



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 30th August 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 31 st August 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-12,246	-14,938
Estimated Excess Reserves before OMO	15,988	15,152
Estimated Excess Reserves after OMO	0	0
Required Reserves	77,324	77,324

ii. Known Projected Transactions

	Week ending 17 th August 2018	Week ending 24 th August 2018	Week ending 31 st August 2018	August 2018
Maturity of normal TBs/TNs/PNs	4,971	3,979	64,466	89,359
Maturity of OMO Repos	21,173	6,950	6,661	104,581

Commentary:

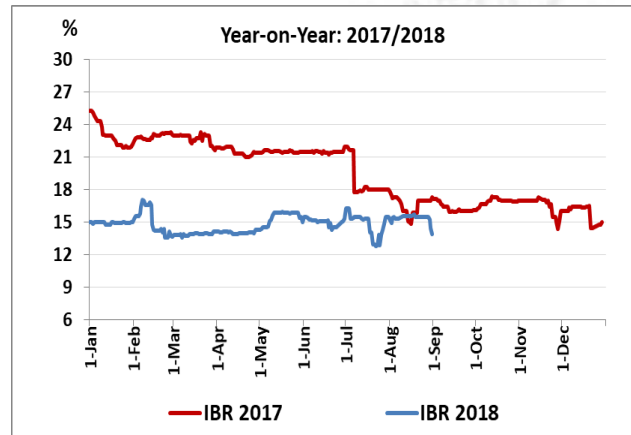
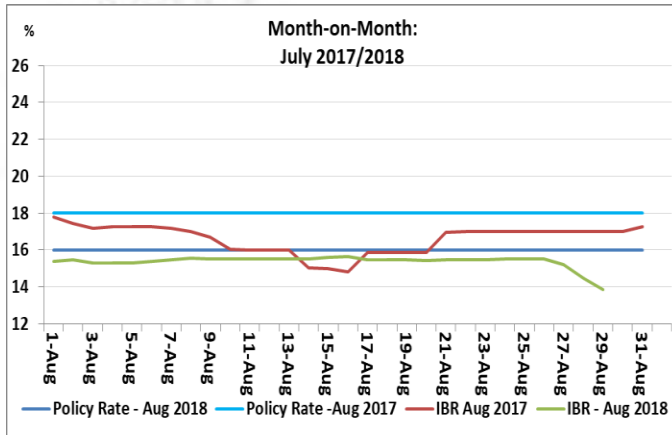
Excess reserves marginally dropped to K28.23 billion on Wednesday, 29th August 2018, from K29.45 billion recorded on Tuesday, 28th August 2018.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume (Mk'mn)	Average rate (%)
O/N	2,415	13.88
7 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N		
7 days	-	-
14 days	-	-
31 days	-	-
60 days	-	-
91 days	-	-
150 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	-	-

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market dropped to K2.41 billion on Wednesday, 29th August 2018, from K3.02 billion on Tuesday, 28th August 2018.
- The overnight interbank market rate (IBR) dropped by 57 basis points (bps) and closed at 13.88 percent.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

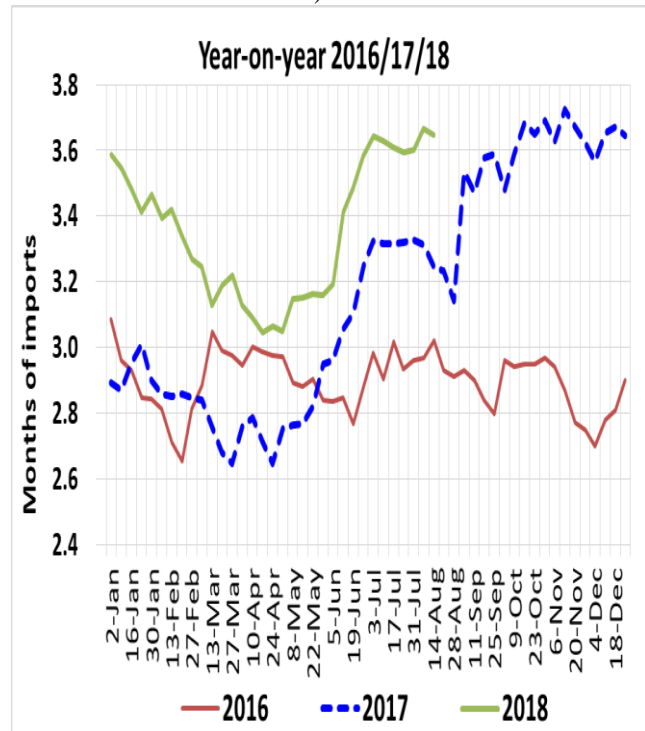
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
20 th July 2018	758.59	3.63
27 th July 2018	754.24	3.61
10 th Aug 2018	750.83	3.59
17 th Aug 2018	752.80	3.60
24 th Aug 2018	765.92	3.66
29 th Aug 2018	763.46	3.65

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

Commentary:

- Gross official reserves increased during the week ending 24th August 2018 to \$765.92 million (3.66 months of imports) from \$752.80 million (3.60 months of imports) at the end of the preceding week. As at 29th August 2018, gross official reserves stood at \$763.46 million (3.65 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)
10 th Aug 2018	-0.30	349.25	348.95	1.67
17 th Aug 2018	-9.73	340.49	330.76	1.58
24 th Aug 2018	-11.03	342.51	331.48	1.59
28 th Aug 2018	-5.57	347.11	341.53	1.63

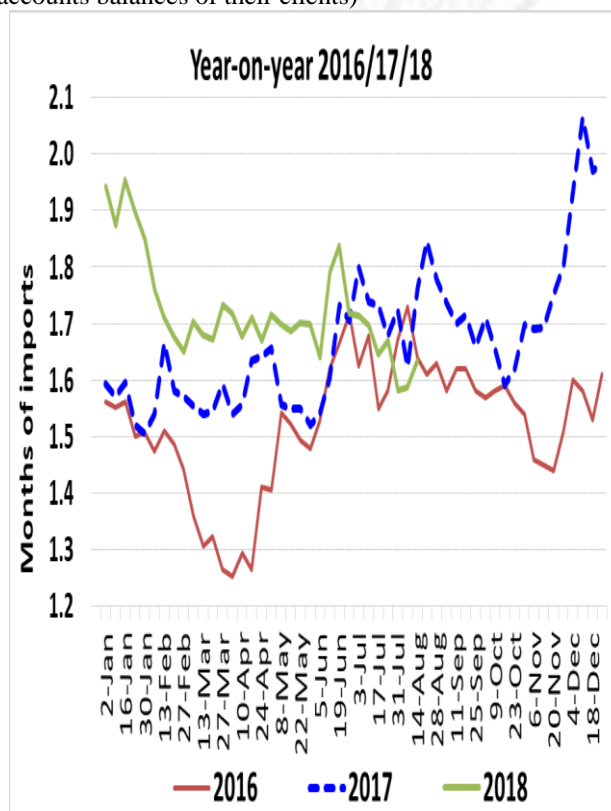
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
3 rd Aug 2018	60.18	70.32
10 th Aug 2018	34.97	45.64
17 th Aug 2018	49.06	61.89
24 th Aug 2018	37.75	43.58
29 th Aug 2018	6.47	7.46

Commentary:

- ADB's FX trading dropped during the week ending 24th August 2018 compared to the previous week. ADBs purchased a total of US\$37.75 million from the market and sold a total of US\$43.58 million during the week. On Wednesday, 29th August 2018, ADBs purchased US\$6.47 million from the market and sold US\$7.46 million.

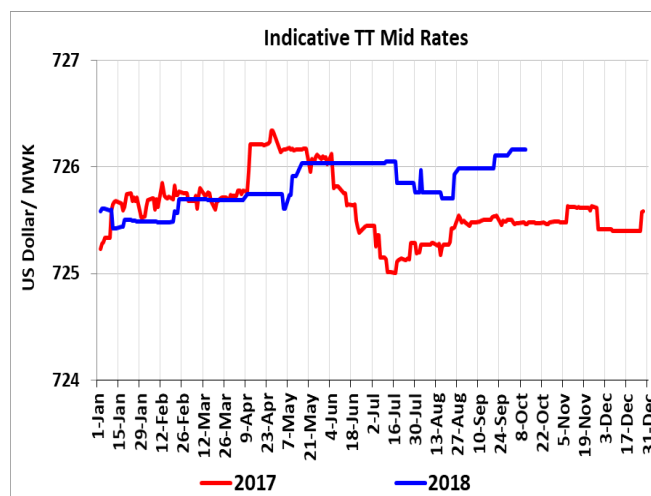
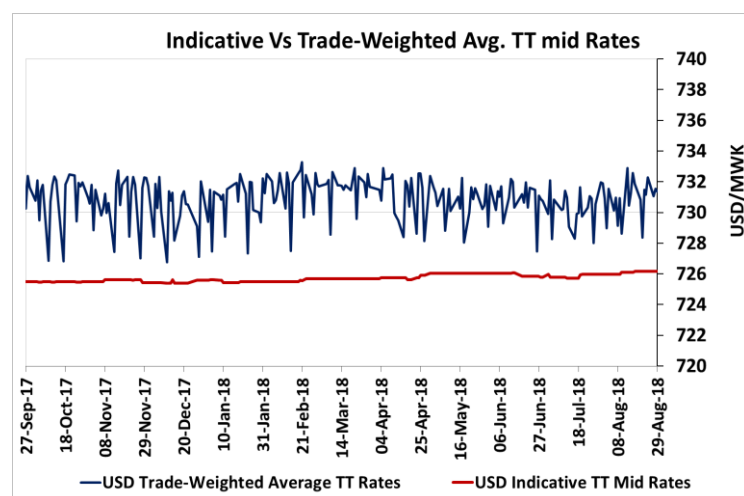


iii. Exchange Rate Developments

	23 rd August 2018	24 th August 2018	27 th August 2018	28 th August 2018	29 th August 2018	Today's indicative Rates
MWK/USD	731.1562	732.2697	731.0493	731.5413	731.3404	726.1646
MWK/GBP	942.2221	936.2511	939.3214	945.3742	936.7974	933.7751
MWK/EUR	845.1114	843.2108	846.8093	852.3561	852.7491	848.4507
MWK/ZAR	50.7293	50.8875	51.0939	51.4776	51.3991	51.0334

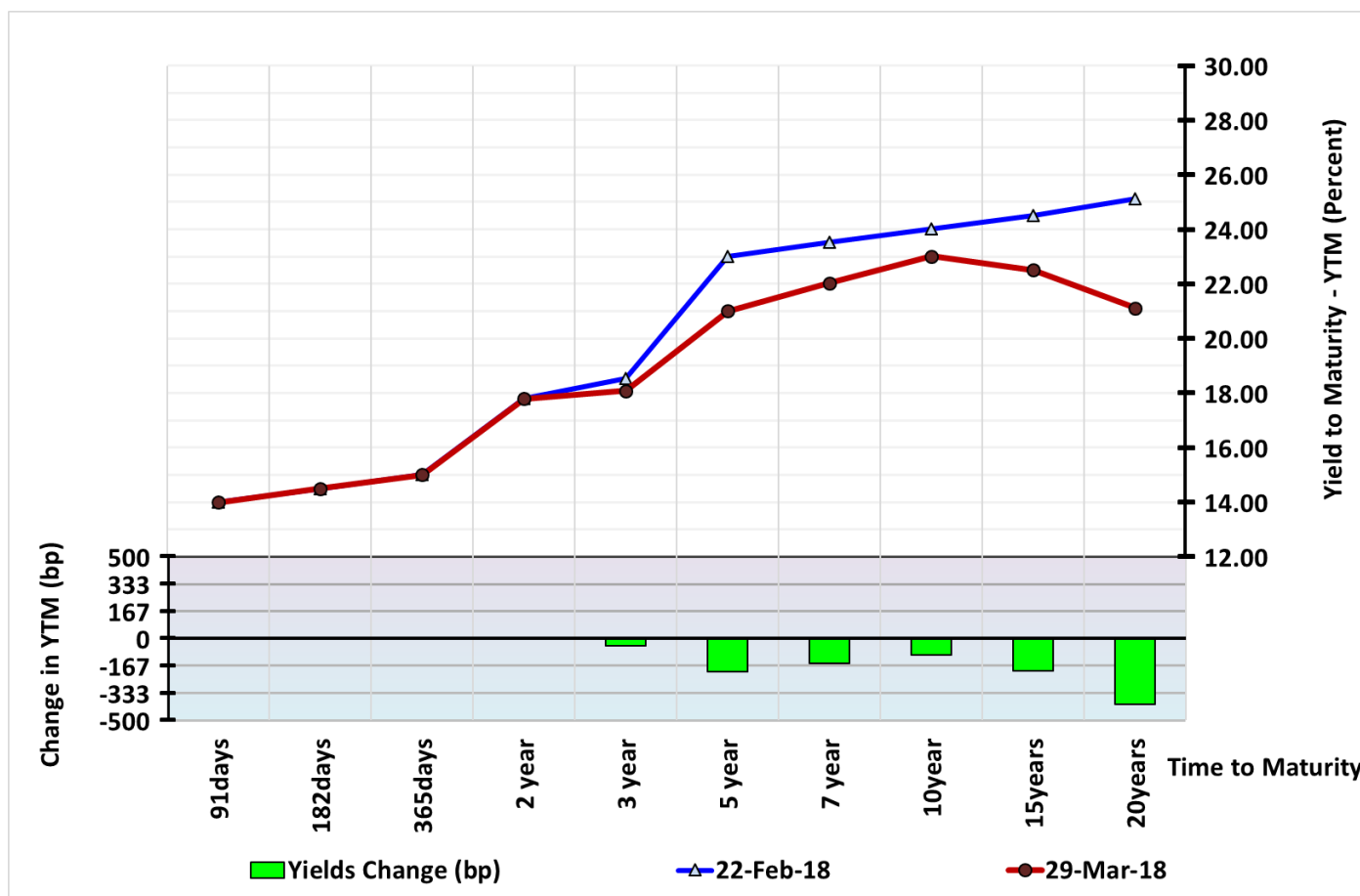
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday, 29th August 2018, the Kwacha appreciated against the USD, the GBP and the ZAR but depreciated against the EUR. Indicatively, the local currency is expected to trade at K726.1646 per US Dollar today, 30th August 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 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%
22 nd February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%	24.01%	24.51%	25.12%
29 th 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



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