



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 18<sup>th</sup> May 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 18 <sup>th</sup> May 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-6,133	-5,548
Estimated Excess Reserves before OMO	-3,082	-3,082
Estimated Excess Reserves after OMO	0	0
Required Reserves	74,801	74,801

#### ii. Known Projected Transactions

	Week ending 18 <sup>th</sup> May 2018	Week ending 25 <sup>th</sup> May 2018	May 2018
Maturity of normal TBs/TNs/PNs	22,229	2,571	103,135
Maturity of OMO Repos	10,243	10,948	57,534

#### Commentary:

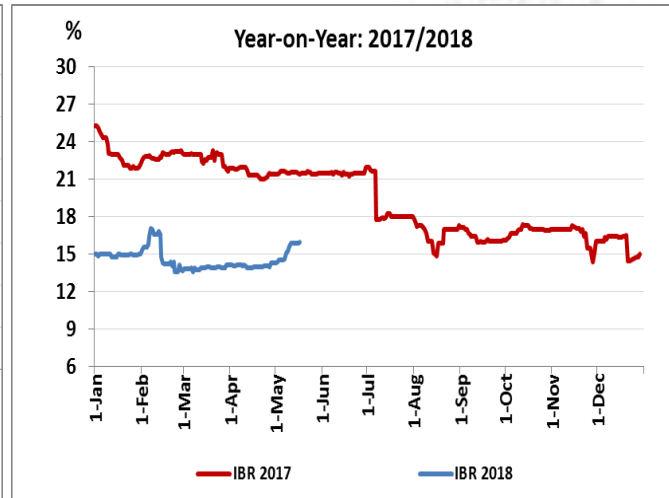
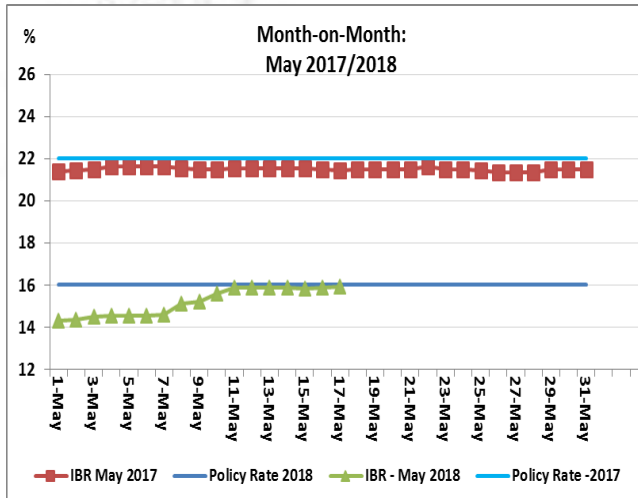
Excess reserves increased to K3.05 billion on Thursday, 17<sup>th</sup> May 2018, from K1.71 billion recorded on Wednesday, 16<sup>th</sup> May 2018.

### B. INTER-BANK MARKET DEVELOPMENTS

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

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	9,350	15.94
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>	8,005	18.00

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market dropped to K9.35 billion on Thursday, 17<sup>th</sup> May 2018, from K12.52 billion observed on Wednesday, 16<sup>th</sup> May 2018.
- The overnight interbank market rate (IBR) increased slightly by 5 basis points and closed at 15.94 percent on Thursday, 17<sup>th</sup> May 2018 from 15.89 percent recorded on Wednesday, 16<sup>th</sup> May 2018.
- A total of K8.00 billion was accessed on the Lombard Facility on Thursday, 17<sup>th</sup> May 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

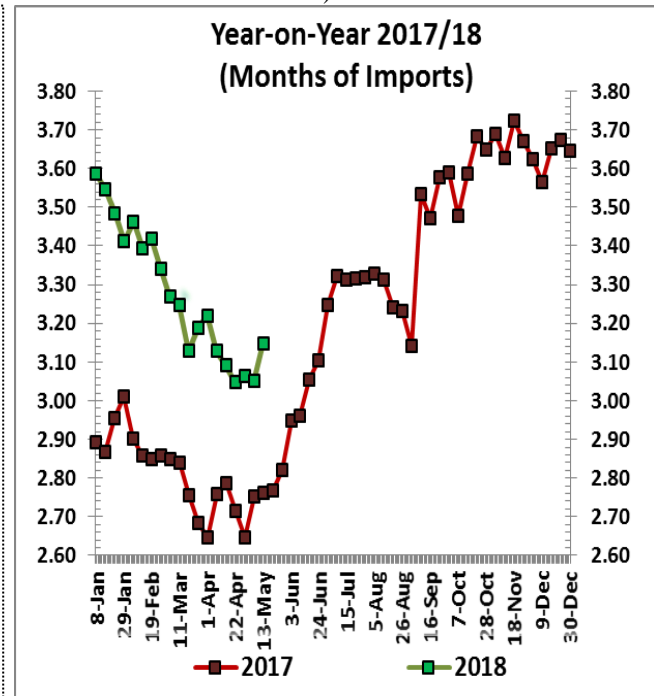
(Foreign reserves under the direct control of the Central Bank)

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
10 <sup>th</sup> May 2018	658.19	3.15

\* 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 10<sup>th</sup> May 2018, Gross Official Reserves stood at \$658.19 million (3.15 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)
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
9 <sup>th</sup> May 2018	-7.63	362.83	355.20	1.70
16 <sup>th</sup> May 2018	-7.49	369.76	362.27	1.73

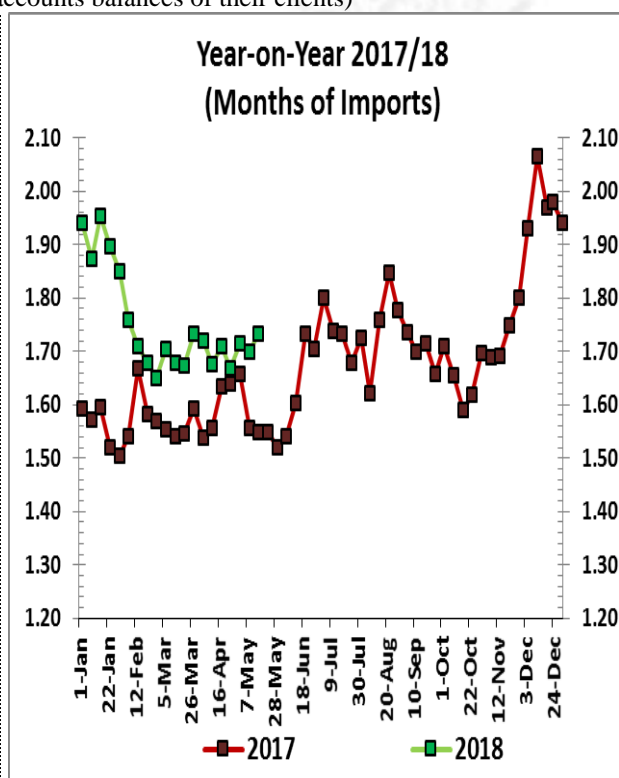
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
27 <sup>th</sup> April 2018	35.54	42.14
4 <sup>th</sup> May 2018	43.23	46.27
11 <sup>th</sup> May 2018	47.27	63.22
17 <sup>th</sup> May 2018	11.46	10.59

### Commentary:

- ADB's FX trading picked up during the week ending 11<sup>th</sup> May 2018 compared to the previous week. ADBs purchased a total of US\$47.27 million from the market and sold a total of US\$63.22 million during the week. On Thursday, 17<sup>th</sup> May 2018, ADBs purchased US\$11.46 million from the market and sold US\$10.59 million.

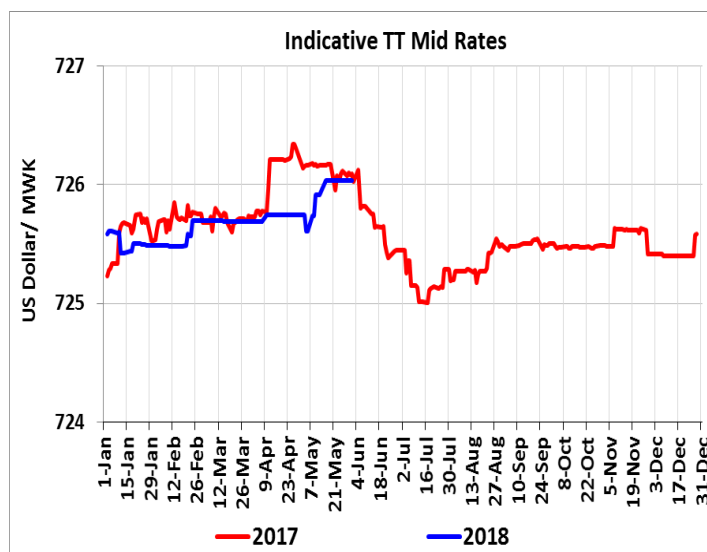
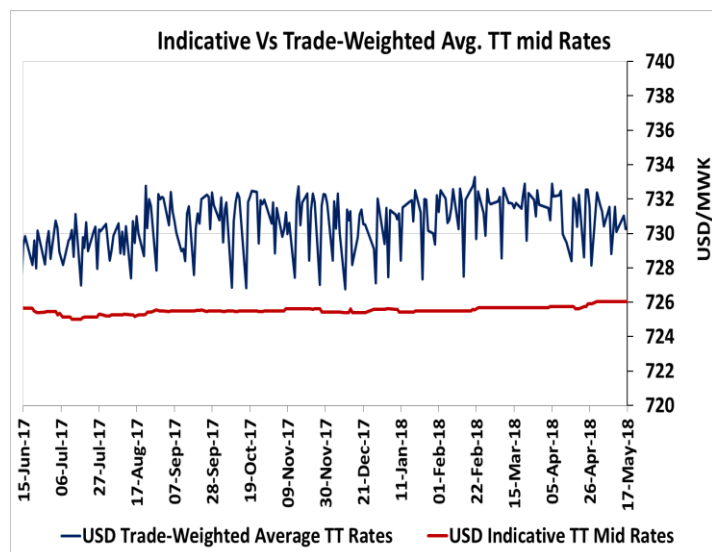


## iii. Exchange Rate Developments

	10 <sup>th</sup> May 2018	11 <sup>th</sup> May 2018	15 <sup>th</sup> May 2018	16 <sup>th</sup> May 2018	17 <sup>th</sup> May 2018	Today's indicative Rates
MWK/USD	731.5432	730.1134	731.0351	730.2631	732.2655	726.0382
MWK/GBP	993.3641	986.6545	985.4559	984.7592	992.3494	981.4584
MWK/EUR	862.1958	868.2986	873.6996	863.9406	865.4526	857.3785
MWK/ZAR	59.1303	59.6158	58.9111	58.3204	58.4784	57.8802

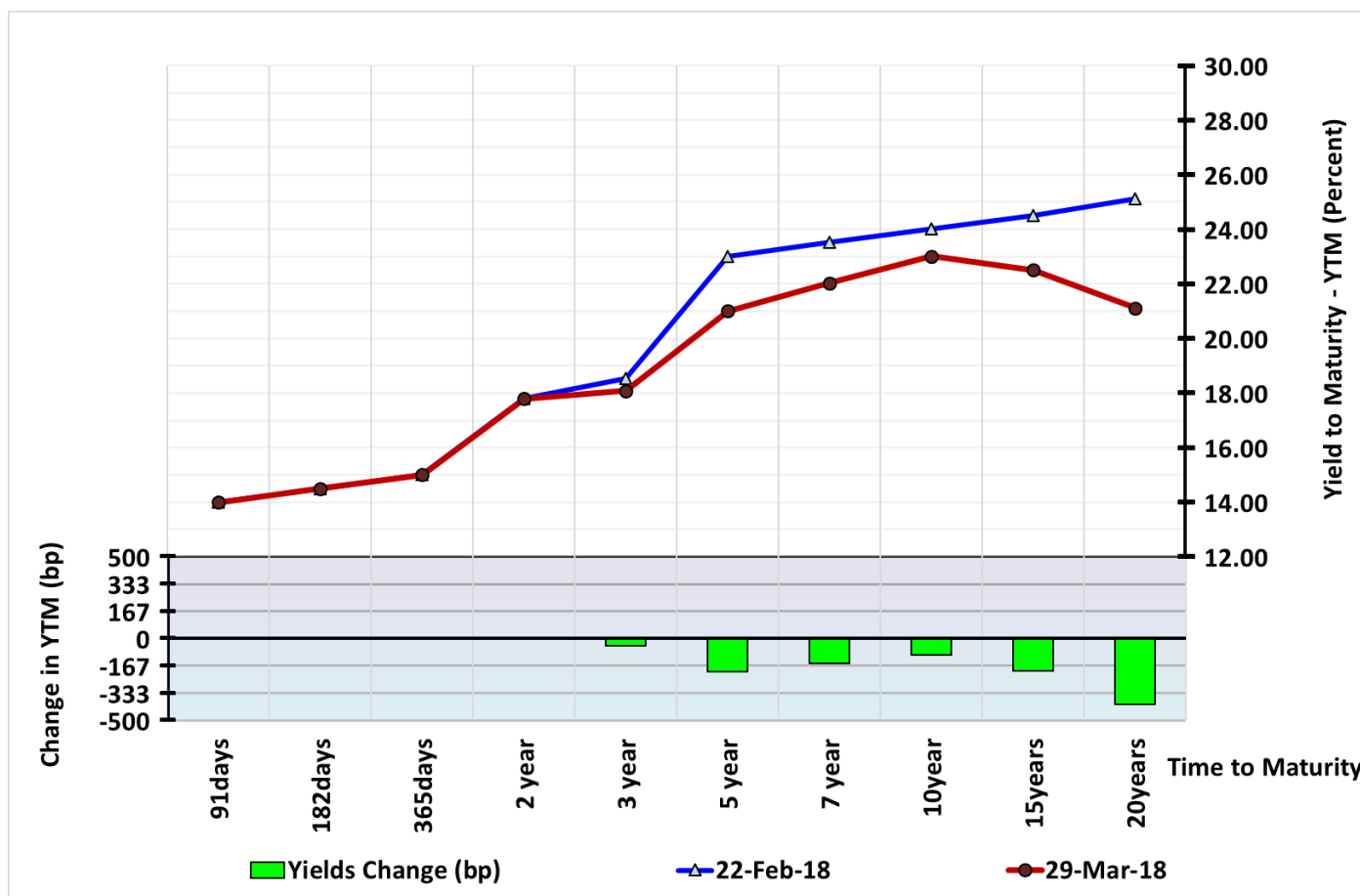
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Thursday, 17<sup>th</sup> May 2018, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency is expected to trade at K726.0382 per US Dollar today, 18<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 Change in Yield (Bp)	0	0	0	0	-44	-200	-150	-100	-200	-400



**DISCLAIMER:** This information is provided for general reference purposes only. Whilst every effort is made to ensure that the information is up to date and Accurate, the Reserve Bank of Malawi does not accept responsibility for any loss that may arise from reliance on the information contained herein.