

RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Monday, 19th February 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 23 rd February 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	307	14,937
Estimated Excess Reserves before OMO	2,590	17,220
Estimated Excess Reserves after OMO	0	0
Required Reserves	74,338	74,338

ii. Known Projected Transactions

	Week ending 23 rd February 2018	Week ending 2 nd March 2018	February 2018	March 2018
Maturity of normal TBs/TNs/PNs	5,092	5,871	62,062	51,241
Maturity of OMO Repos	6,834	13,693	74,236	80,978

Commentary:

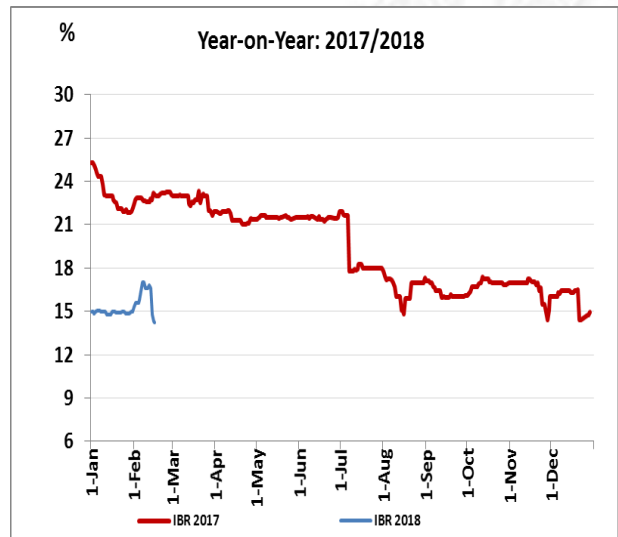
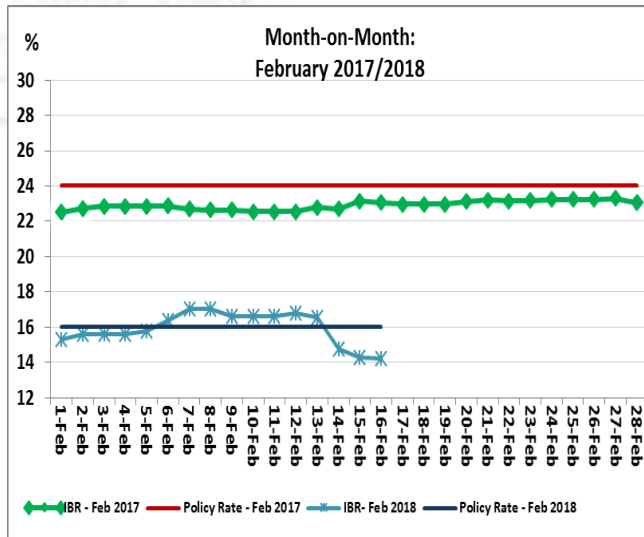
On Friday 16th February 2018, Excess reserves dropped and closed at K2.28 billion from K12.93 billion recorded on Thursday, 15th February 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	10,290	14.27
7 days	-	-
14 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	500	15.00
14 days	-	-
28 days	6,890	15.00
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
(c) Access on the Lombard Facility	1,250	18.00

Weighted Average Interbank Rates



Commentary:

- On Friday 16th February 2018, traded volume increased on the interbank market and closed at K10.29 billion from K6.92 billion recorded on Thursday, 15th February 2018.
- The overnight interbank market rate (IBR) dropped by 3 basis points and closed at 14.27 percent.
- A total of K7.39 billion was withdrawn from the banking system through OMO repos on Friday 16th February 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

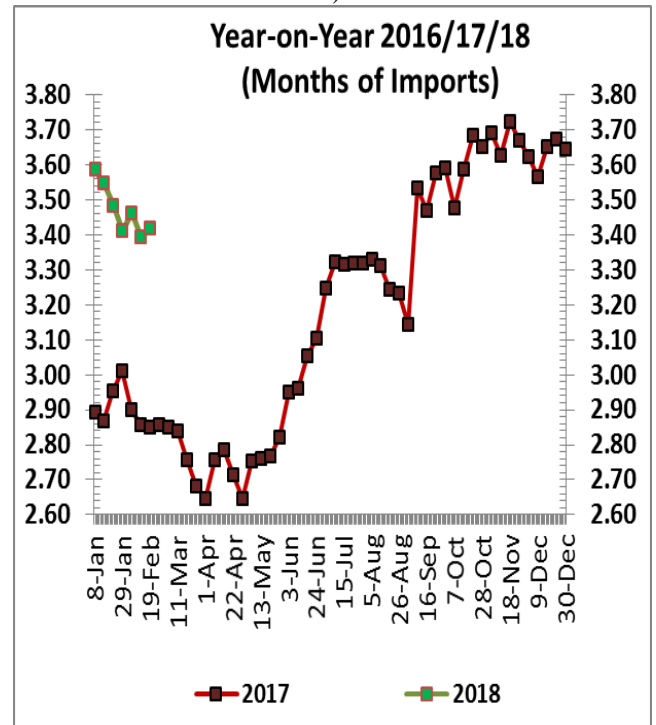
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
12 th January 2018	741.14	3.55
19 th January 2018	728.36	3.48
26 th January 2018	713.04	3.41
2 nd February 2018	723.89	3.46
9 th February 2018	709.17	3.39
15 th February 2018	714.36	3.42

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

Commentary:

- Gross official reserves decreased during the week ending 9th February 2018 compared to the preceding week. The official reserves closed at US\$709.17 million (3.39 months of imports) on 9th February 2018 compared to US\$723.89 million (3.46 months of imports) recorded on 2nd February 2018. As at 15th February 2018, total official reserves increased to \$714.36 million (3.42 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)
26 th January 2018	2.48	394.20	396.69	1.90
2 nd February 2018	3.76	383.02	386.78	1.85
9 th February 2018	-0.16	367.80	367.78	1.76
15 th February 2018	-8.50	367.28	358.77	1.72

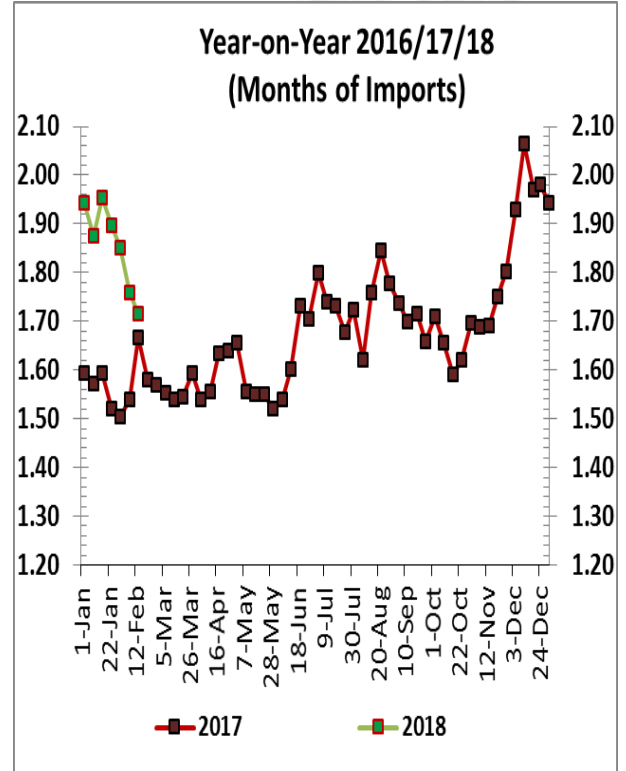
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
26 th January 2018	44.93	37.93
2 nd February 2018	58.89	58.41
9 th February 2018	33.72	34.17
On 16 th February 2018	5.59	6.26

Commentary:

- ADB's FX trading went down during the week ending 9th February 2018 compared to the previous week. ADBs purchased a total of US\$33.72 million from the market and sold a total of US\$34.17 million during the week. On Friday, 15th February 2018, ADBs purchased US\$5.56 million from the market and sold US\$6.26 million.

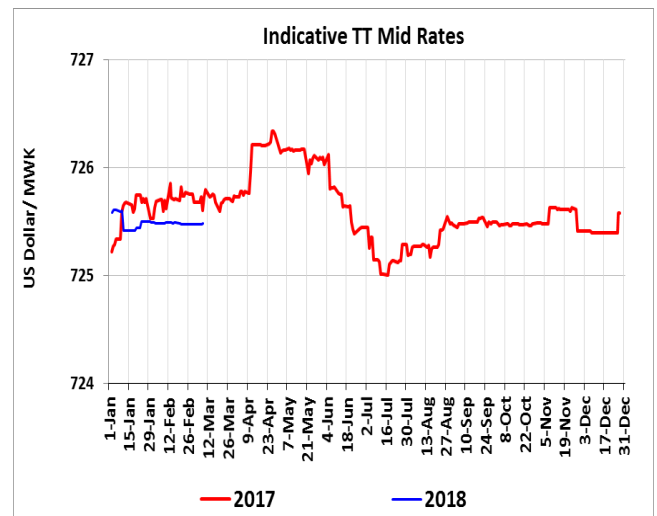
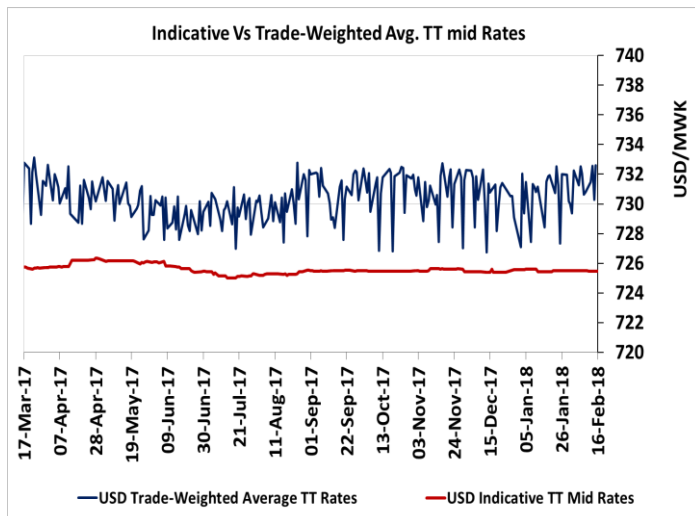


iii. Exchange Rate Developments

	12 th February 2018	13 th February 2018	14 th February 2018	15 th February 2018	16 th February 2018	Today's indicative Rates
MWK/USD	730.2694	732.6011	731.8921	727.4958	731.9715	725.4853
MWK/GBP	1,013.9330	1,006.1840	1,014.6641	1,022.2209	1,025.7905	1017.9284
MWK/EUR	897.5984	900.0985	899.6424	907.2671	914.6009	900.6900
MWK/ZAR	60.8342	60.9013	61.3335	61.7695	63.0926	62.2809

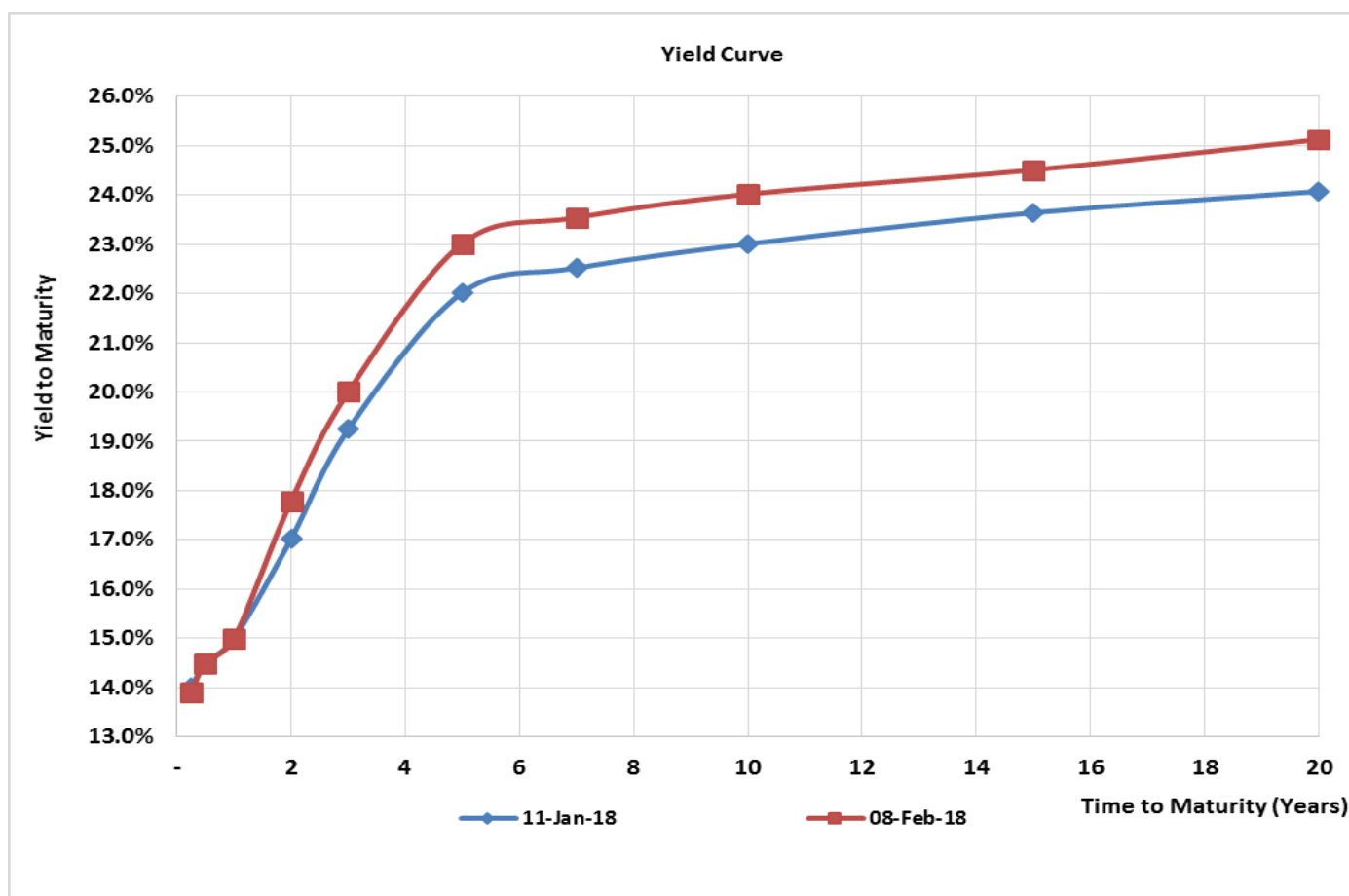
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Friday, 16th February 2018, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to trade at K725.4853 per dollar today, 19th February 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
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%
11 th January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%	23.00%	23.64%	24.07%
8 th February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%	24.01%	24.51%	25.12%
8 Feb-11 Jan 2018 Change in Yield (Bp)	-9	0	0	77	76	99	102	101	87	105



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