



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 5th January 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 5 th January 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-5,743	-10,428
Estimated Excess Reserves before OMO	-2,991	-2,991
Estimated Excess Reserves after OMO	0	0
Required Reserves	74,929	74,929

ii. Known Projected Transactions

	Week ending 5 th January 2018	Week ending 12 th January 2018	Week ending 19 th January 2018	January 2018	February 2018
Maturity of normal TBs/TNs/PNs	6,597	6,483	16,381	40,285	62,062
Maturity of OMO Repos	42,748	28,680	15,230	92,722	66,536

Commentary:

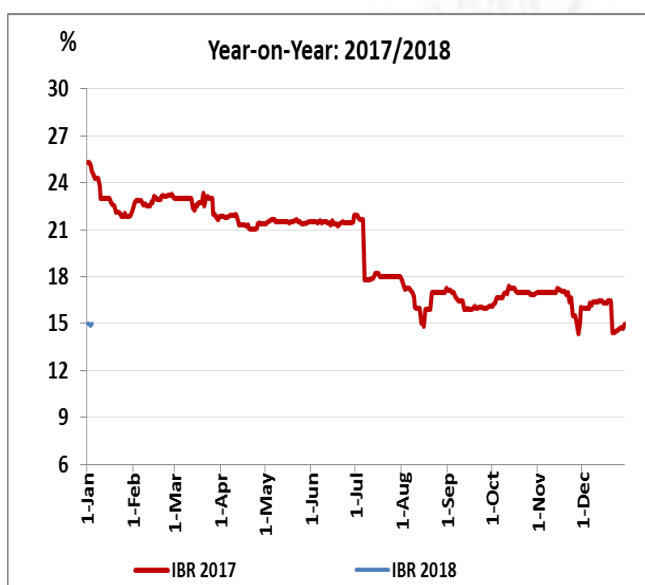
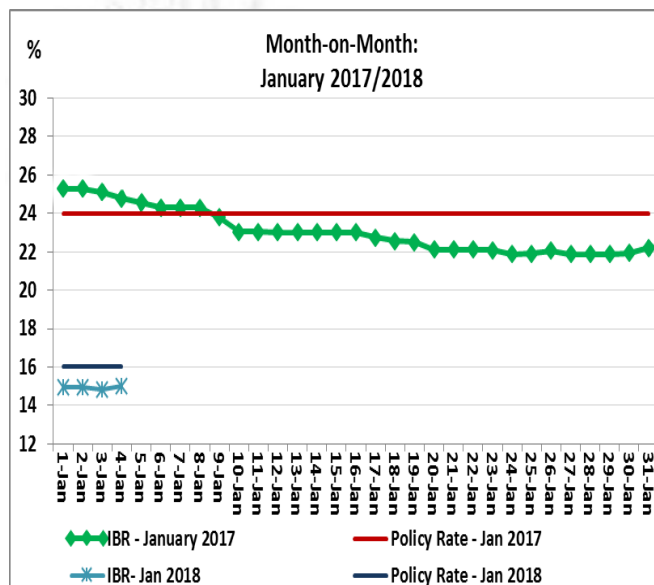
Excess reserves dropped to K2.75 billion yesterday, 4th January 2018 from K10.45 billion recorded on Wednesday, 3rd January 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	12,550	15.00
07 days	-	-
14 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	11,000	14.90
14 days	-	-
28 days	-	-
63 days	100	15.00
273 days	1,300	14.88
364 days	5,892	15.00
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	5,650	18.00

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market decreased to K12.55 billion yesterday, 4th January 2018 from K21.50 billion recorded on Wednesday, 3rd January 2018.
- The interbank market rate (IBR) increased to 15.00 percent from 14.85 percent recorded during the preceding day.
- K5.65 billion was accessed on the Lombard Facility yesterday, 4th January 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

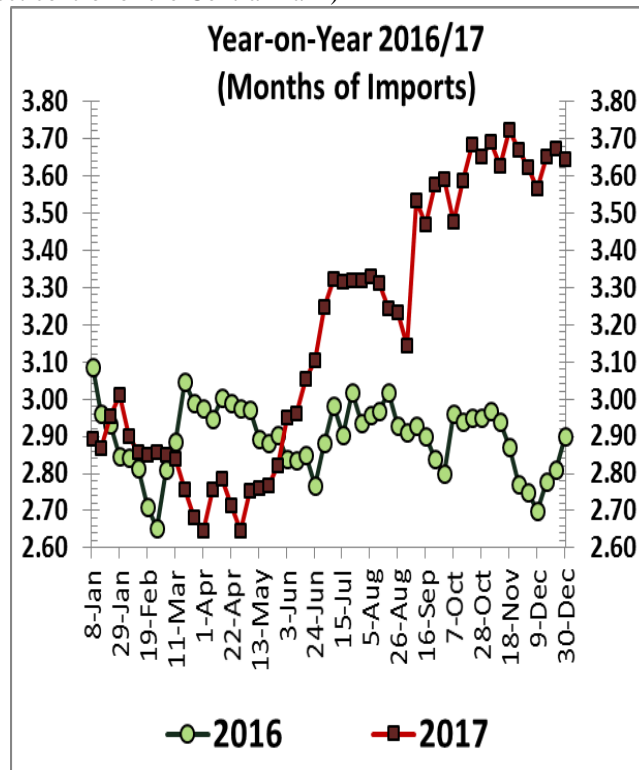
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
1 st December 2017	761.07	3.64
8 th December 2017	745.09	3.57
15 th December 2017	763.34	3.65
22 nd December 2017	767.64	3.67
29 th December 2017	761.97	3.65
3 rd January 2018	761.93	3.63

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

Commentary:

- Gross official reserves went down during the week ending 29th December 2017 compared to the preceding week. The official reserves closed at US\$761.97 million (3.65 months of imports) on 29th December 2017 compared to US\$767.64 million (3.67 months of imports) recorded on 22nd December 2017. As at 3rd January 2018, gross official reserves stood at US\$761.93 million (3.63 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 December 2017	7.06	424.49	431.54	2.06
22 nd December 2017	9.67	402.22	411.90	1.97
29 th December 2017	7.34	406.69	414.03	1.98
3 rd January 2018	-1.27	407.47	406.20	1.94

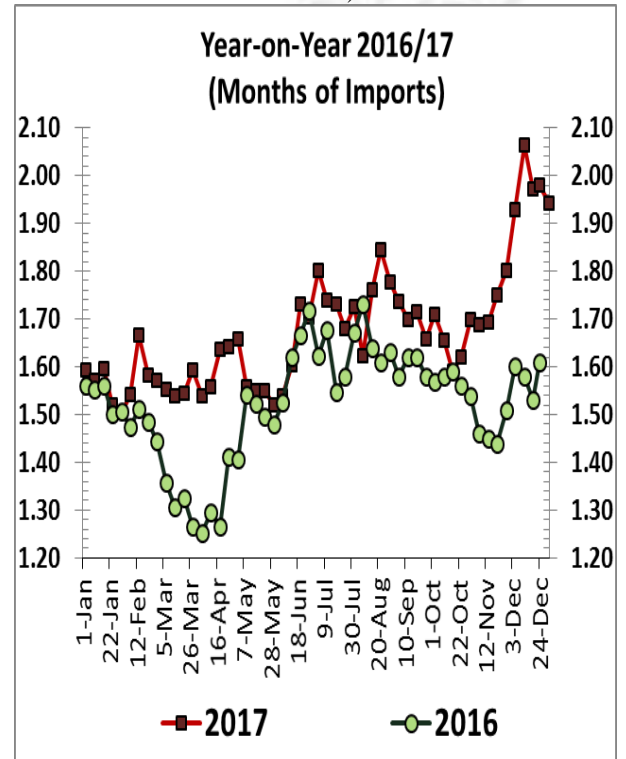
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
15 th December 2017	46.83	43.42
22 nd December 2017	73.84	72.64
29 th December 2017	29.23	35.96
On 4 th January 2018	11.48	11.20

Commentary:

- ADB's FX trading dropped significantly during the week ending 29th December 2017 compared to the previous week. For the three trading days during the week, ADBs purchased a total of US\$29.23 million from the market and sold a total of US\$35.96 million. Yesterday, 4th January 2018, ADBs purchased US\$11.48 million and sold US\$11.20 million.

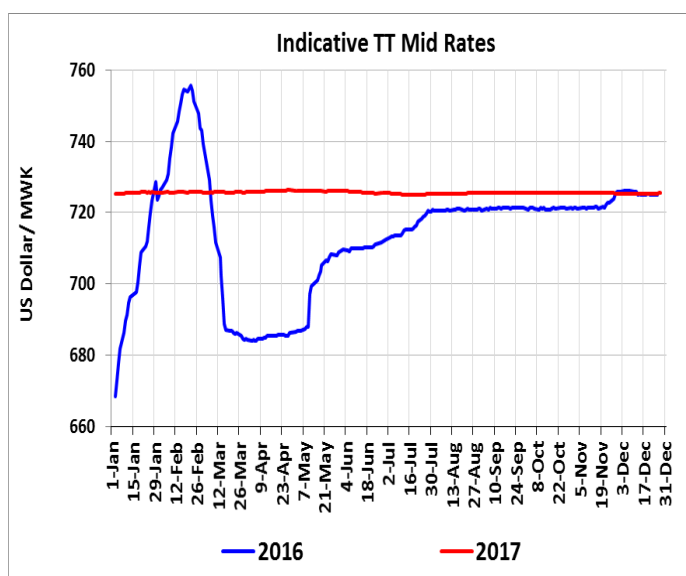
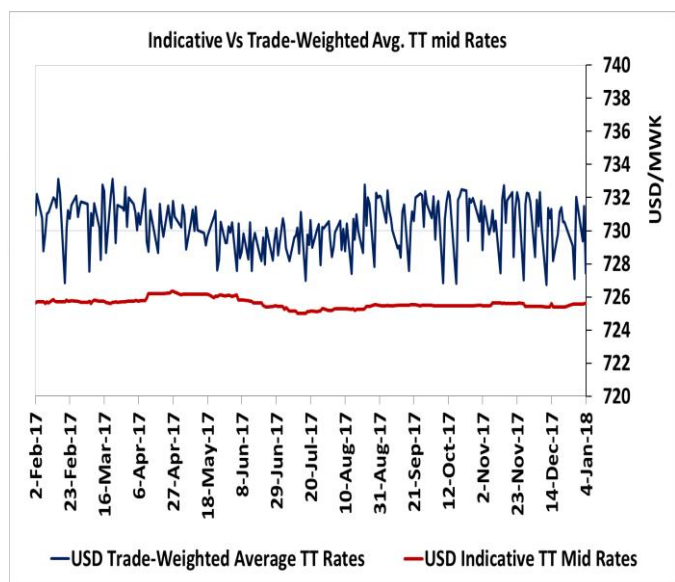


iii. Exchange Rate Developments

	28 th Dec 2017	29 th Dec 2017	2 nd January 2018	3 rd January 2018	4 th January 2018	Today's Indicative Rates
MWK/USD	727.1027	732.0252	729.3828	731.4884	727.4545	725.6086
MWK/GBP	975.6423	979.5315	989.2051	989.2130	981.8455	984.6509
MWK/EUR	868.2153	869.0747	875.0522	882.5319	877.8955	876.0998
MWK/ZAR	59.5603	59.0429	58.9561	58.6200	59.2506	58.9887

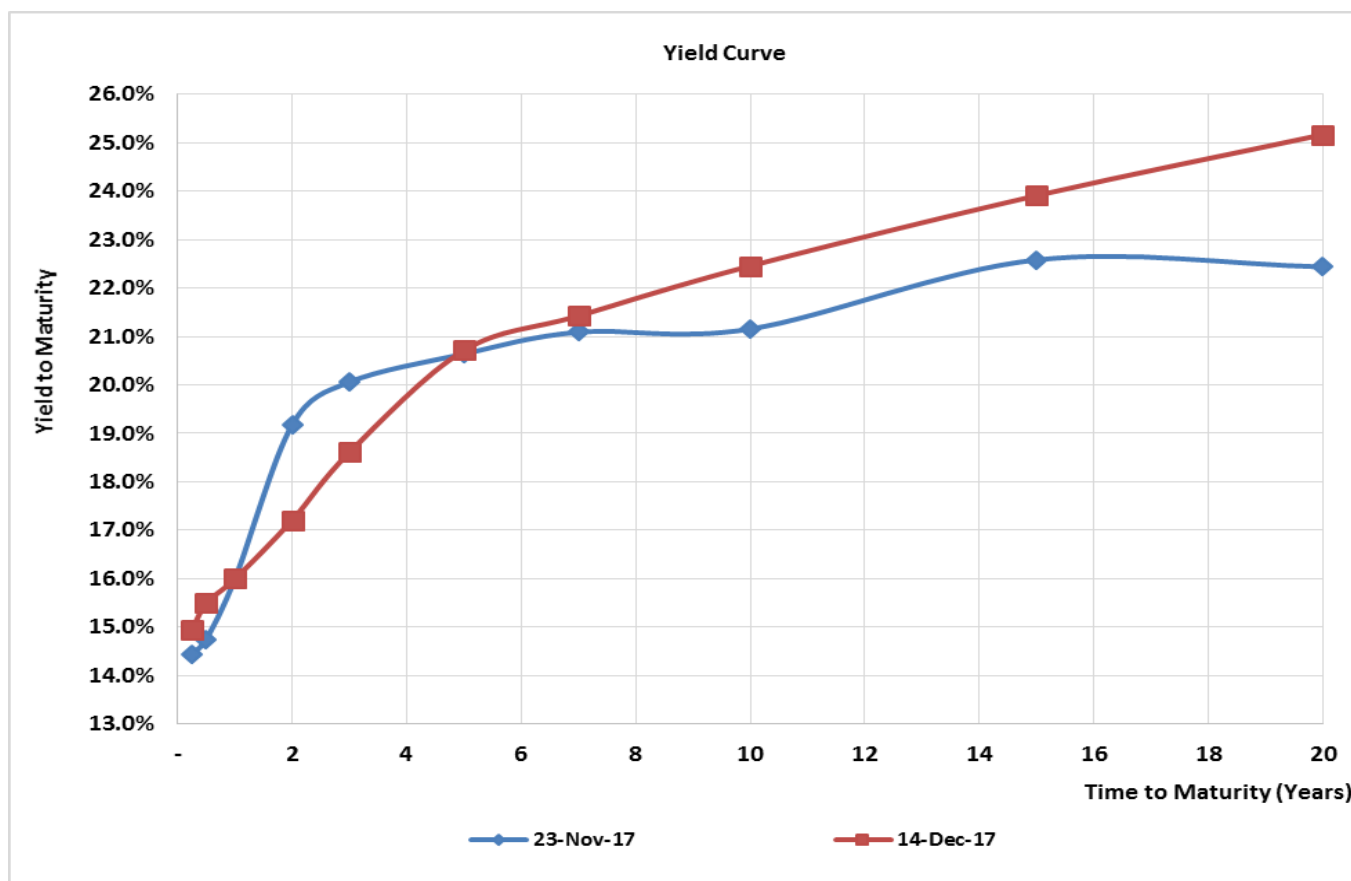
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: Yesterday, 4th January 2018, the Kwacha appreciated against the USD, GDP and EUR, but lost value against the ZAR. Indicatively, the Kwacha is expected to trade around K725.6086 against the USD today, 5th January 2018.



D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
13 th July 2017	16.89%	-	19.00%	23.74%	23.85%	23.69%	24.52%	24.25%	23.57%	24.92%
27 th July 2017	16.94%	17.95%	18.99%	23.88%	23.12%	22.51%	24.29%	23.37%	22.08%	24.14%
10 th August 2017	16.52%	17.33%	18.53%	20.92%	20.84%	21.40%	23.01%	23.47%	23.27%	24.83%
24 th August 2017	16.01%	16.95%	17.50%	19.58%	20.00%	21.50%	21.83%	22.01%	22.13%	22.59%
28 th September 2017	14.50%	14.70%	15.00%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
12 th October 2017	13.22%	14.20%	14.80%	16.06%	19.04%	21.12%	22.20%	22.46%	23.35%	24.41%
9 th November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%	21.12%	20.60%	21.07%
23 rd November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%	21.16%	22.58%	22.44%
14 th December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%	22.45%	23.91%	25.17%
14 Dec – 23 Nov 2017 Change in Yield (Bp)	49	74	0	-197	-145	7	34	130	133	273



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