



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Thursday, 25th October 2018

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 26 th October 2018
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	3,359	9,311
Estimated Excess Reserves before OMO	13,253	12,596
Estimated Excess Reserves after OMO	0	0
Required Reserves	78,233	78,233

ii. Known Projected Transactions

	Week ending 12 th October 2018	Week ending 19 th October 2018	Week ending 26 th 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:

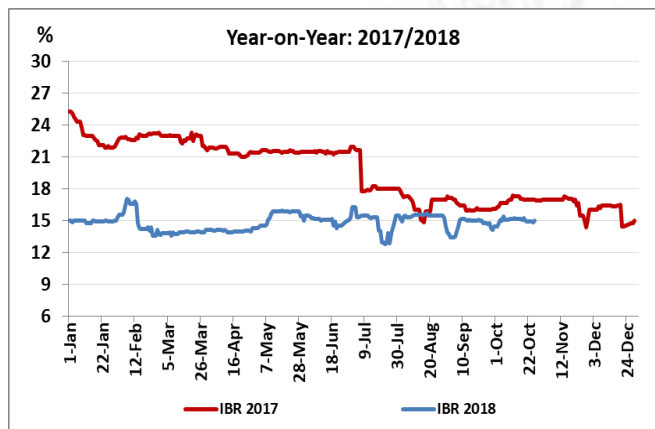
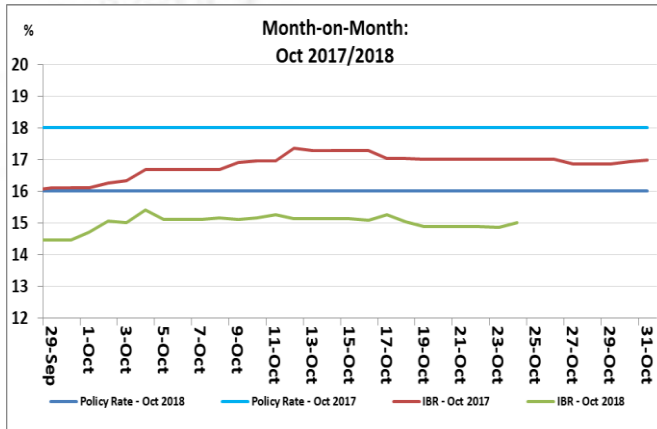
Excess reserves increased to K9.89 billion on Wednesday, 24th October 2018, from K4.15 billion recorded on Tuesday, 23rd October 2018.

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	4,580	15.02
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	2,715	18.00

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market marginally increased to K4.58 billion on Wednesday, 24th October 2018, from K4.35 billion on 23rd October 2018.
- The overnight interbank market rate (IBR) increased by 17 basis points (bps) to 15.02 percent on 24th October, 2018 from 14.85 percent on 23rd October 2018.
- A total of K2.71 billion was borrowed from the Lombard Facility on Wednesday, 24th October 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

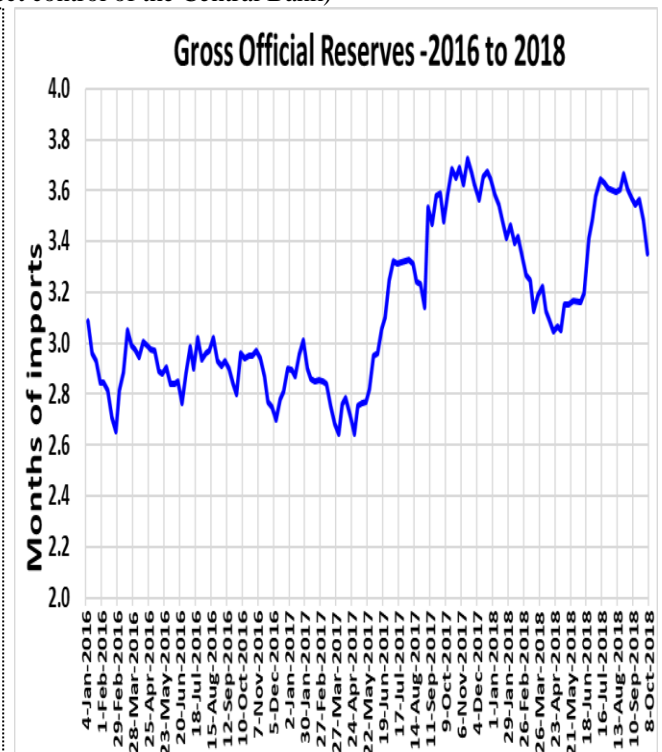
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
30 th April 2018	637.77	3.05
31 st May 2018	662.21	3.17
29 th June 2018	728.10	3.48
31 st July 2018	754.23	3.61
31 st Aug 2018	753.52	3.61
28 th 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 th June 2018	12.81	370.98	383.79	1.84
31 st July 2018	1.87	336.61	338.48	1.62
31 st Aug 2018	-9.18	341.24	332.06	1.59
28 th Sep 2018	0.80	318.43	319.23	1.52

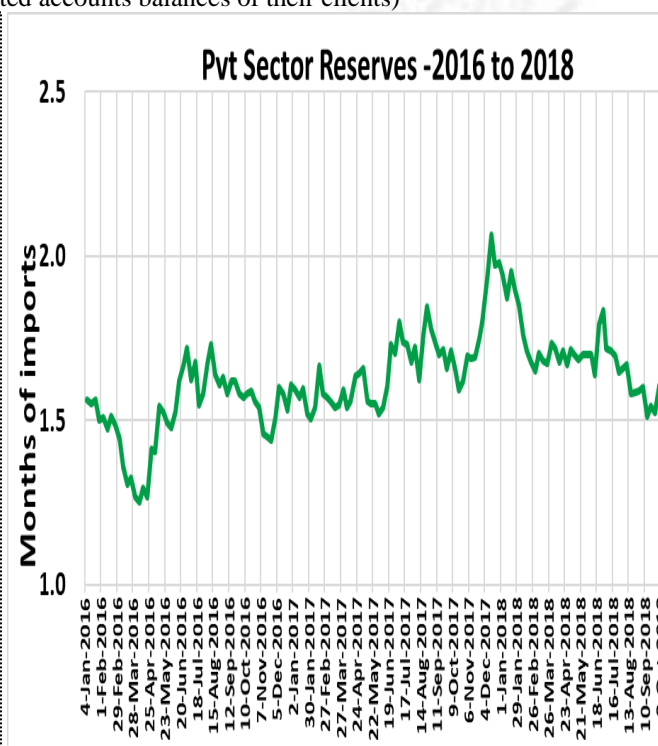
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
5 th Oct 2018	52.78	45.17
12 th Oct 2018	44.05	43.50
19 th Oct 2018	30.77	36.46
24 th Oct 2018	8.57	8.88

Commentary:

- ADB's FX trading dropped during the week ending 19th October 2018 compared to the previous week. ADB's purchased a total of US\$30.77 million from the market and sold a total of US\$36.46 million during the week. On Wednesday, 24th October 2018, ADB's purchased US\$8.57 million from the market and sold US\$8.88 million.

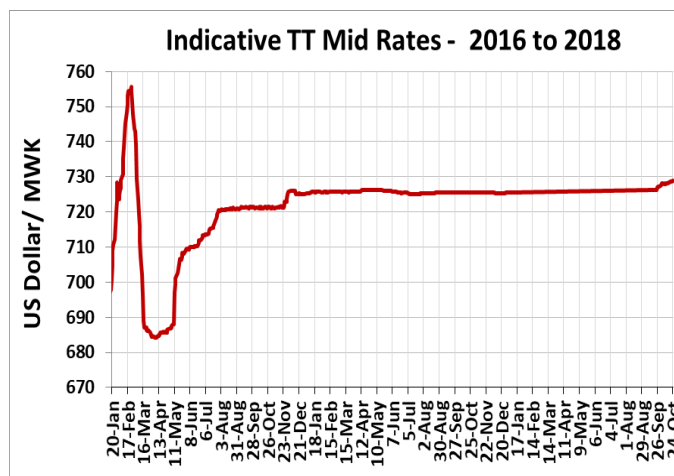
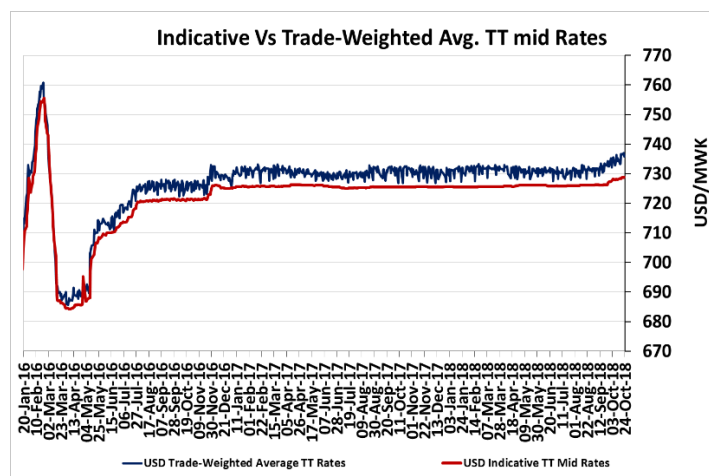


iii. Exchange Rate Developments

	18 th Oct 2018	19 th Oct 2018	22 nd Oct 2018	23 rd Oct 2018	24 th Oct 2018	Today's indicative Rates
MWK/USD	736.6217	736.4659	736.9858	735.7905	736.9929	728.9845
MWK/GBP	957.4328	951.3166	957.9141	946.7767	951.2966	939.5152
MWK/EUR	842.9533	841.4933	845.9930	839.5750	842.0278	831.6255
MWK/ZAR	51.3152	50.9711	51.1010	51.1618	51.4901	50.0264

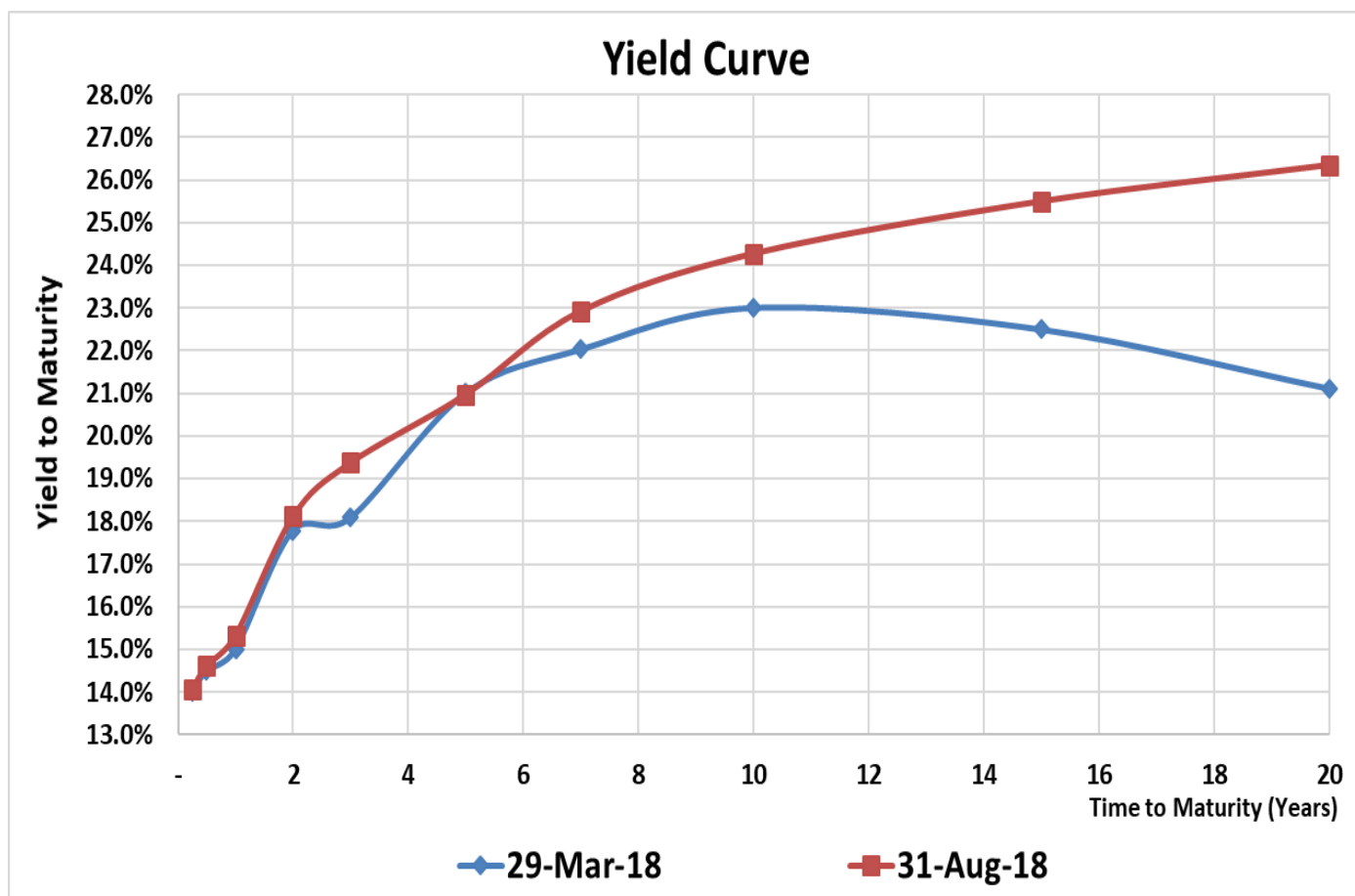
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Wednesday, 24th October 2018, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the local currency traded at 728.9845 per US Dollar, today 25th 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 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%
31 st 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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