



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 9<sup>th</sup> May 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

|  | Today   | Week ending<br>11 <sup>th</sup> May 2018 |
|--|---------|--|
| Projected Autonomous Transactions<br>(+= Net injection / - = Net withdrawal) | -28,206 | -21,678                                  |
| Estimated Excess Reserves before OMO   | -26,778 | -15,269                                  |
| Estimated Excess Reserves after OMO  | 0       | 0  |
| Required Reserves  | 74,801  | 74,801                                   |

#### ii. Known Projected Transactions

|                                   | Week ending<br>11 <sup>th</sup> May 2018 | Week ending<br>18 <sup>th</sup> May 2018 | Week ending<br>25 <sup>th</sup> May 2018 | May 2018 |
|-----------------------------------|--|--|--|----------|
| Maturity of normal<br>TBs/TNs/PNs | 6,205                                    | 8,064                                    | 2,571                                    | 103,135  |
| Maturity of OMO Repos             | 37,022                                   | 2,932                                    | 10,948                                   | 57,534   |

#### Commentary:

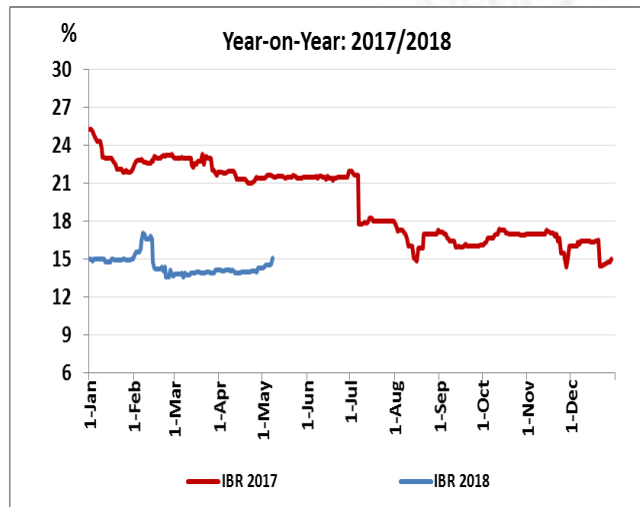
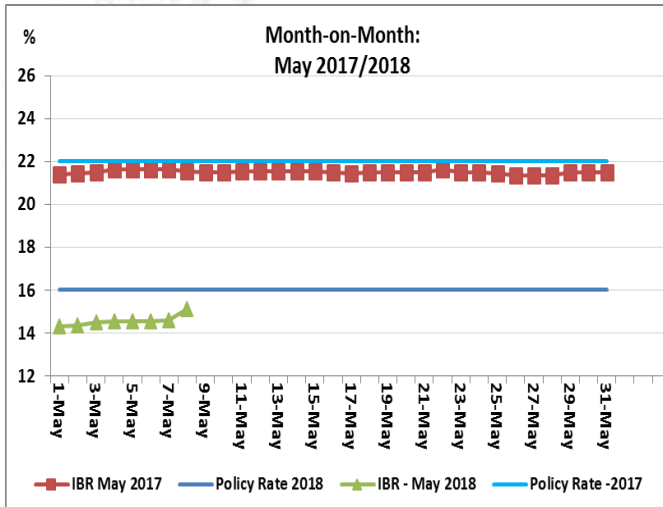
Excess reserves dropped to K1.42 billion on Tuesday, 8<sup>th</sup> May 2018, from K2.78 billion recorded on Monday, 7<sup>th</sup> May 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

| (a) Inter-bank borrowing                  | Volume | Average rate (%) |
|---|--------|------------------|
| O/N                                       | 5,150  | 15.10            |
| 7 days                                    | -      | -                |
| 14 days                                   | -      | -                |
| <b>(b) RBM Open market operations</b>     |        |                  |
| (i) Repos                                 |        |                  |
| O/N                                       | -      | -                |
| 7 days                                    | -      | -                |
| 14 days                                   | -      | -                |
| 28 days                                   | -      | -                |
| 273 days                                  | -      | -                |
| 364 days                                  | -      | -                |
| (ii) Reverse Repos                        |        |                  |
| 7 days                                    | -      | -                |
| 30 days                                   | -      | -                |
| <b>(c) Access on the Lombard Facility</b> | 28,070 | 18.00            |

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market increased to K5.10 billion on Tuesday, 8<sup>th</sup> May 2018, from K4.10 billion observed on Monday, 7<sup>th</sup> May 2018.
- The overnight interbank market rate (IBR) increased by 50 basis points and closed at 15.10 percent on Tuesday, 8<sup>th</sup> May 2018 from 14.60 percent recorded on Monday, 7<sup>th</sup> May 2018.
- A total of K28.07 billion was accessed on the Lombard Facility on Tuesday, 8<sup>th</sup> May 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

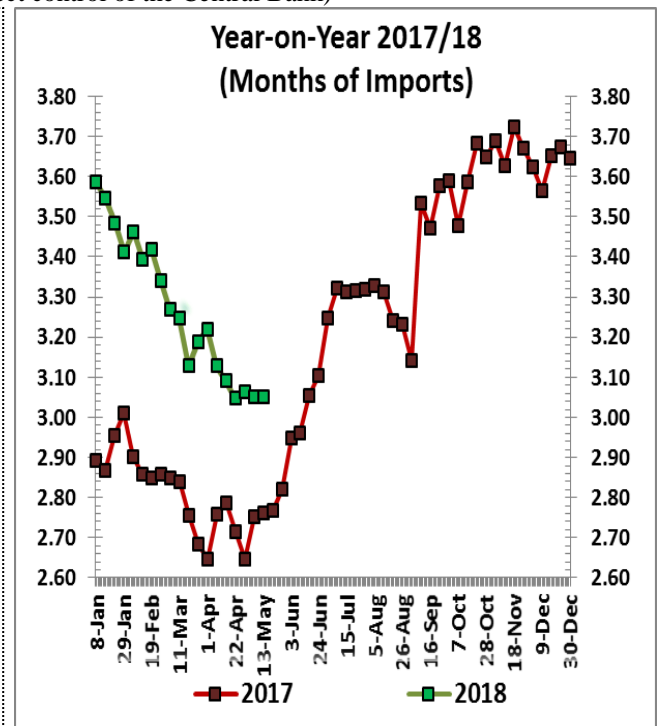
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn)              | Reserves (US\$ million) | Import Cover * (Months) |
|-----------------------------|-------------------------|-------------------------|
| 6 <sup>th</sup> April 2018  | 653.72                  | 3.13                    |
| 13 <sup>th</sup> April 2018 | 645.97                  | 3.09                    |
| 20 <sup>th</sup> April 2018 | 636.90                  | 3.05                    |
| 27 <sup>th</sup> April 2018 | 640.56                  | 3.06                    |
| 4 <sup>th</sup> May 2018    | 637.70                  | 3.05                    |
| 7 <sup>th</sup> May 2018    | 634.23                  | 3.05                    |

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

### Commentary:

- Gross official reserves marginally declined during the week ending 4<sup>th</sup> May 2018 compared to the preceding week. As at 4<sup>th</sup> May 2018, gross official reserves stood at \$367.70 million (3.05 months of imports) compared to \$640.56 million (3.06 months of imports) recorded on 27<sup>th</sup> April 2018. On the 7<sup>th</sup> May 2018, Gross Official Reserves stood at \$634.23 million (3.05 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) |
|-----------------------------|--------------------|--------|--------|-------------------------|
| 20 <sup>th</sup> April 2018 | -4.65              | 362.23 | 357.58 | 1.71                    |
| 27 <sup>th</sup> April 2018 | -7.39              | 356.20 | 348.80 | 1.67                    |
| 4 <sup>th</sup> May 2018    | 0.33               | 358.27 | 358.61 | 1.72                    |
| On 7 <sup>th</sup> May 2018 | -3.59              | 347.33 | 365.42 | 1.73                    |

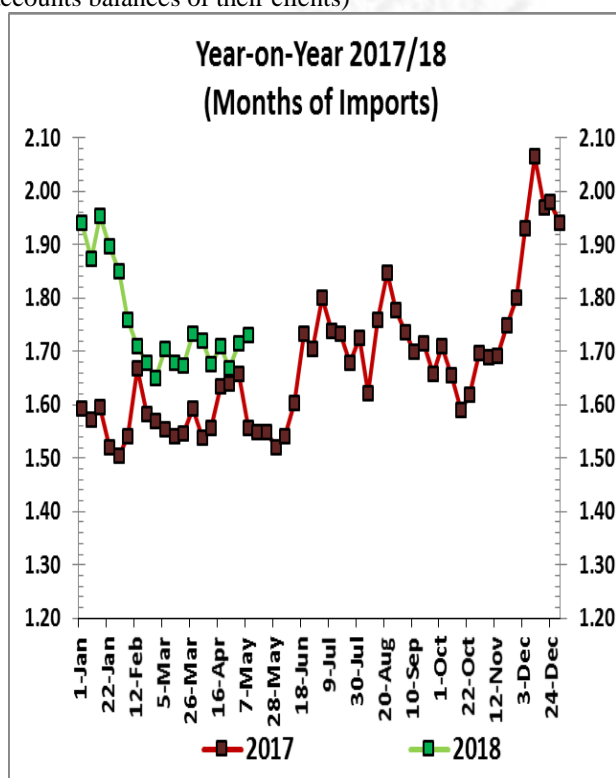
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn)       | ADB's Purchases | ADB's Sales |
|-----------------------------|-----------------|-------------|
| 20 <sup>th</sup> April 2018 | 38.28           | 38.05       |
| 27 <sup>th</sup> April 2018 | 35.54           | 42.14       |
| 4 <sup>th</sup> May 2018    | 43.23           | 46.27       |
| On 8 <sup>th</sup> May 2018 | 6.16            | 10.95       |

### Commentary:

- ADB's FX trading picked up during the week ending 4<sup>th</sup> May 2018 compared to the previous week. ADBs purchased a total of US\$43.23 million from the market and sold a total of US\$46.27 million during the week. On Tuesday, 8<sup>th</sup> May 2018, ADBs purchased US\$6.16 million from the market and sold US\$10.95 million.

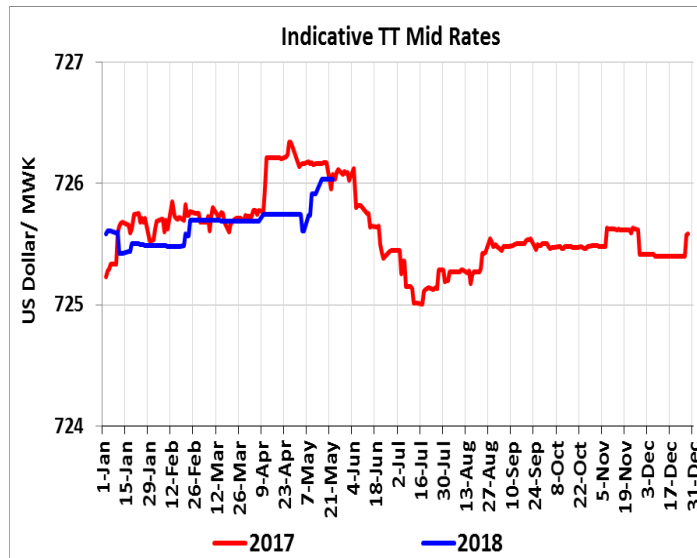
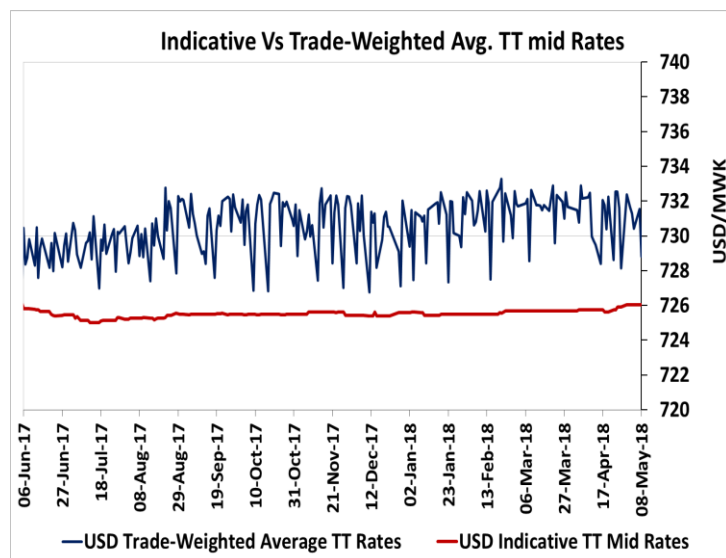


## iii. Exchange Rate Developments

|         | 2 <sup>nd</sup> May 2018 | 3 <sup>rd</sup> May 2018 | 4 <sup>th</sup> May 2018 | 7 <sup>th</sup> May 2018 | 8 <sup>th</sup> May 2018 | Today's indicative Rates |
|---------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| MWK/USD | 731.6489                 | 731.3025                 | 730.4150                 | 731.5577                 | 728.8040                 | 726.0382                 |
| MWK/GBP | 994.5269                 | 993.6606                 | 994.6138                 | 987.4313                 | 990.1325                 | 982.6927                 |
| MWK/EUR | 875.1839                 | 871.0998                 | 873.0346                 | 873.2671                 | 870.8936                 | 860.7909                 |
| MWK/ZAR | 58.0348                  | 57.8369                  | 57.8291                  | 58.2341                  | 58.1065                  | 57.6070                  |

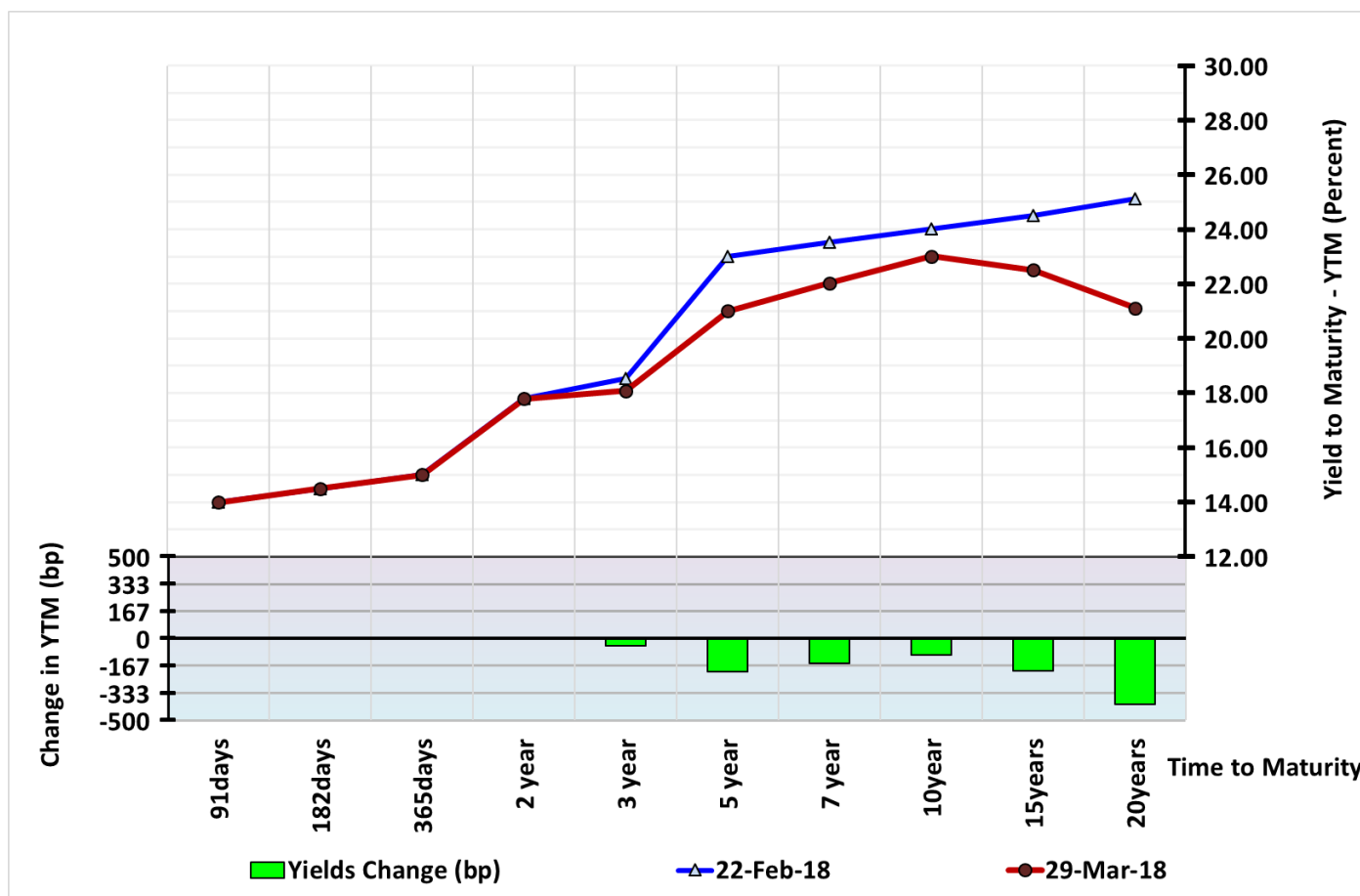
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Tuesday, 8<sup>th</sup> May 2018, the Kwacha appreciated against the USD, the EUR and the ZAR but depreciated against the GBP. Indicatively, the local currency is expected to trade at K726.0382 per US Dollar today, 8<sup>th</sup> May 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 |
|--|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 28 <sup>th</sup> September 2017              | 14.50% | 14.70%  | 15.00%  | 16.06% | 19.04% | 21.12% | 22.20% | 22.46%  | 23.35%  | 24.41%  |
| 12 <sup>th</sup> October 2017                | 13.22% | 14.20%  | 14.80%  | 16.06% | 19.04% | 21.12% | 22.20% | 22.46%  | 23.35%  | 24.41%  |
| 9 <sup>th</sup> November 2017                | 14.32% | 14.79%  | 14.73%  | 17.03% | 19.04% | 20.56% | 20.79% | 21.12%  | 20.60%  | 21.07%  |
| 23 <sup>rd</sup> November 2017               | 14.44% | 14.75%  | 16.00%  | 19.18% | 20.06% | 20.64% | 21.09% | 21.16%  | 22.58%  | 22.44%  |
| 14 <sup>th</sup> December 2017               | 14.93% | 15.50%  | 16.00%  | 17.21% | 18.61% | 20.71% | 21.43% | 22.45%  | 23.91%  | 25.17%  |
| 11 <sup>th</sup> January 2018                | 14.00% | 14.50%  | 15.00%  | 17.02% | 19.24% | 22.02% | 22.51% | 23.00%  | 23.64%  | 24.07%  |
| 8 <sup>th</sup> February 2018                | 13.91% | 14.50%  | 15.00%  | 17.79% | 20.00% | 23.01% | 23.54% | 24.01%  | 24.51%  | 25.12%  |
| 22 <sup>nd</sup> February 2018               | 14.00% | 14.50%  | 15.00%  | 17.79% | 18.53% | 23.01% | 23.54% | 24.01%  | 24.51%  | 25.12%  |
| 29 <sup>th</sup> March 2018                  | 14.00% | 14.50%  | 15.00%  | 17.79% | 18.09% | 21.01% | 22.04% | 23.01%  | 22.51%  | 21.12%  |
| 29 Mar - 22 Feb 2018<br>Change in Yield (Bp) | 0      | 0       | 0       | 0      | -44    | -200   | -150   | -100    | -200    | -400    |



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