



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 16 August 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 19 <sup>th</sup> August 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-10,649	-8,039
Estimated Excess Reserves before OMO	-5,635	-5,329
Estimated Excess Reserves after OMO	0	0
Required Reserves	53,066	53,066

#### i. Known Projected Transactions

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

#### Commentary:

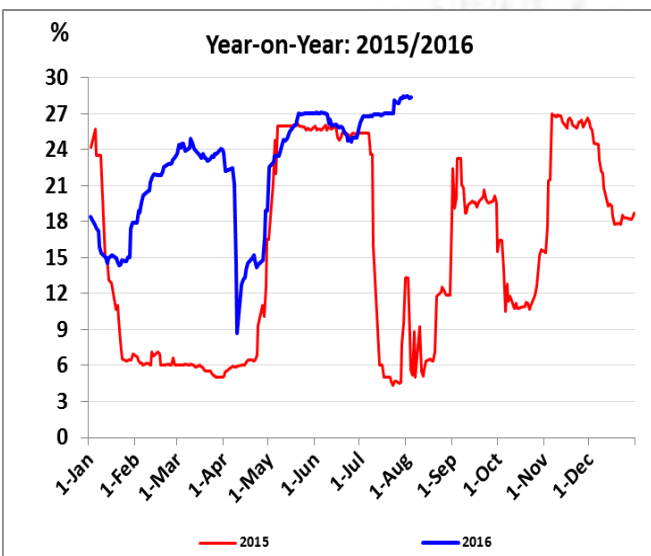
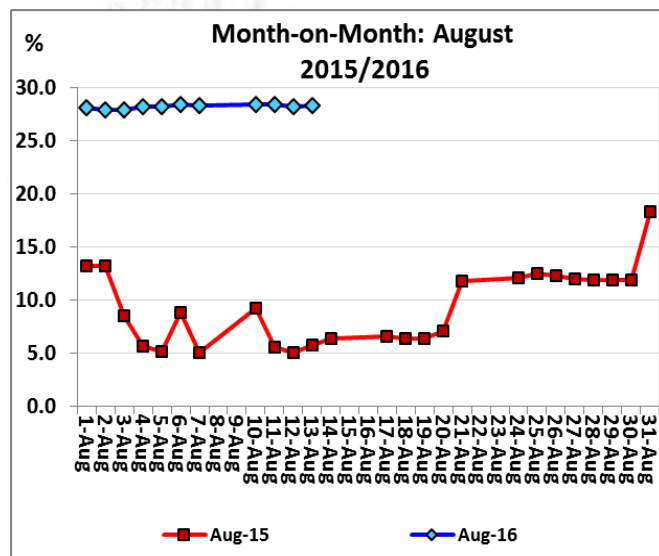
- Excess reserves slightly increased to K5.47 billion on Monday, 15<sup>th</sup> August 2016 from K3.02 billion recorded on Friday, 12<sup>th</sup> August 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	7,950	28.41
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	7,404	29.00
60 days	2,000	29.00
273 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
<b>(c) Access on the Lombard Facility</b>	5,800	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K7.95 billion on Monday, 15<sup>th</sup> August 2016 from K4.94 billion that was recorded on Friday, 12<sup>th</sup> August 2016.
- The overnight interbank market rate (IBR) increased by 12 basis points and closed at 28.41 percent from 28.29 percent recorded on Friday, 12<sup>th</sup> August 2016.
- A total of K9.40 billion was withdrawn from the banking system through repos yesterday.
- A total of K5.80 billion was accessed on the Lombard Facility yesterday, 15<sup>th</sup> August 2016.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

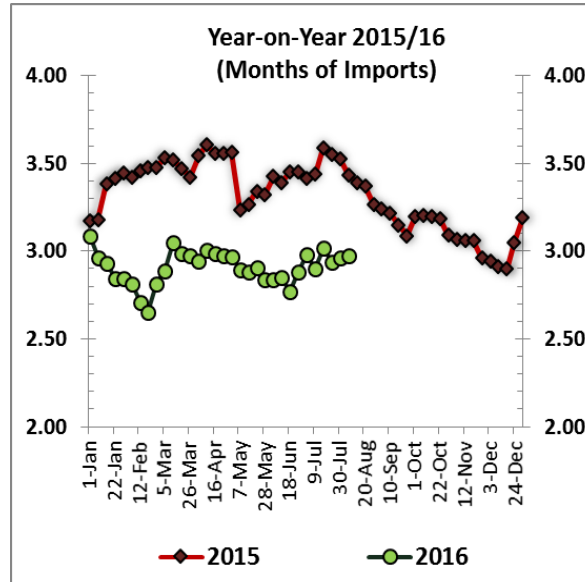
### i. Gross Official Foreign Reserves Position (Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
15 <sup>th</sup> July 2016	606.63	2.90
22 <sup>nd</sup> July 2016	630.96	3.02
29 <sup>th</sup> July 2016	613.38	2.93
05 <sup>th</sup> August 2016	618.46	2.96
12 <sup>th</sup> August 2016	621.20	2.97

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

### Commentary:

- Gross official reserves improved during the week ending 05<sup>th</sup> August 2016 compared to the previous week. As at 12<sup>th</sup> August 2016, the gross official reserves increased further and closed at US\$621.20 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)
29 <sup>th</sup> July 2016	2.26	328.05	330.31	1.58
05 <sup>th</sup> August 2016	9.24	340.14	349.38	1.67
12 <sup>th</sup> August 2016	9.60	351.91	361.51	1.73
15 <sup>th</sup> August 2016	10.64	350.45	361.09	1.73

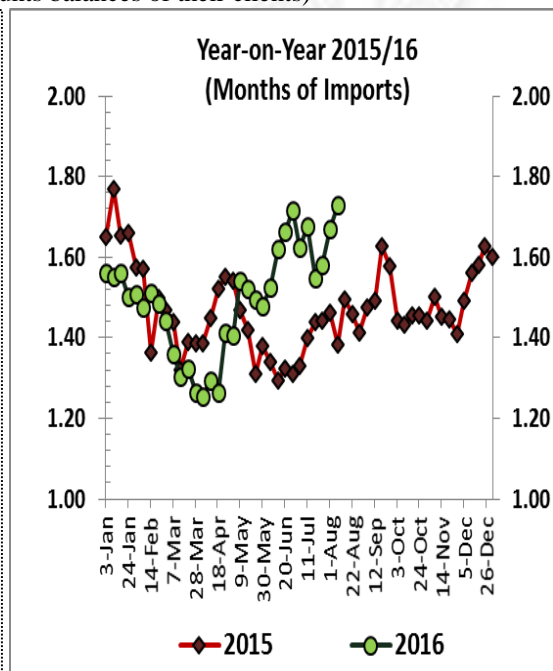
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
29 <sup>th</sup> July 2016	55.72	56.58
05 <sup>th</sup> August 2016	39.46	39.14
12 <sup>th</sup> August 2016	42.21	48.65
On 15 <sup>th</sup> August 2016	5.09	5.18

### Commentary:

- ADB's purchased US\$42.21 million from the market and monetary authorities during the week ending 12<sup>th</sup> August 2016 against sales to the market at US\$48.65 million. On 15<sup>th</sup> August 2016, ADB's purchased US\$5.09 million from the market and sold US\$5.18 million

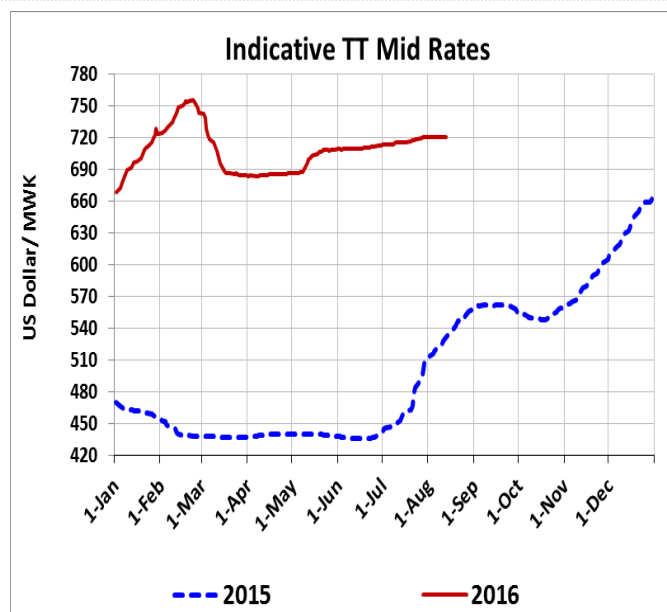
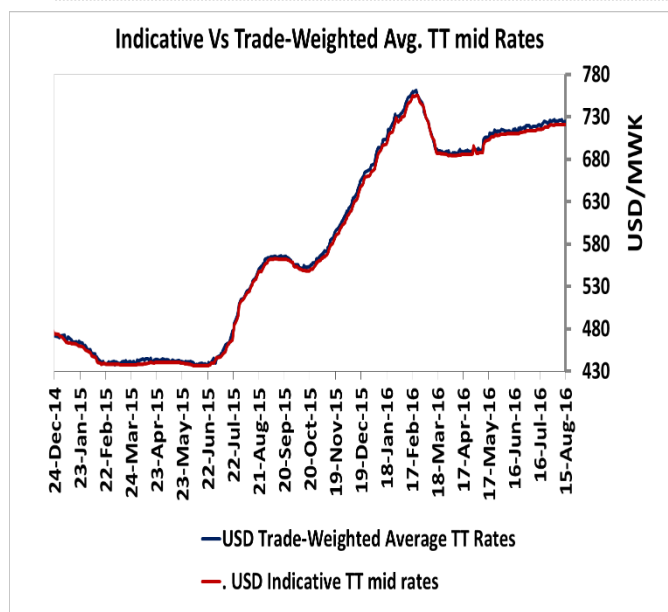


## iii. Exchange Rate Developments

	08 Aug 2016	09 Aug 2016	10 Aug 2016	11 Aug 2016	12 Aug 2016	15 Aug 2016	Today's indicative
MWK/USD	726.1031	725.8284	725.4962	726.4811	723.3654	724.4210	720.6490
MWK/GBP	947.5209	941.3513	944.8958	941.4855	943.4250	938.7638	931.0785
MWK/EUR	801.5728	804.2619	807.2520	806.4906	805.1219	812.5620	807.8475
MWK/ZAR	53.0941	53.3568	54.2805	54.3752	54.2908	53.5526	54.2972

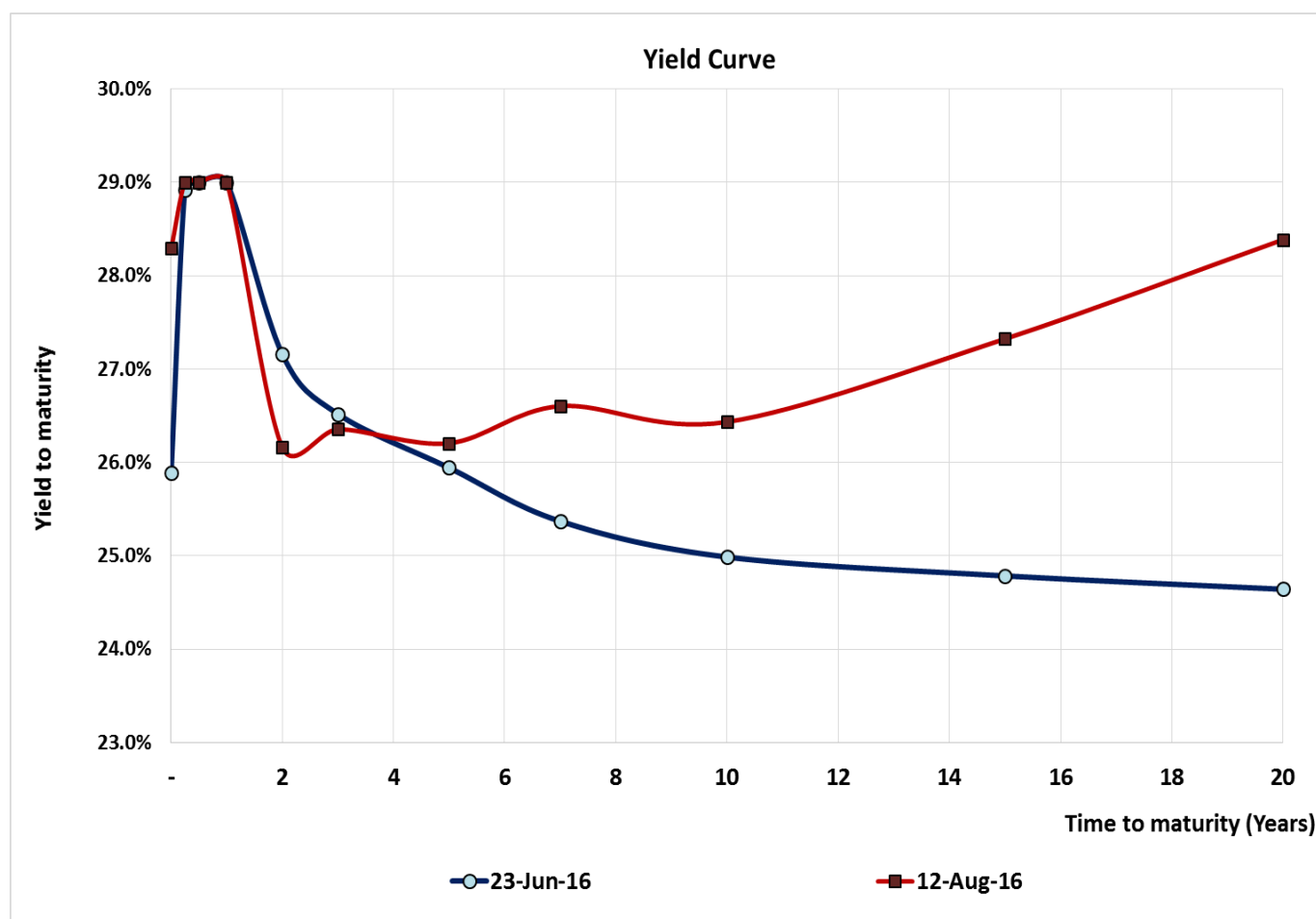
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday, the Kwacha depreciated against the GBP but appreciated against the USD, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K720.6490 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
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%
23 <sup>rd</sup> June 2016	25.89%	28.92%	29.00%	29.00%	27.16%	26.52%	25.94%	25.37%	24.99%	24.78%	24.64%
12 <sup>th</sup> August 2016	28.29%	29.00%	29.00%	29.00%	26.16%	26.35%	26.21%	26.60%	26.43%	27.32%	28.39%
12 Aug–23 Jun 2016 Change in Yield (Bp)	240	8	0	0	-100	-16	26	123	145	254	374



##### Commentary:

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

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