



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 11<sup>th</sup> October 2018

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 12 <sup>th</sup> October 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-7,547	-4,940
Estimated Excess Reserves before OMO	-6,524	-3,221
Estimated Excess Reserves after OMO	0	0
Required Reserves	78,233	78,233

#### ii. Known Projected Transactions

	Week ending 12 <sup>th</sup> October 2018	Week ending 19 <sup>th</sup> October 2018	Week ending 26 <sup>th</sup> October 2018	October 2018
Maturity of normal TBs/TNs/PNs	6,011	18,484	5,766	38,454
Maturity of OMO Repos	2,224	6,463	14,700	33,547

#### Commentary:

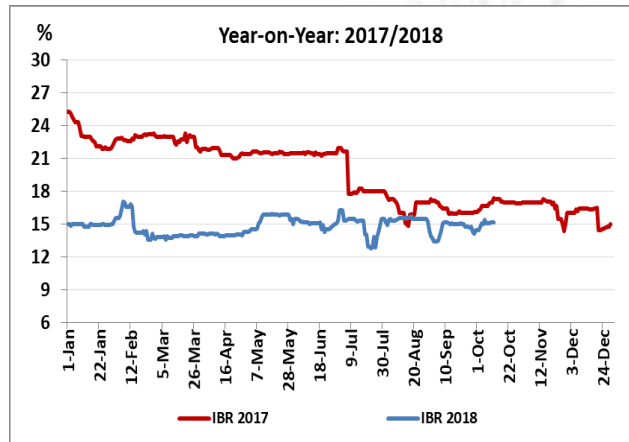
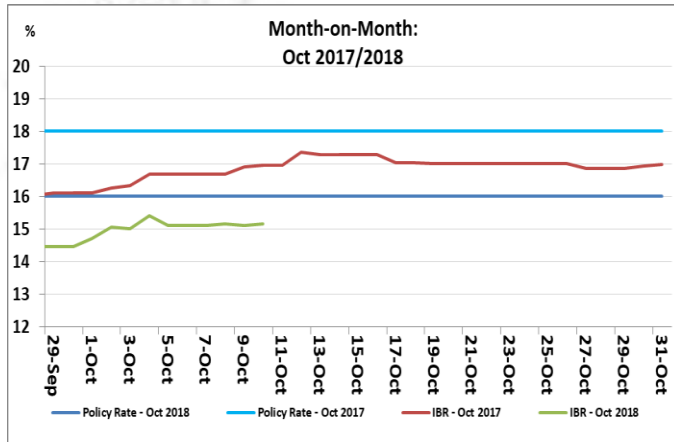
Excess reserves dropped to K1.02 billion on Wednesday, 10<sup>th</sup> October 2018, from K2.96 billion recorded on Tuesday, 9<sup>th</sup> October 2018.

### 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	10,135	15.17
7 days	-	-
<b>(b) RBM Open market operations</b>		
(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	-	-
<b>(c) Access on the Lombard Facility</b>	<b>7,490</b>	<b>18.00</b>

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the interbank market dropped to K10.13 billion on Wednesday, 10<sup>th</sup> October 2018, from K12.47 billion on 9<sup>th</sup> October 2018.
- The overnight interbank market rate (IBR) gained 5 basis points to close at 15.17 percent from 15.12 percent that was recorded on Tuesday, 9<sup>th</sup> October 2018.
- A total of K7.49 billion was borrowed from the Lombard Facility on Wednesday, 10<sup>th</sup> October 2018.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

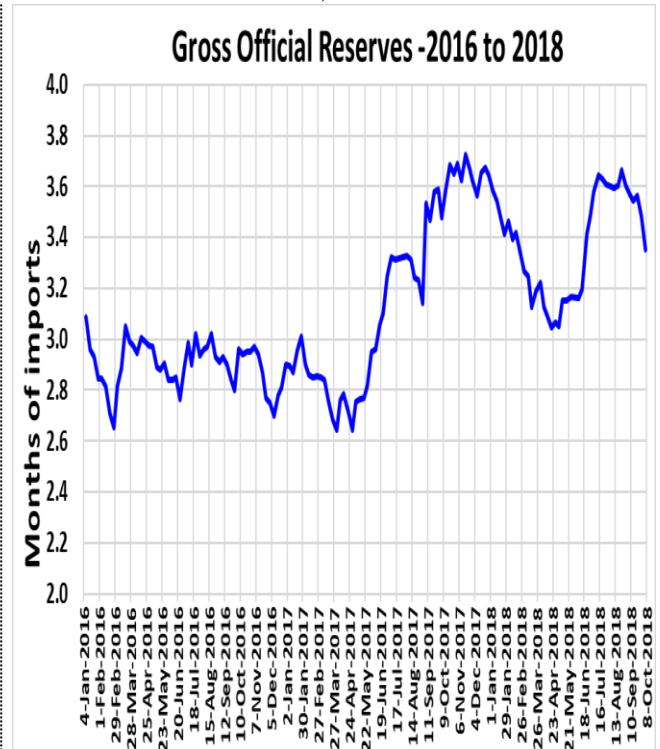
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
30 <sup>th</sup> April 2018	637.77	3.05
31 <sup>st</sup> May 2018	662.21	3.17
29 <sup>th</sup> June 2018	728.10	3.48
31 <sup>st</sup> July 2018	754.23	3.61
31 <sup>st</sup> Aug 2018	753.52	3.61
28 <sup>th</sup> Sep 2018	727.63	3.48

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

### Commentary:

- Gross official reserves decreased during September 2018 to \$727.63 million (3.48 months of imports) from \$753.52 million (3.61 months of imports) at the end of the preceding month.



## 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)
29 <sup>th</sup> June 2018	12.81	370.98	383.79	1.84
31 <sup>st</sup> July 2018	1.87	336.61	338.48	1.62
31 <sup>st</sup> Aug 2018	-9.18	341.24	332.06	1.59
28 <sup>th</sup> Sep 2018	0.80	318.43	319.23	1.52

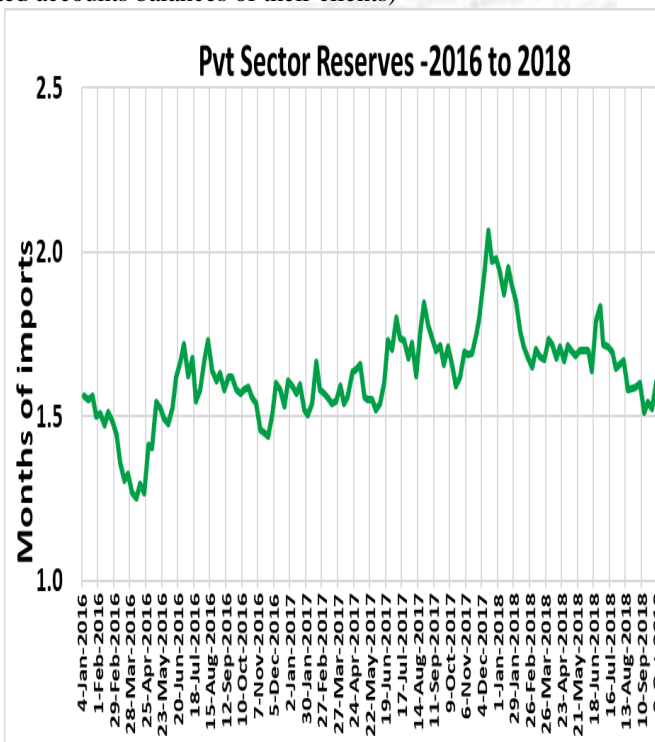
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
21 <sup>st</sup> Sep 2018	40.25	36.77
28 <sup>th</sup> Sep 2018	42.80	44.52
5 <sup>th</sup> Oct 2018	52.78	45.17
10 <sup>th</sup> Oct 2018	6.68	6.23

#### Commentary:

- ADB's FX trading increased during the week ending 5<sup>th</sup> October 2018 compared to the previous week. ADBs purchased a total of US\$52.78 million from the market and sold a total of US\$45.17 million during the week. On Wednesday, 10<sup>th</sup> October 2018, ADBs purchased US\$6.68 million from the market and sold US\$6.23 million.

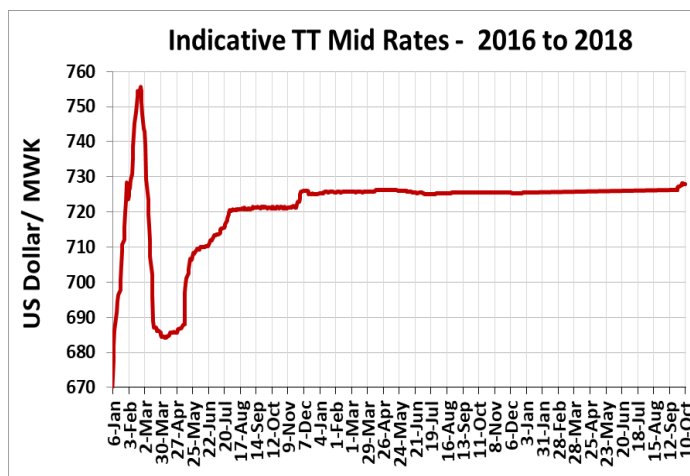
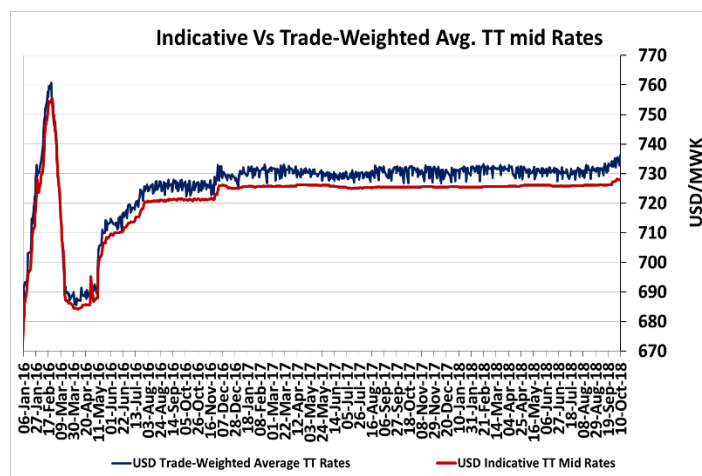


## iii. Exchange Rate Developments

	4 <sup>th</sup> Oct 2018	5 <sup>th</sup> Oct 2018	8 <sup>th</sup> October 2018	9 <sup>th</sup> October 2018	10 <sup>th</sup> October 2018	Today's indicative Rates
MWK/USD	735.1301	735.5552	732.7987	734.2403	736.3416	727.9975
MWK/GBP	942.3976	953.6142	959.1850	958.8943	959.8066	962.1943
MWK/EUR	844.3360	843.0217	840.6120	842.7336	846.7865	841.2011
MWK/ZAR	50.0123	49.3756	49.5222	49.2912	50.1270	49.3655

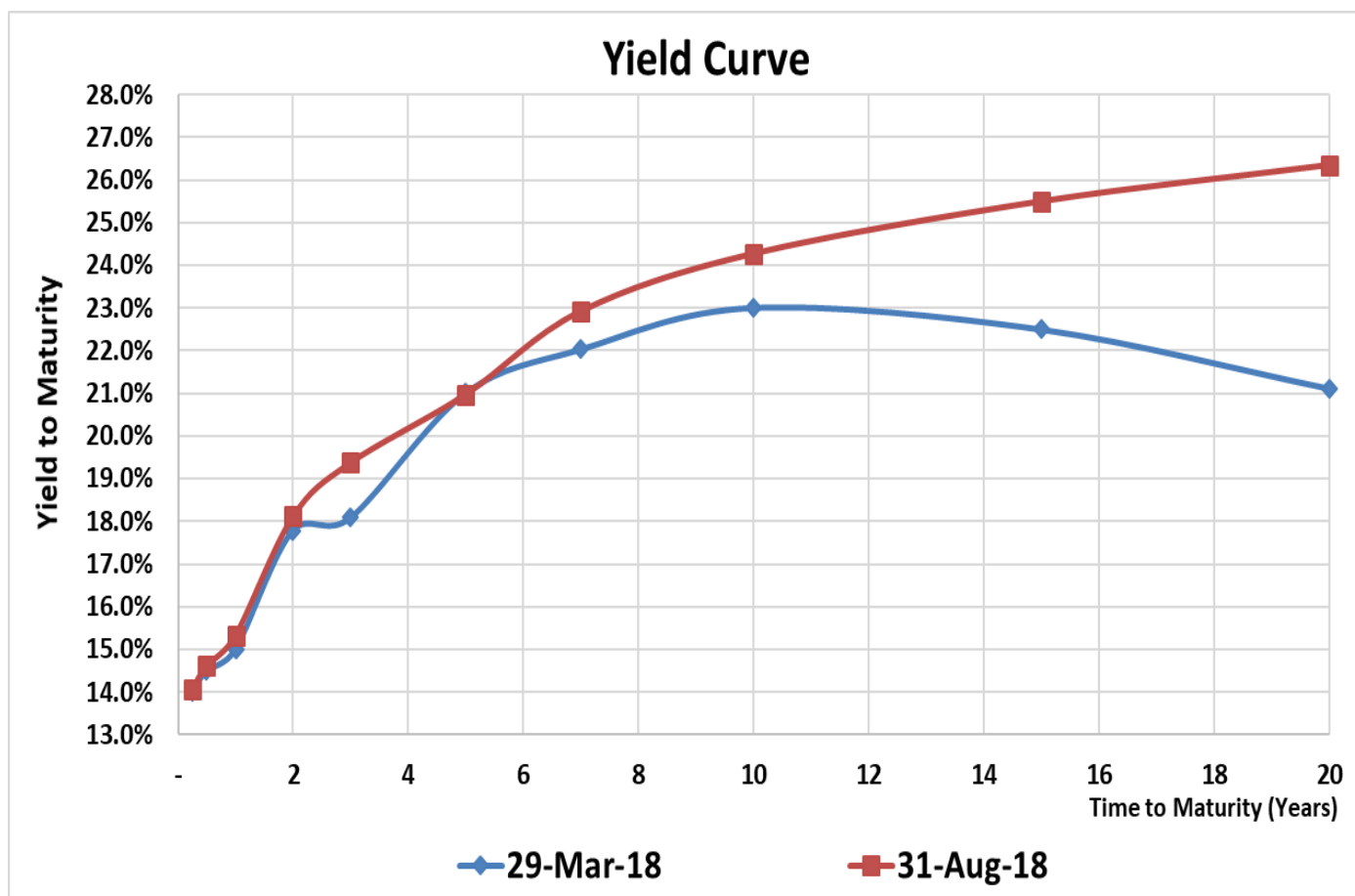
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Wednesday, 10<sup>th</sup> October 2018, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency traded at 727.9975 per US Dollar, today 11<sup>th</sup> October 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
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%
31 <sup>st</sup> August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%	24.28%	25.50%	26.35%
31 Aug – 29 Mar 2018 Change in Yield (Bp)	7	13	33	32	129	(4)	89	126	299	523



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