 2016 | September 2016 |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------|-------------------|
| Maturity of normal TBs/TNs/PNs | 1,211 | 2,669 | 2,997 | 42,739 | 56,792 |
| Maturity of OMO | 4,029 | 278 | 443 | 10,971 | 2,189 |

Commentary:

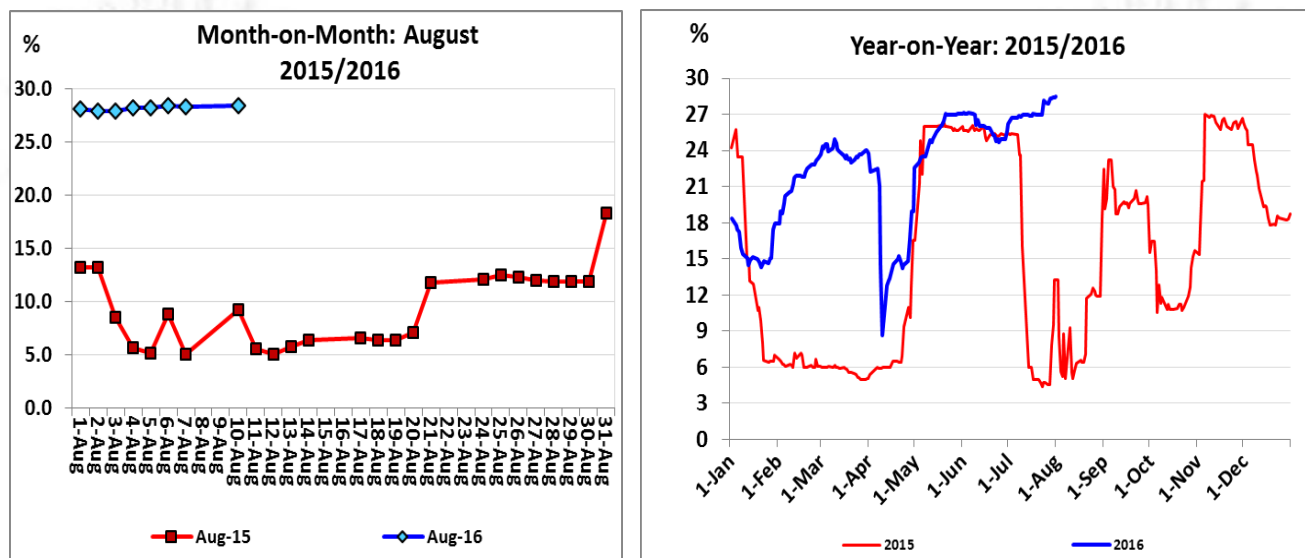
- Excess reserves increased yesterday to K5.86 billion from K3.80 billion recorded on Tuesday, 09th August 2016.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

| (a) Inter-bank borrowing | Volume | Average rate (%) |
|--|--------|------------------|
| O/N | 5,350 | 28.45 |
| 07 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| (b) RBM Open market operations | | |
| (i) Repos | | |
| 07 days | - | - |
| 14 days | - | - |
| 30 days | 53 | 29.00 |
| 62 days | - | - |
| 273 days | - | - |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| (iii) Deposits on Overnight Deposit Facility | - | - |
| (c) Access on the Lombard Facility | 6, 555 | 29.00 |

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market went down a bit yesterday to K5.35 billion from K 5.40 billion that was recorded on Tuesday, 09th August 2016.
- The overnight interbank market rate (IBR) increased by 8 basis points and closed at 28.45 percent from 28.37 percent recorded on Tuesday, 09th August 2016.
- About K53.00 million was withdrawn from the banking system through repos yesterday.
- A total of K6.56 billion was accessed on the Lombard Facility yesterday.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

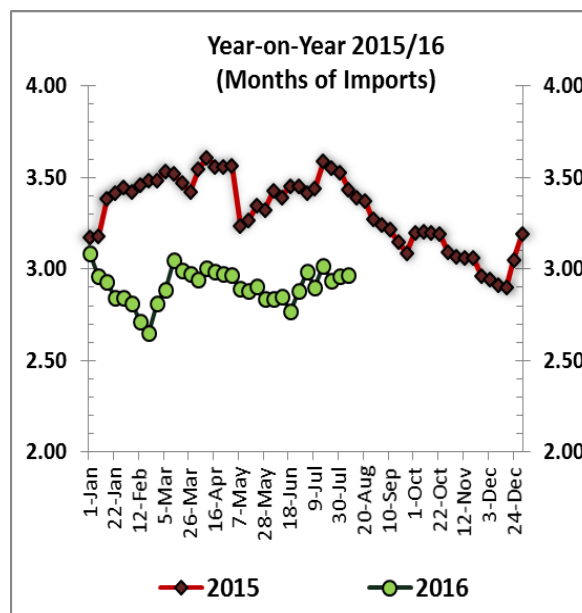
i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn) | Reserves (US\$ million) | Import Cover * (Months) |
|------------------------------|-------------------------|-------------------------|
| 15 th July 2016 | 606.63 | 2.90 |
| 22 nd July 2016 | 630.96 | 3.02 |
| 29 th July 2016 | 613.38 | 2.93 |
| 05 th August 2016 | 618.46 | 2.96 |
| 09 th August 2016 | 620.07 | 2.97 |

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

Commentary:

- Gross official reserves improved during the week ending 05th August 2016 compared to the previous week. As at 09th August 2016, the gross official reserves increased further and closed at US\$620.07 million (2.97 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) |
|------------------------------|--------------------|--------|--------|-------------------------|
| 22 th July 2016 | 4.37 | 319.22 | 323.59 | 1.55 |
| 29 th July 2016 | 2.26 | 328.05 | 330.31 | 1.58 |
| 05 th August 2016 | 9.24 | 340.14 | 349.38 | 1.67 |
| 08 th August 2016 | 12.69 | 341.55 | 354.23 | 1.69 |

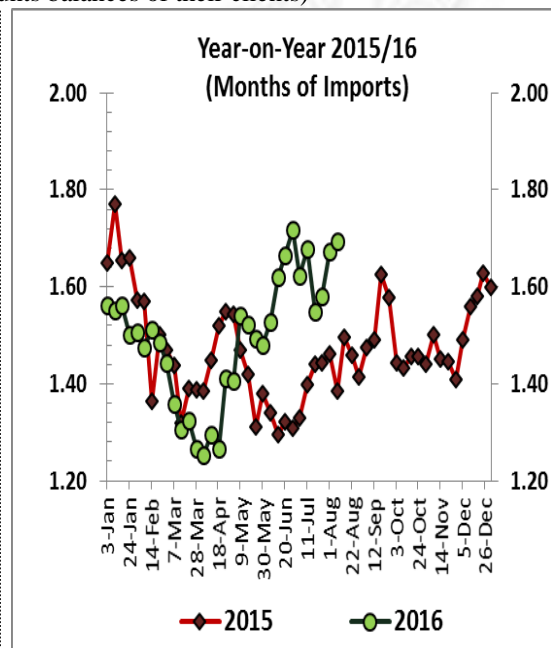
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn) | ADB's Purchases | ADB's Sales |
|---------------------------------|-----------------|-------------|
| 29 th July 2016 | 55.72 | 56.58 |
| 05 th August 2016 | 39.46 | 39.14 |
| On 10 th August 2016 | 6.57 | 7.35 |

Commentary:

- ADB's purchased US\$39.46 million from the market and monetary authorities during the week ending 05th August 2016 against sales to the market at US\$39.14 million. Yesterday, ADB's purchased US\$6.57 million from the market and sold US\$7.35 million.

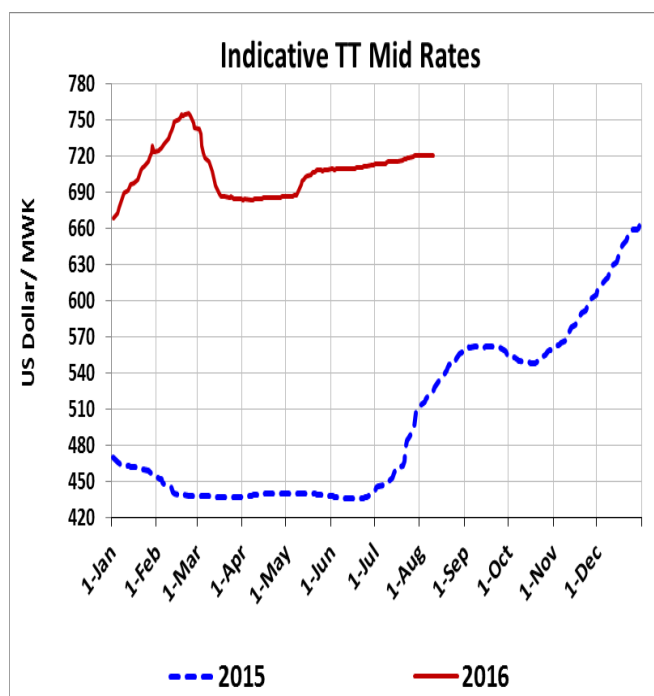
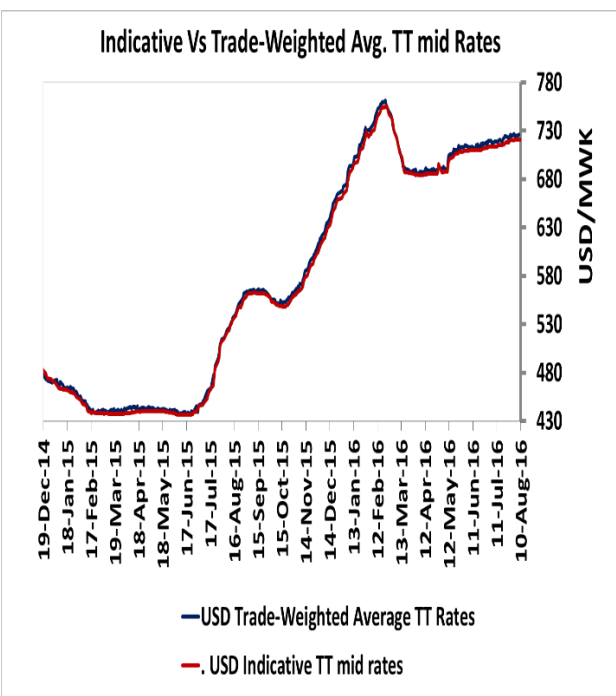


iii. Exchange Rate Developments

| | 03 Aug 2016 | 04 Aug 2016 | 05 Aug 2016 | 08 Aug 2016 | 09 Aug 2016 | 10 Aug 2016 | Today's indicative |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|
| MWK/USD | 724.0226 | 725.4205 | 724.1871 | 726.1031 | 725.8284 | 725.4962 | 720.6584 |
| MWK/GBP | 965.2961 | 964.6135 | 950.4712 | 947.5209 | 941.3513 | 944.8958 | 936.9280 |
| MWK/EUR | 815.9346 | 809.5358 | 806.4889 | 801.5728 | 804.2619 | 807.2520 | 804.6151 |
| MWK/ZAR | 51.2449 | 52.2270 | 53.0490 | 53.0941 | 53.3568 | 54.2805 | 54.0017 |

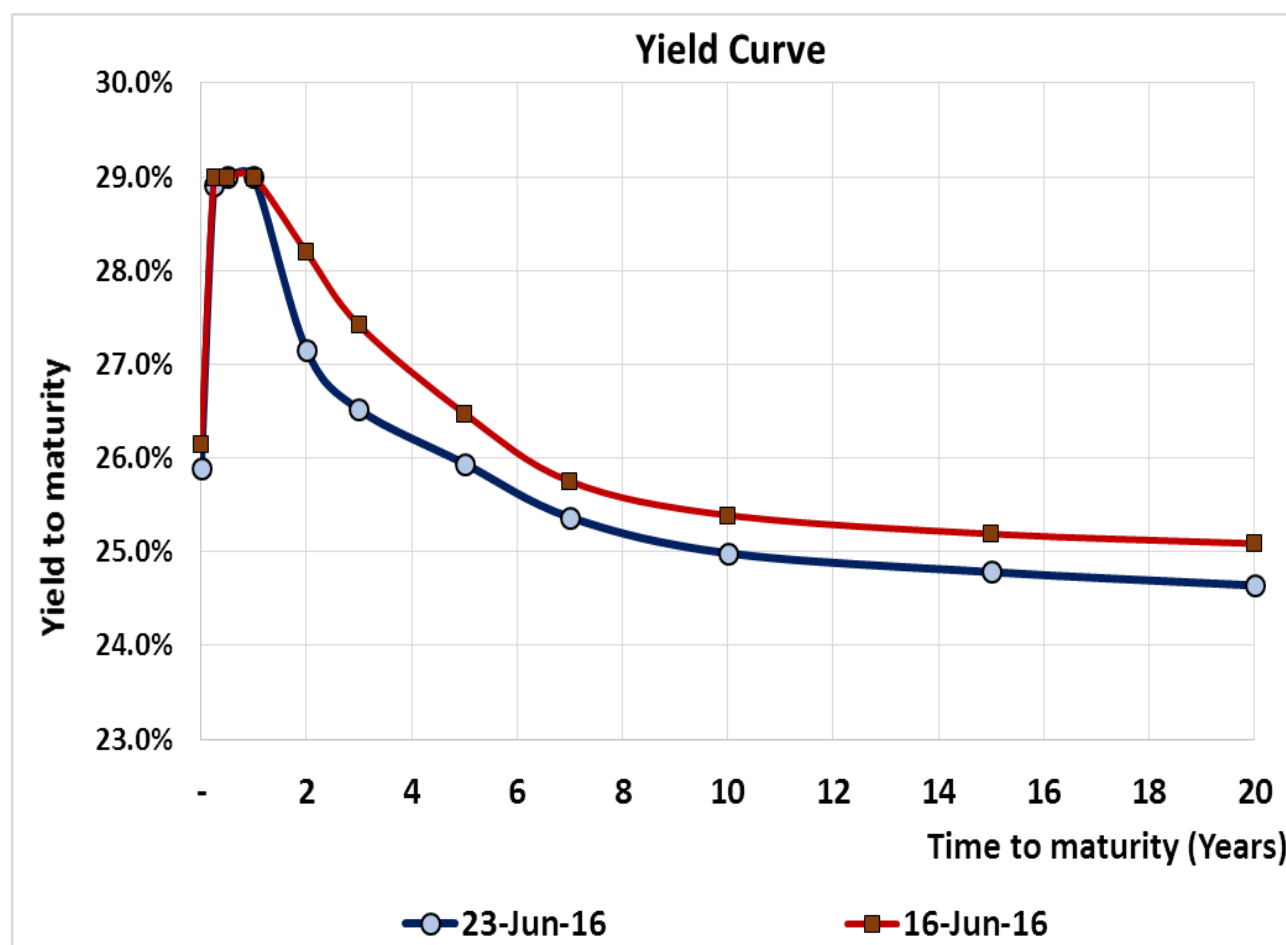
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, the Kwacha appreciated marginally against the USD but depreciated against the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K720.6584 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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