



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 2nd January 2019

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 4 th January 2019
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	12,799	33
Estimated Excess Reserves before OMO	-6,398	7,731
Estimated Excess Reserves after OMO	0	0
Required Reserves	79,687	79,687

ii. Known Projected Transactions

	Week ending 14 th December 2018	Week ending 21 st December 2018	Week ending 28 th December 2018	December 2018	January 2019
Maturity of normal TBs/TNs/PNs	8,652	7,668	6,521	31,310	78,973
Maturity of OMO Repos	7,618	21,164	21,930	52,222	

Commentary:

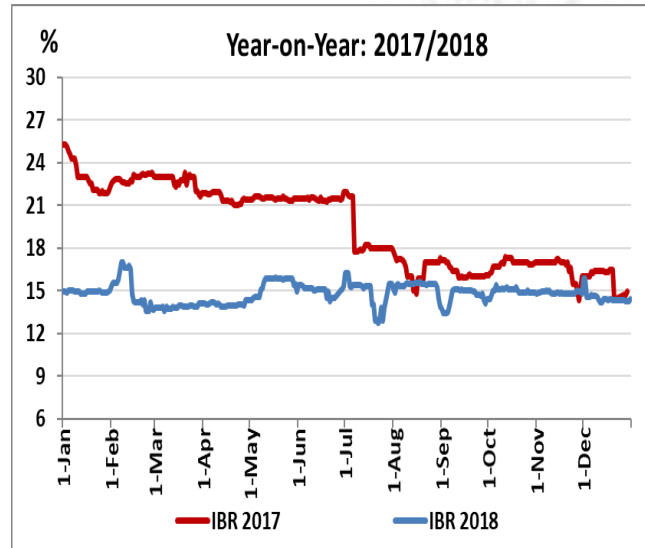
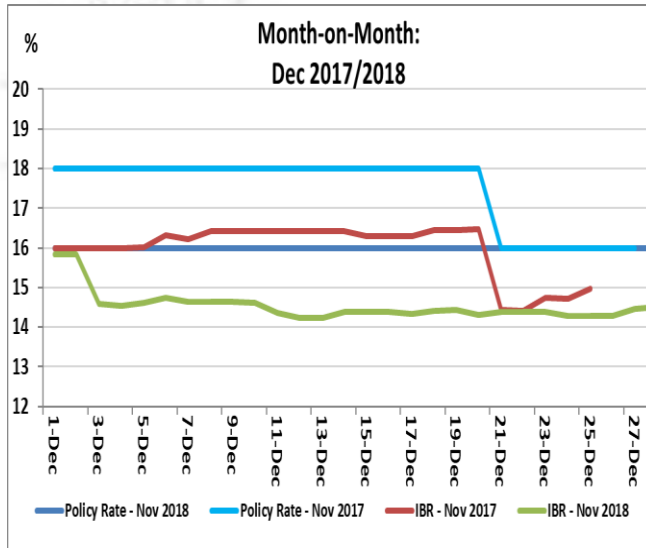
Excess reserves dropped to negative K20.10 billion on Monday, 31st December 2018, from K6.53 billion recorded on Friday, 28th December 2018.

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	5,200	14.63
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	1,350	18.00

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market declined to K5.30 billion on Monday, 31st December 2018, from K8.30 billion on Friday, 28th December 2018.
- The overnight interbank market rate (IBR) increased by 12 basis points (bps) to 14.63 percent on 31st December 2018 from 14.51 percent on 28th December 2018.
- A total of K1.35 billion was accessed from the Lombard Facility on Monday, 31st December 2018.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

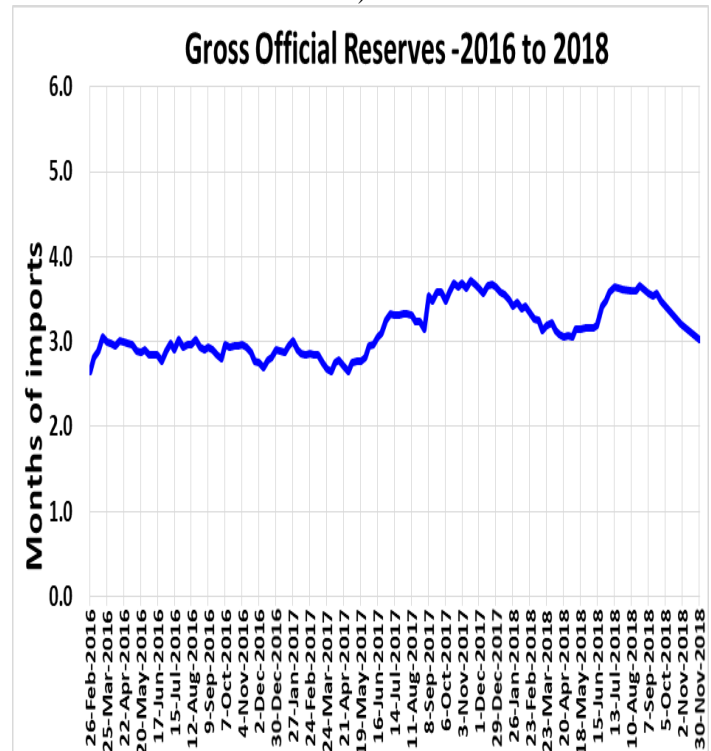
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
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
31 st Oct 2018	669.92	3.20
30 th Nov 2018	631.21	3.04

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

Commentary:

- Gross official reserves decreased during November 2018 to \$631.21 million (3.04 months of imports) from \$669.92 million (3.20 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)
31 st Aug 2018	-9.18	341.24	332.06	1.59
28 th Sep 2018	0.80	318.43	319.23	1.53
31 st Oct 2018	0.80	328.43	329.23	1.58
30 th Nov 2018	1.63	336.28	337.92	1.62

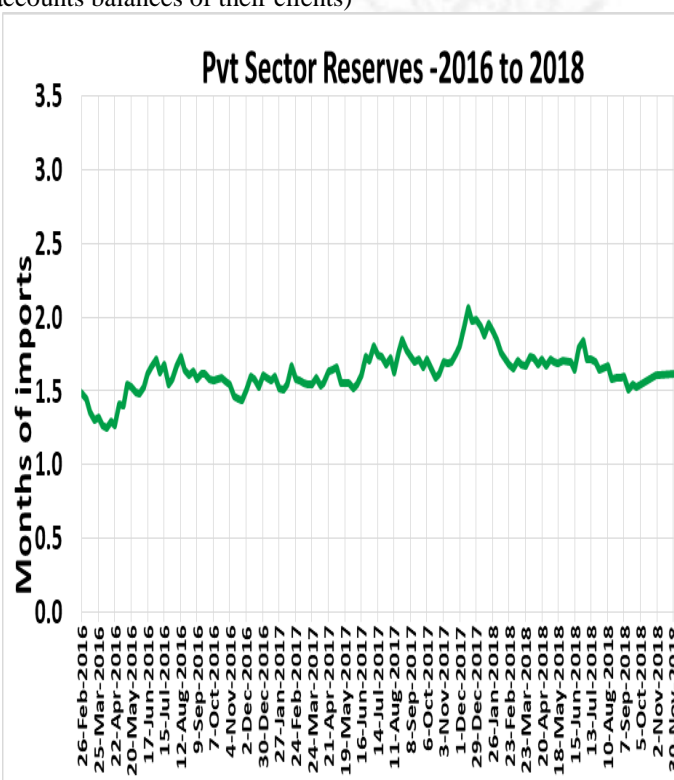
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
14 th Dec 2018	58.89	58.21
21 st Dec 2018	51.92	50.28
28 th Dec 2018	17.87	26.65
On 31 st Dec 2018	4.73	3.63

Commentary:

- ADB's FX trading dropped during the week ending 28th December 2018 compared to the previous week. ADBs purchased a total of US\$17.87 million from the market and sold a total of US\$26.65 million during the week. On Monday, 31st December 2018, ADBs purchased US\$4.73 million from the market and sold US\$3.63 million.

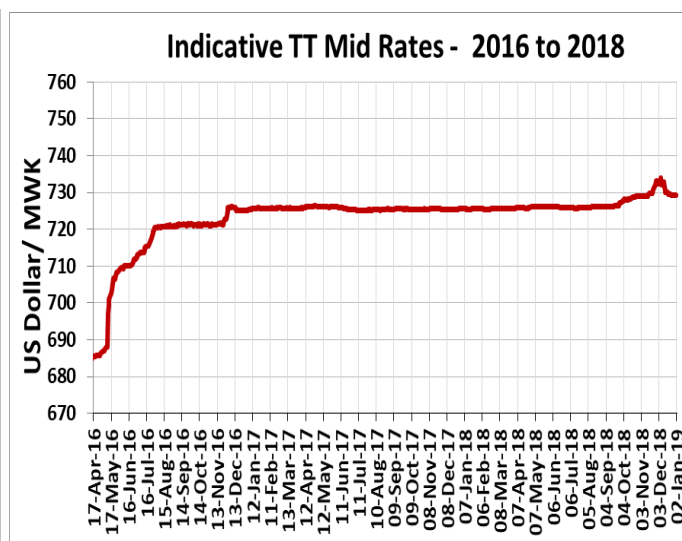
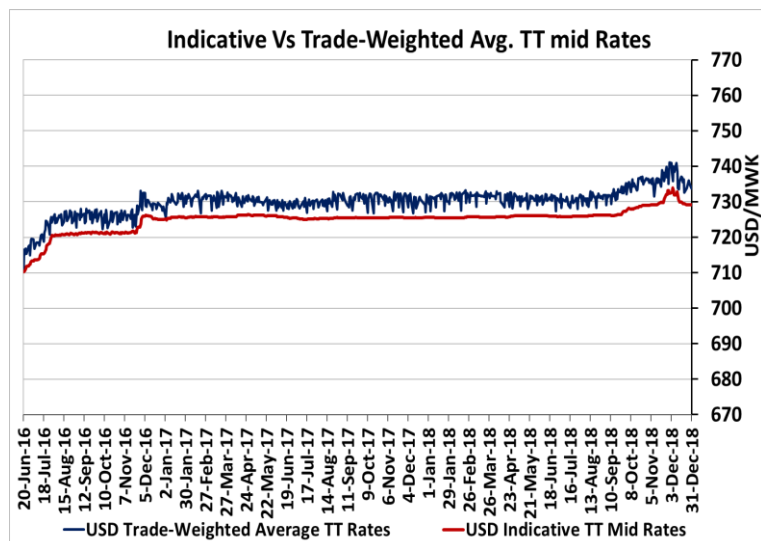


iii. Exchange Rate Developments

	21 st Dec 2018	24 th Dec 2018	27 th Dec 2018	28 th Dec 2018	31 st Dec 2018	Today's indicative Rates
MWK/USD	732.5735	733.7667	735.9742	734.9780	733.6915	729.1757
MWK/GBP	925.1153	925.7998	926.8597	925.4860	926.8341	928.3865
MWK/EUR	839.7288	833.1349	836.1655	839.2483	836.7521	834.6874
MWK/ZAR	51.3568	50.4247	50.5907	50.8393	50.9603	50.6724

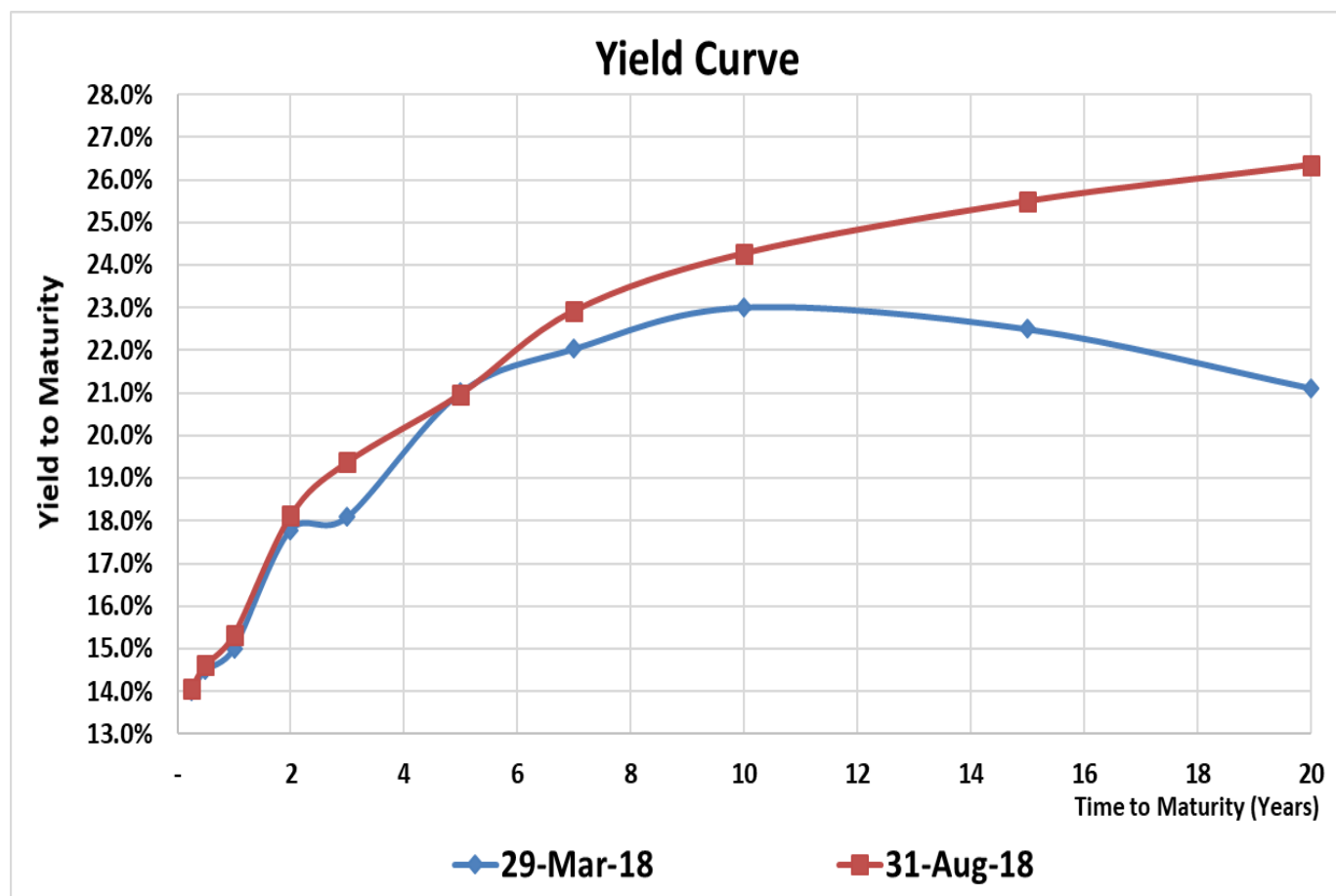
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Monday, 31st December 2018, the Kwacha appreciated against the USD and the EUR but depreciated against the GBP and the ZAR. Indicatively, the local currency is expected to be trading at 729.1757 per US Dollar, today 31st December 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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