RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 7th November 2017

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 10th November 2017
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-24,898	-23,383
Estimated Excess Reserves before OMO	-21,745	-25,438
Estimated Excess Reserves after OMO	0	0
Required Reserves	69,573	69,573

ii. Known Projected Transactions

	Week ending 10th November 2017	Week ending 17th November 2017	Week ending 24th November 2017	November 2017	December 2017
Maturity of normal TBs/TNs/PNs	2,125	1,912	636	6,636	11,354
Maturity of OMO Repos	2,937	12,361	8,135	45,436	34,732

Commentary:

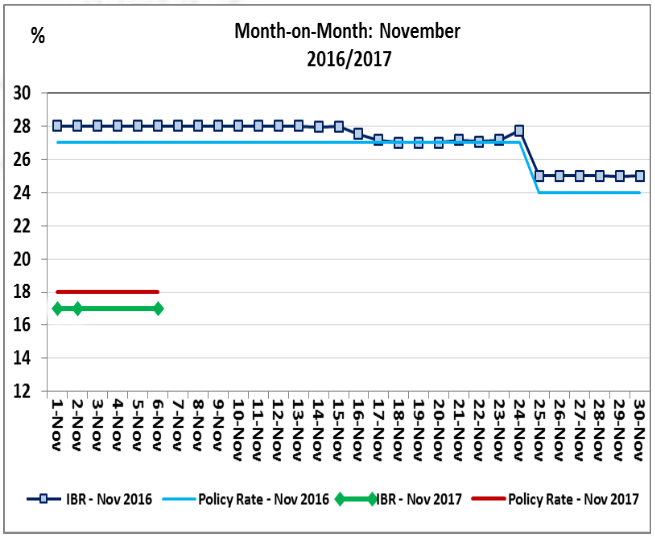
- Excess reserves increased to K2.57 billion on Monday, 6th November 2017 from K2.02 billion recorded on Friday, 3rd November 2017.

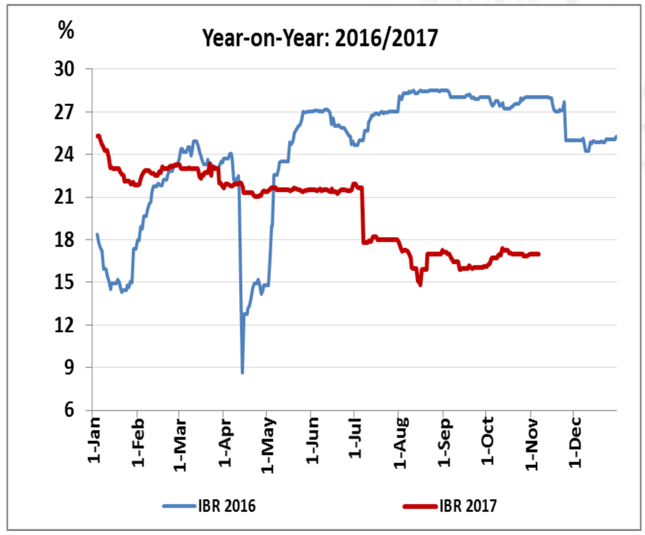
B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	**Volume**	**Average rate (%)**
O/N	5,360	17.00
07 days	-	-
14 days	-	-
30 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
28 days	-	-
63 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	22,940	20.00

ii. Weighted Average Interbank Rates





Commentary:

- Traded volume on the interbank market dropped to K5.36 billion on 6th November 2017, from K11.44 billion recorded on Friday, 3rd November 2017.
- The weighted average overnight interbank market rate (IBR) remained unchanged at 17.00 percent on Monday, 6th November 2017 compared to the preceding day's position.
- A total of K22.94 billion was accessed on the Lombard Facility on 6th November 2017.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

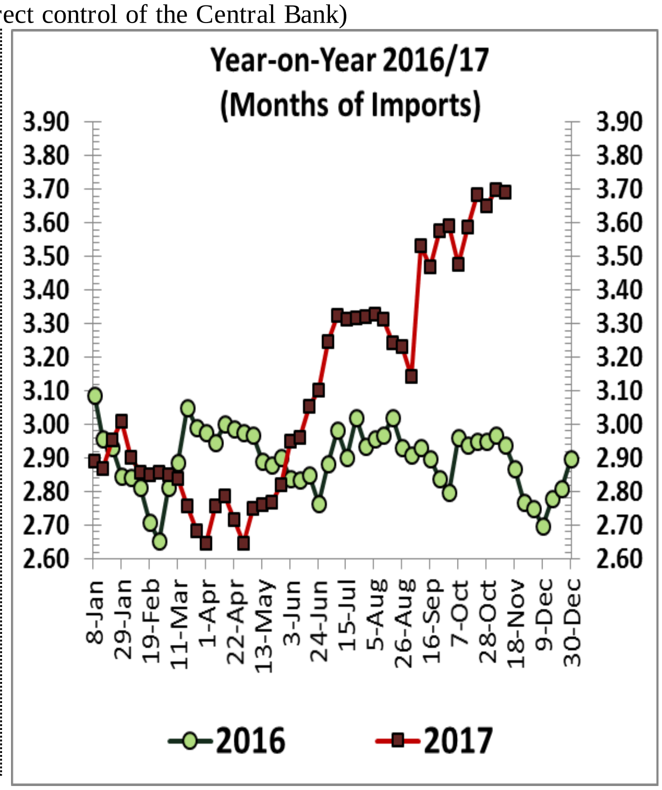
(Foreign reserves under the direct control of the Central Bank)

Date (US$ mn)	Reserves (US$ million)	Import Cover * (Months)
06th October 2017	726.79	3.48
13th October 2017	749.75	3.59
20th October 2017	769.61	3.68
27th October 2017	763.05	3.65
3rd November 2017	771.85	3.69

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

Commentary:

- Gross official reserves increased during the week ending 3rd November 2017 compared to the preceding week. The official reserves closed at US$773.92 million (3.70 months of imports) on 3rd November 2017 compared to US$763.05 million (3.65 months of imports) recorded on 27th October 2017. On the 3rd November 2017, Official Reserves stood at US$771.85 million (3.69 months of imports).



ii. Private Sector Foreign Exchange Reserves

(Foreign reserves under the direct control of authorized dealer banks (ADBs) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

Date (US$ mn)	ADBs Own Position	FCDA	Total	Import Cover * (Months)
13th October 2017	-0.30	342.52	342.22	1.64
20th October 2017	-1.51	334.10	332.59	1.59
27th October 2017	-0.20	338.27	338.07	1.62
2nd November 2017	1.07	343.68	344.75	1.65

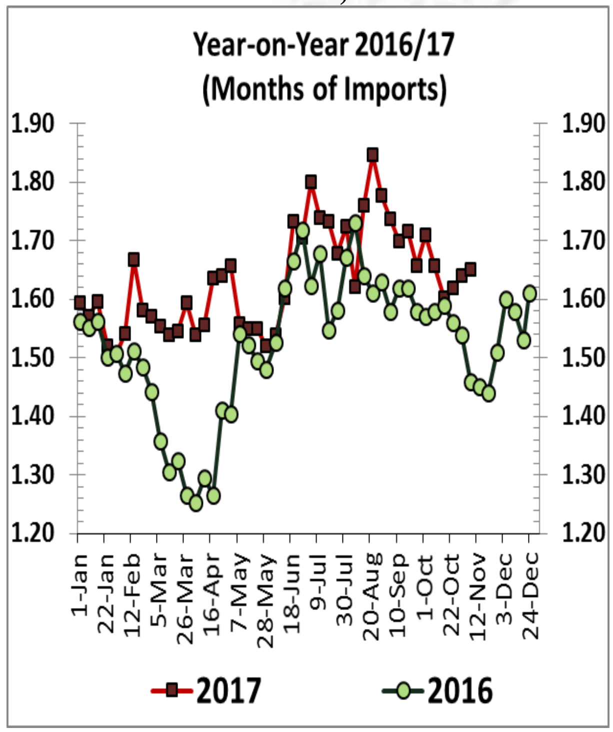
*** US$209.0 million per month is used in this calculation**

ADBs FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US$ mn)	ADBs Purchases	ADBs Sales
27th October 2017	36.38	41.07
3rd November 2017	48.19	52.15
On 6th November 2017	19.36	15.12

Commentary:

- ADBs FX trading increased during the week ending 3rd November 2017 compared to the previous week. ADBs purchased US$48.19 million from the market and sold US$52.15 million during the week. On Monday, 6th November 2017, ADBs purchased US$19.36 million and sold US$15.12 million.

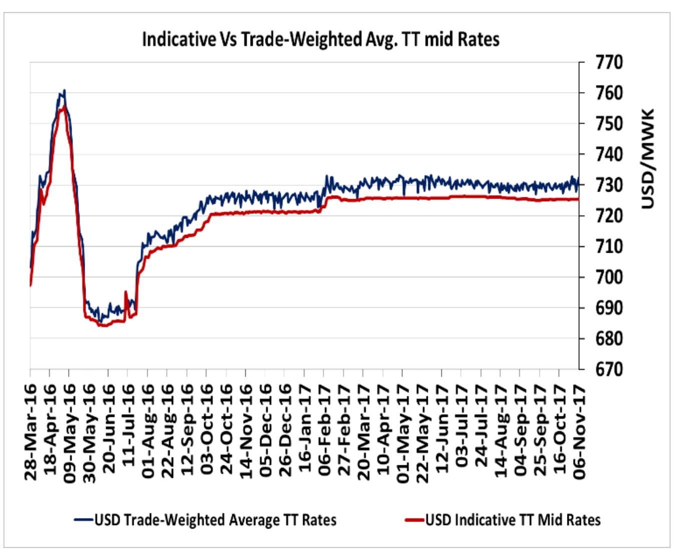


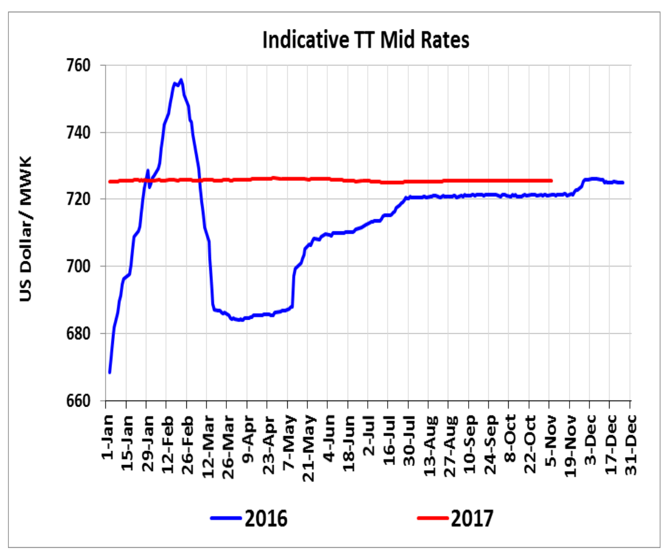
iii. Exchange Rate Developments

	31st October 2017	1st November 2017	2nd November 2017	3rd November 2017	6th November 2017	Today's Indicative Rates
MWK/USD	730.5785	731.7886	728.8580	731.4671	729.2961	725.4952
MWK/GBP	959.0600	968.6604	967.8054	949.6707	954.9486	955.5497
MWK/EUR	850.4638	845.6935	846.8657	849.1579	848.7292	842.1548
MWK/ZAR	51.9026	51.7076	52.3406	52.0355	51.2820	51.4069

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

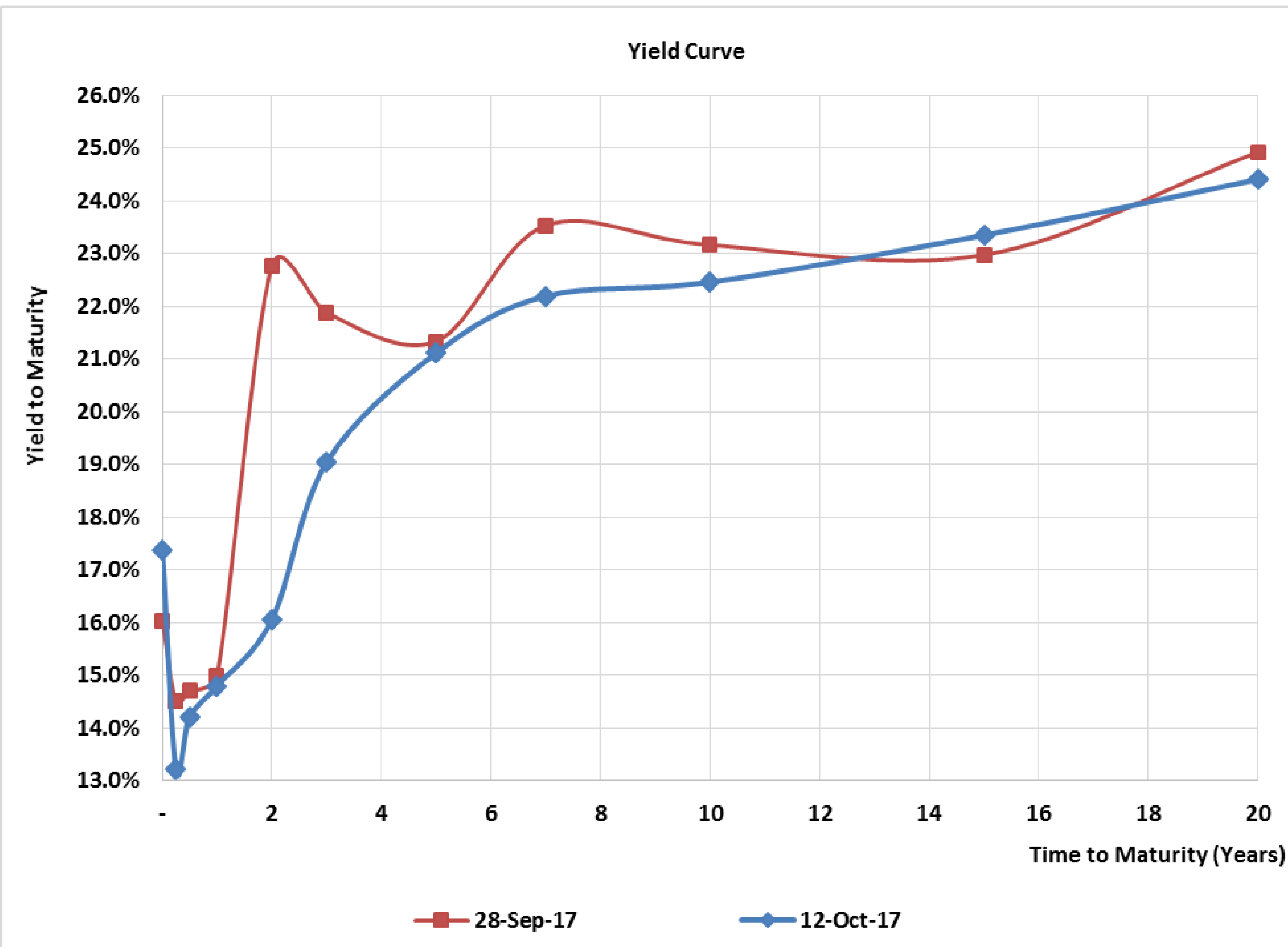
Commentary: On Monday, 6th November 2017, the Kwacha appreciated against the USD, the EUR and the ZAR but depreciated against the GBP. Indicatively, the Kwacha is expected to trade around K725.4952 against the USD today, 7th November 2017.





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
11th May 2017	21.51%	21.48%	22.08%	23.30%	25.28%	25.32%	25.69%	27.14%	27.36%	28.46%	25.14%
1st June 2017	21.50%	21.49%	21.97%	23.00%	24.81%	24.75%	24.83%	26.70%	26.43%	26.98%	29.47%
22nd June 2017	21.50%	21.41%	21.96%	23.00%	23.11%	23.11%	23.16%	23.49%	23.90%	24.85%	25.89%
13th July 2017	17.93%	16.89%	-	19.00%	23.74%	23.85%	23.69%	24.52%	24.25%	23.57%	24.92%
27th July 2017	17.98%	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10th August 2017	16.03%	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24th August 2017	17.00%	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28th September 2017	16.04%	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12th October 2017	17.37%	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 Oct-28 Sept 2017 Change in Yield (Bp)	133	-128	-50	-20	-671	-284	-22	-134	-71	37	-52



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